STOCK CODE: 1337

ANNUAL REPORT 2020

RAZER INC.

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Min-Liang TAN
(Chairman & Chief Executive Officer)

Ms. LIU Siew Lan Patricia
(resigned on March 24, 2021)

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
9 Pasteur, Suite 100, Irvine, CA 92618,
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

Investor Relations Contact
Email: ir@razer.com

Corporate Website
www.razer.com

STOCK CODE: 1337

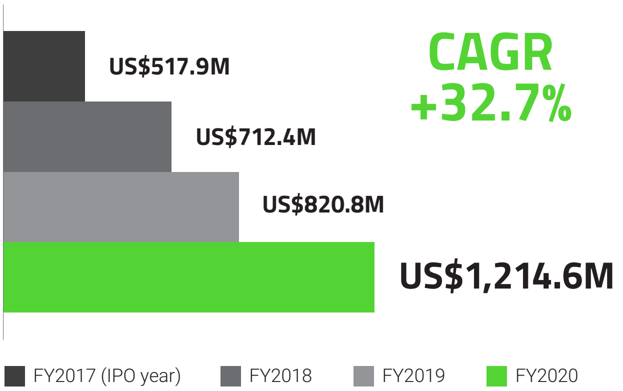

THIS IS ESPORTS
THIS IS ESPORTS
THIS IS ESPORTS
MIAMI SUNSET
MIAMI

FINANCIAL SUMMARY AND HIGHLIGHTS

FINANCIAL SUMMARY AND HIGHLIGHTS

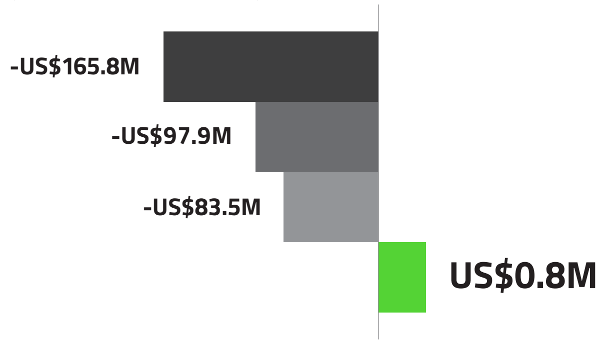
For the Year ended December 31, 2020

Record high revenue

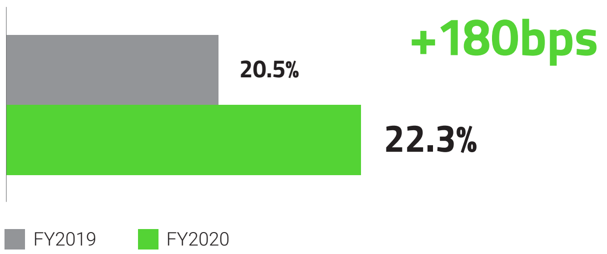


Turned profitable on GAAP basis

(ahead of all expectations)



Gross profit margin improvement



Positive operating cashflow

One of the strongest balance sheets in the industry

NO DEBT WITH OVER **US$600M** IN CASH

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,				
	2016 US$'000	2017 US$'000	2018 US$'000	2019 US$'000	**2020 US$'000**
Revenue	392,099	517,937	712,439	820,795	**1,214,570**
Gross profit	109,451	151,025	170,078	168,063	**271,008**
Profit/(loss) before income tax	(63,270)	(164,585)	(89,547)	(77,816)	**4,352**
Profit/(loss) for the year	(59,616)	(165,839)	(97,908)	(83,470)	**805**
Total comprehensive income for the year	(59,696)	(164,877)	(103,308)	(83,252)	**6,955**
Profit/(loss) attributable to equity shareholders of the Company	(59,332)	(164,020)	(96,966)	(84,179)	**5,626**
Total comprehensive income attributable to equity shareholders of the Company	(59,412)	(163,058)	(102,453)	(81,755)	**11,381**

Condensed Consolidated Statements of Financial Position

	As at December 31,				
	2016 US$'000	2017 US$'000	2018 US$'000 (Restated)	2019 US$'000	**2020 US$'000**
Non-current assets	52,722	93,429	144,576	146,879	**200,273**
Current assets	263,758	911,834	885,156	847,928	**1,042,618**
Total assets	316,480	1,005,263	1,029,732	994,807	**1,242,891**
Current liabilities	164,776	217,966	353,879	401,920	**620,568**
Net current assets	98,982	693,868	531,277	446,008	**420,050**
Non-current liabilities	3,516	3,921	13,911	18,099	**15,099**
Net assets	148,188	783,376	661,942	574,788	**607,224**
Total equity attributable to equity shareholders of the Company	144,601	781,608	659,810	568,275	**581,921**
Non-controlling interests	3,587	1,768	2,132	6,513	**25,303**
Total equity	148,188	783,376	661,942	574,788	**607,224**

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

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

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

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

- **Record high revenue of US$1.2 billion with 48.0% year-on-year growth**, driven by robust demand, as well as market share gains for the Hardware business and continued exponential growth of the Services segment
- **Gross Profit Margin improved to 22.3%**, driven by improving margins in the Hardware segment and increased contribution of the higher margin Services business to the Group
- **Turned profitable with GAAP Net Profit of US$0.8 million, ahead of all expectations**, fuelled by exceptional revenue growth and productivity improvements
- **Cashflow from operating activities turned positive to US$152.9 million**, driven by strong operating profits, efficient working capital management and cash discipline
- **Cash Balance increased to over US$600 million with no debt**, one of the strongest balance sheets in the industry

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

Record awards at CES year after year with tremendous gains in Systems Growth solutions as Razer expands further into gaming desktops and introduces high end gaming components

Core Segment

HARDWARE:

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

In 2020, our Hardware business grew by 51.8% year-on-year to US$1,083.7 million, driven by the robust growth of our Peripherals and Systems businesses. Our ability to roll out innovative, category-defining products puts us at the forefront of the industry. Razer was crowned the official Consumer Electronics Show's ("CES") Best of CES for the 9th time in the Company's history.

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

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

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

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

SOFTWARE:

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

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

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

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

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

SERVICES:

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

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

RAZER GOLD

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

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

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

Bringing console quality gameplay to mobile devices everywhere

RAZER FINTECH

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

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

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

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

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

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

Growth Initiatives

MOBILE/CLOUD GAMING

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

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

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

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

The Razer Iskur's built-in ergonomic lumbar support provides ideal posture for competitive gaming

ESPORTS:

RAZER CONTINUES TO BE ONE OF THE WORLD'S MOST RECOGNIZED BRANDS IN ESPORTS

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

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

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

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

ESG

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

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

Over 180,000 trees saved since the launch of Sneki Snek

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

Our sustainability initiatives will focus on four key areas:

- **Green Organization:** Where we pledge to use recycled and recyclables by the end of 2021, renewable energy by 2025 and be carbon neutral by 2030
- **Green Products:** Where we aim to achieve consumer transparency with carbon consumer labels by 2022, 100% of all Razer products can be recycled with Razer by 2025, and that 100% of Razer products will utilize recycled or recyclable materials by 2030
- **Green Community:** Where we educate our fans through various activations such as the saving of one million trees with Sneki Snek campaign in partnership with Conservation International
- **Green Investments:** Where we play our part for the environment by supporting and investing in environment and sustainability start ups

  a) Renewable energy
  b) Carbon reduction
  c) Plastics management
  d) Water solutions

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

Outlook

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

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

Outsized Revenue Growth:
- New Hardware product introductions
- Growth of Software userbase
- Further investments to scale fast-growing Services business

Continued Profitability:
- Improvement of Hardware margins
- Strong OPEX discipline
- Expansion of higher-margin Hardware and Services as part of the revenue mix

Use of Cash:
- Investments in R&D for new Hardware and development of new Services
- Continued share buybacks
- Investment/M&A activities

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

For Gamers. By Gamers.

Min-Liang Tan
Co-Founder, Chairman and CEO

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

MANAGEMENT DISCUSSION AND ANALYSIS


RAZER

MANAGEMENT DISCUSSION AND ANALYSIS

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

Revenue

Our revenue increased by 48.0% from US$820.8 million in 2019 to US$1,214.6 million in 2020, due to an increase in revenue from both our Hardware and Software and Services businesses.

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

	Year ended December 31,			
	2020		2019	
	US$'000	**%**	US$'000	%
Segment Revenue				
Hardware				
Peripherals	**773,226**	**63.7**	444,902	54.2
Systems	**310,483**	**25.5**	269,077	32.8
Software and Services	**128,388**	**10.6**	77,027	9.4
Others	**2,473**	**0.2**	29,789	3.6
	1,214,570	**100.0**	820,795	100.0

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

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

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

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

Cost of sales and gross profit

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

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

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

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

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

Selling and marketing expenses

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

Research and development expenses

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

General and administrative expenses

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

Impairment of goodwill and other assets

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

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

Other non-operating income

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

Net finance income

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

Profit/(loss) before income tax

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

Income tax expense

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

Profit/(loss) for the year

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

Non-GAAP Measures

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

Adjusted profit/(loss) before income tax

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

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

Adjusted EBITDA

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

OTHER FINANCIAL INFORMATION

Capital Expenditures

	Year ended December 31,	
	2020 **US$'000**	2019 US$'000
Capital Expenditures		
Acquisition of property, plant and equipment	**14,804**	10,369
Acquisition of intangible assets	**3,208**	4,492
Total	**18,012**	14,861

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

Treasury Policy

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

Foreign Exchange Risk

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

Bank Loans and Other Borrowings

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

Contingent Liabilities

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

Dividends

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

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries

Except as disclosed below, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the year ended December 31, 2020.

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

Material Investments

On January 22, 2021, Razer (USA) Ltd entered into an asset purchase agreement (the "APA") with Marketing Instincts, Inc. to acquire the business and assets of the Controller Gear business unit. The acquisition was completed on March 26, 2021. The consideration for the acquisition was the sum of (i) a cash consideration of US$8,500,000; (ii) an adjustment amount based on the working capital balance as of the closing date of the acquisition; and (iii) an aggregate earn-out amount (to be determined in accordance with the APA if certain financial targets are met for the financial years 2021 and 2022).

DIRECTORS AND SENIOR MANAGEMENT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DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Min-Liang Tan

Aged 43, was designated as an executive Director and was appointed as the Chairman of the Board in June 2017. He is also a member of the Remuneration Committee of the Company. Mr. Tan is a co-founder of the Company and has served as the Chief Executive Officer since September 2006. He also served as the Creative Director since September 2006 and is responsible for directing and overseeing the design and development of all products of the Company.

Mr. Tan also holds positions in other members of the Razer Group, namely as a director of Razer (Asia-Pacific) Pte. Ltd., Razer USA Ltd., Razer (Europe) GmbH, Jook, Inc., Razer Everglide Pte. Ltd., Razer Taiwan Co., Ltd. (台灣雷蛇有限公司), Razer Korea LLC, Razer Online Pte. Ltd., OUYA Global Pte. Ltd., RazerVentures Holdings Pte. Ltd., ZVF2 Pte. Ltd., THX Ltd., THX Holdings Limited, ZVMidas Pte. Ltd., Razer Midas Pte. Ltd., Razer Fintech Holdings Pte. Ltd., Razer Fintech (SG) Pte. Ltd., Respawn Pte. Ltd., MOL Global, Inc., MyCNX Holdings (M) Sdn. Bhd., MOLCube Sdn. Bhd., Razer Merchant Services Sdn. Bhd., RMS Loyalty Sdn. Bhd., Razer Wallet Services Sdn. Bhd., MOL Online Sdn. Bhd., MOL SocialPayments Sdn. Bhd., Sept 3 Technology Sdn. Bhd., MOL AccessPortal Pty Ltd, MOL Holdings (Thailand) Co., Ltd., MOL AccessPortal Co. Ltd. (萬利線上股份有限公司), Rixty Inc., MOL AccessPortal Sdn. Bhd., MOLPay International Ltd, Uniwiz Trade Sales, Inc., MOL Group (Thailand) Co., Ltd., MOL AccessPortal Co., Ltd., MMOG Asia (Thailand) Co., Ltd., Zest Interactive Co., Ltd., MOL Solutions Co., Ltd., e-Innovations Systems & Networks Thai Co., Ltd., 3Sept Corporation Co., Ltd., MOL Payment Co., Ltd., Razer Merchant Services (Taiwan) Corp (台灣雷蛇商家服務股份有限公司), Razer Pay Wallet (M) Sdn. Bhd., Razer Fintech (M) Sdn. Bhd., RMS Reloads Sdn. Bhd., Razer B Holdings Pte. Ltd., Razer B (Singapore) Pte. Ltd., MOL AccessPortal Pte. Ltd., Razer Merchant Services (SG) Pte. Ltd., MMOG Asia Sdn. Bhd., RMS ManagedServices Sdn. Bhd., MOL AccessPortal Inc., Sihirli Kule Bilgi Sistemleri Ltd, MOLPay Philippines Inc., Razer (Thailand) Co., Ltd., Paying Co., Ltd., THX Holdings (SG) Pte. Ltd., THX APAC Pte. Ltd., Razer Gold (SG) Pte. Ltd., Razer Merchant Services (Myanmar) Ltd, Razer Gold Sdn. Bhd. and the chief executive officer of Razer USA Ltd. and THX Ltd.

Prior to the founding of Razer in 2005, Mr. Tan was an attorney at Rajah & Tann, a law firm in Singapore.

Mr. Tan obtained a bachelor's degree in law from the National University of Singapore in August 2002.

Ms. Liu Siew Lan Patricia (Resigned on March 24, 2021)

Aged 56, was appointed as an executive Director in March 2019. Ms. Liu has served as the Chief of Staff of Razer since February 2018, and is responsible for leading the Company's strategic planning, overseeing organization-wide projects and strategic initiatives. Ms. Liu also plans and directs all administrative, HR, eCommerce, and customer advocacy activities in Razer.

Ms. Liu was the Chief Customer Officer of Razer from August 2016 to January 2018 and a consultant in Razer (Asia-Pacific) Pte. Ltd., a wholly-owned subsidiary of the Company, from 2012 to 2013.

Ms. Liu also serves as a director in certain subsidiaries of the Company, namely MOL Global Inc., MOL AccessPortal Sdn. Bhd., MOLCube Sdn. Bhd., Razer Merchant Services Sdn. Bhd., e-Innovations Systems & Networks Thai Co., Ltd., 3Sept Corporations Co., Ltd., MOL AccessPortal Pty. Ltd., MOL Holdings (Thailand) Co., Ltd., Rixty, Inc., MyCNX Holdings (M) Sdn. Bhd., MOL SocialPayments Sdn. Bhd., Sept 3 Technology Sdn. Bhd., Uniwiz Trade Sales, Inc., Razer Health Pte. Ltd., Razer (Thailand) Co., Ltd., MOL AccessPortal Co., Ltd., MMOG Asia (Thailand) Co., Ltd., Zest Interactive Co., Ltd., MOL Solutions Co., Ltd., MOL AccessPortal Co. Ltd. (萬利線上股份有限公司) and Razer Gold Sdn. Bhd.

Prior to joining Razer, Ms. Liu was the Managing Director (Asia Pacific) of Omega Engineering, part of Spectris plc, a precision instrumentation and controls company listed on the London Stock Exchange (Stock Code: SXS). In her tenure of 15 years at Hewlett Packard, she served in various positions including Vice President and General Manager of Sales Operations, Chief of Staff in the Asia Pacific Global Operations and Information Technology group as well as other leadership positions in Marketing, Product Management, Total Customer Experience, Quality Management, and Corporate Communications.

Ms. Liu holds a bachelor of business administration from the National University of Singapore and an executive diploma in board directorship from Singapore Management University.

Mr. Tan Chong Neng

Aged 47, was appointed as an executive Director in March 2020. Mr. Tan has served as the Chief Financial Officer since January 2020. Mr. Tan previously served as Senior Vice President, Corporate Controller from November 2017 to December 2019.

Mr. Tan also serves as a director in certain subsidiaries of the Company, Razer (Asia-Pacific) Pte. Ltd., RazerVentures Holdings Pte. Ltd., ZVF1 Pte. Ltd., ZVF2 Pte. Ltd., ZVMidas Pte. Ltd., THX Ltd. and MOL Turkey Bilgi Sistemleri Yayincilik Gida ve Tekstil Sanayi Ticaret Anonim Sirketi.

A finance veteran of more than 20 years, Mr. Tan was the Group Chief Financial Officer of the Tri-Star Group prior to joining Razer. He also served as the Chief Operating Officer and Chief Financial Officer of Stanley Security Solutions in Asia Pacific. Prior to this, Mr. Tan spent 10 years in United Technologies Corporation, taking on positions of increasing responsibility from the Regional Financial Controller role to Regional Finance Director, covering different countries.

Mr. Tan holds a master's degree in business administration from Manchester Business School and a bachelor of accountancy from Nanyang Technological University, and is a Chartered Accountant (Singapore).

Non-executive Director

Mr. Lim Kaling

Aged 57, was designated as a non-executive Director in June 2017. He is also a member of the Nomination Committee of the Company. Mr. Lim has been the founding investor since May 2005 and has served as a member of the Board since November 2012.

Mr. Lim worked at Slot Speaker Technologies, Inc. as the chief executive officer and chairman from June 2012, as a director from November 2002 and as an executive officer from November 2005. Mr. Lim has over 33 years of experience in private equity and as a seed investor. Mr. Lim was a founding investor of Premisys Communications Inc., a company listed on NASDAQ and was subsequently acquired by Zhone Technologies Pte Ltd. Mr. Lim served as a director of Premisys Communications Inc. from 1990 to 1996. Mr. Lim was also the founding investor of Lucasfilm Animation Singapore Pte Ltd. and has served as a director since 2004. Currently, Mr. Lim is the chairman of his 100-year old family business, Lim Teck Lee Pte Ltd. Mr. Lim also sat on the board of directors of a joint venture company with Volvo, NSK Bearings (Malaysia) Sdn. Bhd. and Singapore Electrical Steel Services Pte Ltd.

Mr. Lim obtained a bachelor of science in business administration from the University of California, Berkeley in June 1983.

Independent Non-executive Directors

Mr. Chau Kwok Fun Kevin

Aged 60, was appointed as an independent non-executive Director with effect from October 2017. Mr. Chau is also the chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee and the Nomination Committee of the Company.

Mr. Chau began his career in 1982 with a U.S. bank in New York dealing in fixed income and derivative syndication and had been posted to the bank's London and Tokyo offices. In 1990, Mr. Chau set up his own real estate investment company in California, the United States, investing in real estate projects in Texas and California. Since 1996, Mr. Chau has been an independent non-executive director of the Tai Sang Land Development Limited (a company listed on the Stock Exchange of Hong Kong Limited (Stock Code: 89)). From 2005 to 2012, Mr. Chau was the executive vice chairman of Sincere Watch (Hong Kong) Limited (a company listed on the Stock Exchange of Hong Kong Limited (Stock Code: 444)) ("Sincere Watch Group"), during which he was responsible for the overall development of Sincere Watch Group's business, as well as the strategic planning and positioning and management of the Sincere Watch Group. Prior to joining the Sincere Watch Group, he was a principal officer of an investment company in Hong Kong dealing in real estates and the food and beverage industry in the PRC from 1993 to 1996. From 2008 to 2009, Mr. Chau served as director of the Tung Wah Group of Hospitals. Since 2012 and 2015 respectively, Mr. Chau is the owner and principal of KRC Projects Limited, a private investment company, and a partner and director of Custom Gateway International Limited, a technology software company specialising in providing customisation solutions to businesses with ecommerce platforms.

Mr. Chau obtained a bachelor's degree in economics from Wesleyan University in Connecticut, the United States in June 1983.

Mr. Lee Yong Sun

Aged 76, was appointed as an independent non-executive Director with effect from October 2017. Mr. Lee is also the chairman of the Nomination Committee and a member of the Audit and Risk Management Committee of the Company.

Mr. Lee has extensive experience in banking, accounting and finance. From 2001 to 2008, Mr. Lee was the non-executive director of Shangri-la Asia Limited (a company listed on the Stock Exchange of Hong Kong Limited (Stock Code: 69)). From 2000 to 2015, Mr. Lee was a director of China World Trade Center Company Limited (a company listed on the Shanghai Stock Exchange (Stock Code: 600007)). Mr. Lee was a director of Kerry Group Limited from 1992 to 2011. Mr. Lee has been a director of Kerry Holdings Limited since February 1976 and the vice chairman of Kerry Holdings Limited since December 1999.

Mr. Lee obtained a bachelor's degree in accountancy from the University of Singapore in June 1971. He has been a Fellow member of The Institute of Singapore Chartered Accountants, CPA Australia and The Association of Chartered Certified Accountants since August 2004, December 2004 and April 2006, respectively.

Mr. Gideon Yu

Aged 49, has served as an independent Director of the Company since September 2014 and designated as an independent non-executive Director in October 2017. Mr. Yu is also the chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee of the Company.

Mr. Yu has held numerous financial and executive management positions in the technology industry, including as chief financial officer of Facebook, Inc. (a company which was subsequently listed on the Nasdaq Stock Market (Stock Code: FB)) from 2007 to 2009, as chief financial officer of YouTube, LLC from 2006 to 2007 (which was purchased by Google, a company listed on the Nasdaq Stock Market (Stock Code: GOOG)), and in various leadership roles at Yahoo Inc. (a company listed on the Nasdaq Stock Market (Stock Code: YHOO)) from 2002 to 2006, as treasurer and senior vice president of finance.

Mr. Yu also has wide experience in other sectors. From 2000 to 2002, Mr. Yu was the chief financial officer of NightFire Software. In the period from 1993 to 1998, Mr. Yu held various positions at The Walt Disney Company (a company listed on the New York Stock Exchange (Stock Code: DIS)), Hilton Worldwide Holdings, Inc. (also a company listed on the New York Stock Exchange (Stock Code: HLT)), and Donaldson, Lufkin & Jenrette (predecessor of Credit Suisse Group (a company listed on the SIX Swiss Exchange (Stock Code: CSGN) and the New York Stock Exchange (Stock Code: CS), respectively)). In addition, Mr. Yu was a general partner at Khosla Ventures from 2009 to 2011.

Currently, Mr. Yu is the co-owner of the San Francisco 49ers football team, a professional football team in the National Football League, where he previously served as its president from 2012 to 2014 and as chief strategy officer from 2011 to 2012. Mr. Yu has served as the founder, executive chairman of EVA Automation Inc., a privately held technology and media company since 2014. In 2016, EVA Automation acquired Bowers & Wilkins Group, Ltd., and Mr. Yu has served as its executive chairman since the acquisition.

Mr. Yu obtained a bachelor's degree in industrial engineering and engineering management from Stanford University in June 1993. Mr. Yu also obtained a master's degree in business administration from Harvard Business School in June 1999. In 1989, he received the First Place Grand Award in Environmental Science at the 40th International Science and Engineering Fair.

Senior Management

Mr. Min-Liang Tan

Mr. Min-Liang Tan has served as the Chief Executive Officer since September 2006. Please refer to the section headed "Executive Directors" for the biography of Mr. Tan.

Ms. Liu Siew Lan Patricia

Ms. Liu Siew Lan Patricia has served as the Chief of Staff since February 2018. Please refer to the section headed "Executive Directors" for the biography of Ms. Liu.

Mr. Tan Chong Neng

Mr. Tan Chong Neng has served as the Chief Financial Officer since January 2020. Please refer to the section headed "Executive Directors" for the biography of Mr. Tan.

Mr. Khaw Kheng Joo

Aged 72, is the Chief Operating Officer of the Company since June 2012. From October 2009 to November 2009, Mr. Khaw served as the interim Chief Executive Officer, from February 2011 to May 2012, Mr. Khaw served as the consultant and interim Chief Operating Officer and from June 2017 to March 2019, Mr. Khaw was an executive Director.

From 2000 to 2001, Mr. Khaw was the president of Omni Electronics (later acquired by Celestica Inc. in 2001), a large electronic contract manufacturer in Asia. After the acquisition, Mr. Khaw served as senior vice president of Celestica Inc. until 2002. Mr. Khaw previously spent 26 years at Hewlett-Packard Company developing extensive experience in both technology and manufacturing operations. From 2002 to 2009, Mr. Khaw served as the chief executive officer as well as a member of the board of directors of MediaRing Ltd, a mobile VoIP, voice, data and computing services company. From 2005 to 2011, he served on the board of directors of SATS Ltd. Since 2011, Mr. Khaw has served on the resource panel for Credence Partners Pte. Ltd. From 2011 to 2013, Mr. Khaw served on the board of directors of Multi-Fineline Electronix Inc.

Mr. Khaw obtained a diploma in electronic and communication engineering from Singapore Polytechnic in August 1973, a bachelor's degree in electrical and computer engineering from Oregon State University in June 1982 and a master's degree in business administration from Santa Clara University in June 1987.

CHANGES IN INFORMATION OF DIRECTORS: There have been changes in the information of some of the Directors since the date of the Company's last interim 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::

MR. MIN-LIANG TAN: Appointed as director of Razer (Thailand) Co., Ltd. on July 23, 2020. Appointed as director of Paying Co., Ltd. on October 6, 2020. Appointed as director of THX Holdings (SG) Pte. Ltd. on October 21, 2020. Appointed as director of THX APAC Pte. Ltd. on October 23, 2020. Appointed as director of Razer Gold (SG) Pte. Ltd. on November 5, 2020. Appointed as director of Razer Merchant Services (Myanmar) Ltd on November 26, 2020. Appointed as director of Razer Gold Sdn. Bhd. on December 2, 2020.

Mr. Choo Wei Pin

Aged 49, is Chief Legal and Compliance Officer of Razer and is responsible for Razer's global legal and regulatory compliance activities including intellectual property, corporate secretarial matters and regulatory compliance. He has been Company Secretary of the Company since July 2015.

Mr. Choo joined Razer in January 2015 as Vice President, Legal and Corporate Development.

Mr. Choo serves as a director in certain subsidiaries of the Company, namely RazerVentures Holdings Pte. Ltd., ZVF1 Pte. Ltd., ZVMidas Pte. Ltd., Razer Health Pte. Ltd. and Razer Fintech Holdings Pte. Ltd.

Mr. Choo was admitted as an advocate and solicitor of the Supreme Court of the Republic of Singapore in May 1998 and has more than 19 years of experience as a legal practitioner. Prior to joining Razer, from 2012 to 2013, he was Senior Vice President, Company Secretary and Head of Legal and Secretariat of CapitaMalls Asia Limited (a company previously listed on both Singapore Exchange Limited (Stock Code: JS8) and the Stock Exchange (Stock Code: 6813)), following which Mr. Choo served as Senior Vice President, Legal of CapitaLand Limited until 2014. He was previously a partner at a leading law firm in Singapore.

Mr. Choo graduated from the University of Leicester with a bachelor's degree in law in May 1996 and completed the Master of Business Administration program at The Anderson School at the University of California, Los Angeles in June 2002.

Mr. Li Meng Lee

Aged 43, is the Chief Strategy Officer since March 2018, and is responsible for the development and execution of Razer's ongoing corporate strategy, driving Razer's strategic initiatives, including partnerships and further penetration into broader entertainment segments, to advance buildout of Razer's ecosystem of hardware, software and services. He is also the CEO of Razer Fintech since January 2020 and is responsible for driving our Razer Fintech business and expanding Razer brand in the greater sphere of the youth and millennials. Mr. Lee serves as a director in certain subsidiaries of the Company, namely Razer Fintech Holdings Pte. Ltd., Razer Fintech (SG) Pte. Ltd., Razer Fintech (M) Sdn. Bhd., RMS Reloads Sdn. Bhd., Razer Merchant Services (SG) Pte. Ltd., Razer Merchant Services Sdn. Bhd., Razer Merchant Services (Taiwan) Corp (台灣雷蛇商家服務股份有限公司), Razer Wallet Services Sdn. Bhd., Razer Pay Wallet (M) Sdn. Bhd., Crystal Shine Holding Ltd and Razer Shohoj Digital Ltd.

Mr. Lee brings over 16 years of corporate finance experience in mergers and acquisitions, as well as capital markets advisory and an invaluable network of contacts. Prior to joining Razer, Mr. Lee was a Managing Director at Evercore Singapore, the leading global independent investment banking advisory firm. He was part of the initial team as the Singapore office commenced operations in 2013, which was awarded The Asset Magazine's "Best M&A House in Singapore" distinction for three consecutive years. Mr. Lee has been Razer's trusted advisor over the years through his involvement in Razer's fundraising efforts and as a key banker for Razer's initial public offering in 2017. He previously held senior positions as Head of Singapore Debt Capital Markets at ANZ, Principal at CIMA Capital Partners, and Vice President at J.P. Morgan where he served for eight years.

Mr. Lee holds a bachelor of science degree in industrial engineering and operations research from Columbia University, New York.

MS. LIU SIEW LAN PATRICIA: Appointed as director of Razer (Thailand) Co., Ltd. on July 23, 2020. Appointed as director of MOL AccessPortal Co., Ltd. on October 5, 2020. Appointed as director of MOL AccessPortal Co. Ltd. (萬利線上股份有限公司) on October 6, 2020. Appointed as director of MMOG Asia (Thailand) Co., Ltd. on October 6, 2020. Appointed as director of Zest Interactive Co., Ltd. on October 6, 2020. Appointed as director of MOL Solutions Co., Ltd. on October 6, 2020. Appointed as director of Razer Gold Sdn. Bhd. on December 2, 2020.

MR. TAN CHONG NENG: Appointed as alternate director of Razer (Asia-Pacific) Pte. Ltd. on September 10, 2020. Appointed as director of RazerVenture Holdings Pte. Ltd. on September 10, 2020. Appointed as director of ZVF1 Pte. Ltd. on September 10, 2020. Appointed as director of ZVF2 Pte. Ltd. on September 10, 2020. Appointed as director of ZVMidas Pte. Ltd. on September 10, 2020. Appointed as director of THX Ltd. on September 30, 2020. Appointed as director of MOL Turkey Bilgi Sistemleri Yayincilik Sanayi ve Ticaret Anonim Sirketi on November 13, 2020.

RELATIONSHIPS BETWEEN DIRECTORS AND SENIOR MANAGEMENT: None of the Directors or members of senior management is related to any other Director or member of senior management.

REPORT OF THE DIRECTORS


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REPORT OF THE DIRECTORS

The Board is pleased to present its 2020 annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2020 (the "Financial Statements").

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the design, manufacture, distribution, research and development of gaming peripherals, systems, software, services, mobiles and accessories.

Details of the principal activities of the principal subsidiaries of the Company are set out in note 15 to the Financial Statements.

Business Review

A fair review of the business of the Group for the year ended December 31, 2020, including analysis of the Group's performance during the year and indication of likely future development in the business of the Group, is set out in the sections headed "Chairman's Statement" on pages 10 to 15 and "Management Discussion and Analysis" on pages 18 to 23 of this annual report.

All references herein to other sections or reports in this annual report form part of this Report of the Directors.

Principal Risks and Uncertainties

Details of the Group's principal risks and uncertainties that may adversely impact the Company's performance and the execution of its strategies are disclosed within the "Risk Management and Internal Controls" section of the Corporate Governance Report on pages 53 to 58 of this annual report.

Summary Financial Information

A summary of the financial information for the last five financial years, as extracted from the audited financial statements, is set out in the section headed "Financial Summary and Highlights" on pages 6 to 7 in this annual report.

Bank Borrowings and Other Borrowings

The Group had no bank borrowings and other borrowings as at December 31, 2020.

Donations

The Group made charitable and other donations of US$32,446 during the year ended December 31, 2020.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the year ended December 31, 2020 are set out in note 13 to the Financial Statements.

Charge on Assets

As at December 31, 2020, no property, plant and equipment was pledged to banks as loan security.

Share Capital

As of December 31, 2020, the authorised share capital of the Company was US$150,000,000 divided into 15,000,000,000 Shares, among which 8,876,211,033 Shares were issued and fully paid.

Details of movements in the Company's share capital during the year ended December 31, 2020 are set out in note 27 to the Financial Statements.

Subsidiaries

Particulars of the names, principal countries of operation, places of incorporation and issued/registered share capital of the Company's principal subsidiaries are set out in note 15 to the Financial Statements.

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

During the year ended December 31, 2020, the Company repurchased 61,731,000 Shares on the Stock Exchange at an aggregate consideration of HK$103,414,306.72 excluding brokerage fee and other expenses. The repurchase was approved by the Board for the enhancement of shareholders' value for the long term. Details of the shares repurchased are as follows:

		Purchase price per share		
Month	**Number of shares purchased**	**Highest HK$**	**Lowest HK$**	**Aggregate consideration HK$**
April	500,000	1.00	1.00	500,000.00
May	1,130,000	1.15	1.10	1,279,500.00
June	8,045,000	1.46	1.31	11,354,631.75
September	36,987,000	1.72	1.46	58,945,211.15
October	7,830,000	1.99	1.81	14,881,986.00
December	7,239,000	2.38	2.20	16,452,977.82

All 61,731,000 Shares repurchased were subsequently cancelled. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2020.

Results and Dividends

The results of the Group for the year ended December 31, 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 87 to 88 of this annual report.

The Board does not recommend the payment of any dividend for the year ended December 31, 2020.

Reserves

As at December 31, 2020, the distributable reserves of the Company amounted to US$214,714,000.

Details of the movements in the respective reserves of the Group and the Company during the year ended December 31, 2020 are set out in the consolidated statement of changes in equity and note 27 to the Financial Statements.

Annual General Meeting and Closure of Register of Members of Shares

The notice of the forthcoming annual general meeting ("AGM") will be published and dispatched to shareholders of the Company in accordance with the requirements of the Listing Rules and the Articles of Association. The Company will announce the period of closure of register of members of shares in the notice of AGM to be issued.

Major Customers and Suppliers

During the year ended December 31, 2020, approximately 70.4% of the Group's total purchases were attributable to the Group's five largest suppliers and approximately 29.5% of the Group's total purchases were attributable to the largest supplier. During the year ended December 31, 2020, approximately 36.9% of the Group's total revenues were attributable to the Group's five largest customers and approximately 15.8% of the Group's total revenues were attributable to the largest customer.

None of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) has any interest in the Group's five largest suppliers or five largest customers.

Directors

The Directors during the year ended December 31, 2020 and up to the date of this annual report were as follows:–

Executive Directors

Mr. Min-Liang Tan (Chairman)
Mr. Chan Thiong Joo Edwin (resigned on March 24, 2020)
Ms. Liu Siew Lan Patricia (resigned on March 24, 2021)
Mr. Tan Chong Neng (appointed on March 24, 2020)

Non-executive Director

Mr. Lim Kaling

Independent Non-executive Directors

Mr. Chau Kwok Fun Kevin
Mr. Lee Yong Sun
Mr. Gideon Yu

In accordance with article 16.18 of the Articles of Association, Mr. Chau Kwok Fun Kevin and Mr. Lee Yong Sun will retire at the forthcoming AGM and being eligible, offer themselves for re-election thereat.

Directors and Senior Management

Biographical details of the Directors and the senior management of the Company and the changes in Board composition during the year ended December 31, 2020 are set out on pages 26 to 31 of this annual report.

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers all the Independent Non-executive Directors to be independent.

Directors' Service Contracts

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transactions, Arrangements and Contracts of Significance

Save as disclosed in the "Continuing Connected Transaction(s)" and "Related Party Transaction(s)" sections in this report, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in the year was a Director or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year ended December 31, 2020 or as at December 31, 2020.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2020.

Directors' Interest in Competing Business

None of the Directors had any interests in any business which, competes or is likely to compete, either directly or indirectly, with the business of the Company or the Group.

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

As at December 31, 2020, the interest and/or short positions of 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

Name of Director	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)]	4.28%
	Founder of a discretionary trust	Other interest	2,837,935,801[(3)]	31.97%
Liu Siew Lan Patricia	Beneficial owner	Personal interest	7,070,589[(4)]	0.08%
Tan Chong Neng	Beneficial owner	Personal interest	3,523,918[(5)]	0.04%
Lim Kaling ("Mr. Lim")	Beneficial owner	Personal interest	1,459,062[(6)]	0.02%
	Interest of controlled corporations	Corporate interest	453,852,460[(7)]	5.11%
	Founder of a discretionary trust	Other interest	1,673,090,441[(8)(9)]	18.85%
Chau Kwok Fun Kevin	Beneficial owner	Personal interest	1,525,152[(10)]	0.02%
	Founder of a discretionary trust	Other interest	600,000[(11)]	0.01%
Lee Yong Sun	Beneficial owner	Personal interest	1,109,201[(12)]	0.01%
Gideon Yu	Beneficial owner	Personal interest	5,158,163[(13)]	0.06%

Notes:

(1) The percentage has been computed based on the total number of Shares of the Company in issue as at December 31, 2020 excluding a total of 7,239,000 Shares repurchased by the Company as at December 31, 2020 but not yet cancelled (i.e. 8,876,211,033 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 restricted share units ("RSUs") which have been granted and have not yet vested as at December 31,2020.

(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 7,070,589 Shares which included beneficial interest in 1,991,656 Shares underlying 1,991,656 RSUs which have been granted and have not yet vested as at December 31, 2020.

(5) Tan Chong Neng had a beneficial interest in a total of 3,523,918 Shares which included beneficial interest in 2,133,844 Shares underlying 2,133,844 RSUs which have been granted and have not yet vested as at December 31, 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 December 31, 2020.

(7) Lim Teck Lee Land Pte Ltd directly held 346, 630, 180 Shares and is 93.66% owned indirectly by Mr. Lim through Lim Teck Lee (Pte.) Ltd. Archview Capital Ltd and Sandalwood Associates Limited directly held 52, 922, 094 Shares and 54, 300, 186 Shares, respectively, and are indirectly wholly-owned by Mr. Lim through Immobillari Limited. Mr. Lim is deemed by virtue of the SFO to be interested in the Shares held by Lim Teck Lee Land Pte Ltd, Archview Capital Ltd and Sandalwood Associates Limited.

(8) 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 investment advisor. Mr. Lim and his family are the beneficiaries of the Quadri Trust.

(9) 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 investment advisor. Mr. Lim and his family are the beneficiaries of the Campagnion Trust.

(10) 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 December 31, 2020.

(11) 600,000 Shares were held by Nottinghill Holdings Limited, a discretionary, irrevocable trust of which Chau Kwok Fun Kevin is the settlor.

(12) 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 December 31, 2020.

(13) 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 December 31, 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[(2)]	5.26%
Lim Kaling	THX Ltd.	Common stock	Interest of controlled corporations	Corporate interest	3,420,000[(3)]	20.00%

Notes:

(1) *The percentage has been computed based on the total number of common stock of THX Ltd. in issue as at December 31, 2020 (i.e. 17,100,000 common stock).*

(2) *Mr. Tan had a beneficial interest in a total of 900,000 common stock underlying 900,000 THX RSUs which have been granted and have not yet vested as at December 31, 2020.*

(3) *3,420,000 common stock were held by Archview Capital Ltd, which is indirectly wholly-owned by Mr. Lim through Immobillari Limited.*

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

As at December 31, 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 total number of Shares of the Company in issue 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)]	31.97%
Julius Baer Trust Company (Channel Islands) Limited	Trustee	2,837,935,801[(2)]	31.97%
Chen Family (Global) Holdings Limited	Interest of controlled corporations	2,837,935,801[(2)]	31.97%
Chen Family (Hivemind) Holdings Limited	Beneficial owner	2,837,935,801[(2)]	31.97%
Risoluto Pte. Ltd.	Trustee	1,673,090,441[(3)(4)]	18.85%
Voyager Equity Limited	Beneficial owner	1,342,446,474[(3)]	15.12%

Notes:

(1) *The percentage has been computed based on the total number of Shares of the Company in issue as at December 31, 2020 excluding a total of 7,239,000 Shares repurchased by the Company as at December 31, 2020 but not yet cancelled (i.e. 8,876,211,033 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 December 31, 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.

Permitted Indemnity

The Articles of Association provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him or her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favour, or in which he or she is acquitted, and against any loss in respect of his or her personal liability for the payment of any sum primarily due from the Company. Directors liability insurance is in place to protect the Directors of the Company or its subsidiaries against potential costs and liabilities arising from claims brought against the Directors.

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 determined based on their qualification, position and seniority, while the variable components of their compensation are determined based on the performance of the Group and the individual concerned. The Group had 1,410 employees as of December 31, 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.

During the years ended December 31, 2020 and 2019, no amount was paid to the Directors or the five highest paid individuals, as inducement to join or upon joining the Company. In addition, no compensation was paid to the Directors or past Directors for the same period in connection with the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. Further, there was no other arrangement under which a Director waived or agreed to waive any remuneration during the same period.

Details of the remuneration to Directors and chief executive, senior management and the five highest paid individuals are set out in note 9, note 29 and note 10 to the Financial Statements.

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 it does 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 and 150,000,000 were issued to the Computershare Hong Kong Trustees Limited, as trustee, on November 13, 2017 and November 1, 2019 respectively. Accordingly, the number of shares underlying the RSUs which remains available under the Scheme Limit to be granted is 736,302,091 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 December 31, 2020	RSUs vested during the period from January 1, 2020 to December 31, 2020	RSUs cancelled during the period from January 1, 2020 to December 31, 2020	Number of Shares underlying RSUs outstanding at December 31, 2020
Directors of the Company					
Min-Liang Tan	135,386,116	89,365,842	(68,582,380)	–	156,173,578
Liu Siew Lan Patricia[(1)]	3,058,482	944,348	(2,011,174)	–	1,991,656
Tan Chong Neng[(2)]	1,336,076	1,290,195	(492,427)	–	2,133,844
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**	**93,634,376**	**(72,434,624)**	**–**	**163,136,384**
Other employees[(3)]	180,085,544	68,278,573	(140,791,568)	(11,483,962)	96,088,597
TOTAL OF ALL GRANTEES	**322,018,176**	**161,916,949**	**(213,226,192)**	**(11,483,962)**	**259,224,971**

Notes:

(1) Liu Siew Lan Patricia resigned as Executive Director with effect from March 24, 2021.

(2) Tan Chong Neng was appointed as Executive Director with effect from March 24, 2020.

(3) Comprises 512 and 993 other employees as of January 1, 2020 and as of December 31, 2020.

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, 2020). As of December 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 December 31, 2020, no awards had been granted under the Razer Fintech EIP.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year.

Equity-Linked Agreements

Save as disclosed in the section headed "2016 Equity Incentive Plan" in this report, no equity-linked agreements subsisted at December 31, 2020.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

Pre-Emptive Rights

There are no provisions for pre-emptive rights in the Articles of Association or under the applicable laws of the Cayman Islands where the Company is incorporated.

Continuing Connected Transactions

On December 23, 2019, Razer (Asia-Pacific) Pte. Ltd. ("RAP") and THX (a subsidiary of the Company) entered into the THX Technology License Agreement for the license of the Audio Software to RAP which would be integrated into Razer products or sold to end customers by RAP as a standalone product, which has an effective period running from January 1, 2019 to December 31, 2021, and the THX Certification Amendment Agreement for the testing, certification and provision of technical assistance by THX in relation to Razer products, which takes effect as of December 23, 2019, to amend the THX Certification Agreement.

On November 3, 2020, RAP and THX entered into (i) the THX Technology License Amendment Agreement to amend the THX Technology License Agreement to include additional product categories in the scope of the agreement, and (ii) the THX Certification Amendment Agreement II to amend the term of the THX Certification Agreement dated November 16, 2016 and to include additional product categories in the scope of the agreement. All transactions under the THX Technology License Agreement, the THX Certification Agreement, the THX Technology License Amendment Agreement and the THX Certification Amendment Agreement II were in the ordinary and usual course of the Group's business, on normal commercial terms and followed the relevant pricing policies set out in the announcement dated November 4, 2020..

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

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

	2020	2021
Annual cap for the aggregate amount payable to THX by RAP under the THX Technology License Agreement	US$4,000,000	US$5,500,000
Annual cap for the aggregate amount payable to THX by RAP under the Amended THX Certification Agreement	US$360,000	US$1,250,000
Aggregated amount of the annual caps for the THX Technology License Agreement and the Amended THX Certification Agreement	US$4,360,000	US$6,750,000

For the financial year ended December 31, 2020, the actual aggregate transaction amount with THX under the THX Technology License Agreement was US$3,083,743 (2019: US$1,437,880) and the actual aggregate transaction amount with THX under the THX Technology Certification Agreement was US$127,069 (2019: US$94,072).

The above-mentioned continuing connected transactions have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of Shareholders as a whole.

KPMG was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. KPMG has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the Annual Report in accordance with Rule 14A.56 of the Listing Rules that nothing has come to their attention that causes them to believe that the continuing connected transactions (i) have not been approved by the Board, (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group, (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the cap. A copy of the KPMG's letter has been provided by the Company to the Stock Exchange.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year ended December 31, 2020.

Related Party Transactions

A summary of all material related parties' transactions entered into by the Group during the year ended December 31, 2020 is contained in note 29 to the Financial Statements. Save for the related party transactions as described in note 29 with respect to the remuneration of Directors, which are connected transactions exempt from the reporting, announcement and shareholders' approval requirements under the Listing Rules pursuant to Rule 14A.95 of the Listing Rules, none of the related party transactions as described in note 29 constitute connected transactions as defined in the Listing Rules.

Contract of Significance

Save as disclosed in this annual report, at no time during the year had the Company or any of its subsidiaries entered into any contract of significance with the Controlling Shareholder or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

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 December 31, 2020, the Group had:

- Use approximately US$76 million to finance acquisitions that will continue the expansion of the Group's ecosystem;
- Deployed approximately US$90 million for general working capital purposes, including share buyback activities;
- Use approximately US$17 million to develop new verticals such as Razer Fintech;
- Use approximately US$2 million to expand our research and development capabilities; and
- Spent approximately US$15 million for new sales and marketing initiatives including esports.

The remaining balance of the net proceeds of US$396 million was placed with banks and financial institutions. The Group will apply the remaining net proceeds in the manner set out in the Prospectus.

Subsequent Events

Details of significant subsequent events of the Group are set out in note 32 to the Financial Statements.

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 to the Listing Rules. During the year ended December 31, 2020, the Company has complied with the applicable code provisions as set out in the CG Code, save for the code provisions A.2.1 and E.1.5. Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" on pages 46 to 59 of this annual report

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 for the year ended December 31, 2020.

Compliance with Laws and Regulations

During the year ended December 31, 2020, the Group is not aware of any non-compliance with laws and regulations that have a significant impact on the Group.

Environmental Policies and Performance

Information on the Company's environmental policies and performance is set out in the ESG Report on pages 62 to 79 of this annual report.

Significant Legal Proceedings

For the year ended December 31, 2020, the Group was not engaged in any material litigation or arbitration and no material litigation or claim is known to the Directors to be pending or threatened against the Group.

Relationship with Stakeholders

The Group recognises that its employees, customers and business partners are keys to its sustainability. The Group has been striving to achieve corporate sustainability through engaging its employees, providing quality services for its customers, collaborating with business partners and supporting the community.

The Group's success depends on our ability to attract, retain and motivate qualified personnel. As part of its retention strategy, the Group offer employees competitive salaries, performance-based cash bonuses and other benefits and incentives. The Group also believes that Razer employees are part of the Razer global community and feel an affinity with the Razer brand, which strengthens retention and forges a sense of community among the staff and throughout the workplaces. The Group provides on-board training to all new employees, and is committed to extending training and development programs to all employees at all levels of the organisation.

The Group aims to provide both pre-sales and after-sales services to the Group's customers in order to maintain a high level of customer satisfaction. The Group is available to its customers through the Company's website, by phone, live chat, email or social media, and the Company's customer engagement agents are located in three call centres around the world so as to best serve all of the Group's customers.

The Group's products are manufactured to its specifications by independent contract manufacturers. The Group works closely with its manufacturers at all stages of the design-for-manufacturing process to ensure a smooth production process. The Group also contracts with technology providers to provide sub-components that may require additional technical expertise such as chipsets and sensors, and works with its manufacturers to aggregate these components into finished products.

Audit and Risk Management Committee

The Financial Statements has been reviewed by the Audit and Risk Management Committee of the Company. Further information on the work and composition of the Audit and Risk Management Committee are set out in the Corporate Governance Report on page 48.

Auditors

The Financial Statements have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the AGM of the Company.

On behalf of the Board
Min-Liang TAN
Chairman
Singapore, April 23, 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Board is committed to ensuring the Company adheres to a high standard of corporate governance.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted and applied the principles as set out in the CG Code.

The Board is of the view that for the financial year ended December 31, 2020 (the "reporting period"), the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision A.2.1 described in the paragraph headed "Board of Directors – Chairman and Chief Executive Officer", and code provision E.1.5.

Code provision E.1.5 provides that the Company should have a policy on the payment of dividends and disclose such policy in the annual report. As the Company was in a loss-making position as at December 31, 2019, it had not implemented such policy for the year ended December 31, 2020. The Company has adopted a dividend policy effective as of March 24, 2021, as described in the paragraph headed "Dividend Policy".

Model Code for Securities Transactions

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 Directors have confirmed that they have complied with the Model Code throughout the reporting period. No incident of non-compliance of the Employee Dealing Policy by the employees was noted by the Company.

Board of Directors

The Board oversees the businesses, strategic decisions and performance of the Group and makes decisions objectively in the best interests of the Company and stakeholders.

The Board regularly reviews the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

During the reporting period, the Board held four board meetings. The Chairman also held an annual meeting in August 2020 with the Independent Non-executive Directors.

Board Composition

The Board currently comprises six Directors, consisting of two Executive Directors, one Non-executive Director, and three Independent Non-executive Directors.

The composition of the Board is as follows:

Executive Directors
Mr. Min-Liang Tan *(Chairman)*
Mr. Chan Thiong Joo Edwin *(resigned on March 24, 2020)*
Ms. Liu Siew Lan Patricia *(resigned on March 24, 2021)*
Mr. Tan Chong Neng *(appointed on March 24, 2020)*

Non-executive Director
Mr. Lim Kaling

Independent Non-executive Directors
Mr. Chau Kwok Fun Kevin
Mr. Lee Yong Sun
Mr. Gideon Yu

The biographical information of the Directors is set out in the section headed “Directors and Senior Management” on pages 26 to 29 of this annual report.

None of the members of the Board are related to one another.

Mr. Chan Thiong Joo Edwin resigned from the Board on March 24, 2020 and Mr. Tan Chong Neng was appointed as an Executive Director on March 24, 2020. Save as disclosed above, there has been no change to the composition of the Board or Board Committees during the reporting period.

Following the reporting period, Ms. Liu Siew Lan Patricia resigned from the Board on March 24, 2021.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

The roles of the Chairman and Chief Executive Officer are held by Mr. Min-Liang Tan. 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.

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.

Independent Non-executive Directors

During the reporting period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Appointment and Re-election of Directors

The Non-executive Directors (including Independent Non-executive Directors) are appointed for a specific term of three years, subject to the Articles of Association and the Listing Rules.

The Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the next following annual general meeting of the Company.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of meeting at which he retires and shall be eligible for re-election thereat.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company’s affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group’s operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company’s expense, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board is responsible for decision-making in all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. As provided by the Articles of Association, the Board has delegated certain of its powers relating to strategy and management to Mr. Min-Liang Tan, the Chief Executive Officer and an Executive Director. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Board Committees

The Board has established three committees, namely, the Audit and Risk Management Committee, the Remuneration Committee, and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of three Independent Non-executive Directors, namely Mr. Chau Kwok Fun Kevin, Mr. Lee Yong Sun and Mr. Gideon Yu. Mr. Chau Kwok Fun Kevin is the chairman of the Audit and Risk Management Committee.

The terms of reference of the Audit and Risk Management Committee are no less exacting than those set out in the CG Code. The main duties of the Audit and Risk Management Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

During the reporting period, the Audit and Risk Management Committee held three meetings and the work performed by the Audit and Risk Management Committee included:

(a) reviewing the interim and annual financial statements before these were submitted to the Board for approval;

(b) reviewing the key audit issues with the external auditor;

(c) reviewing the key internal audit matters with the internal auditors;

(d) reviewing the Group's internal controls and risk management systems;

(e) approving the remuneration payable to the external auditor for the reporting period and recommended to the Board on the re-appointment of the external auditor, and satisfying itself on the external auditor's independence and objectivity;

(f) reviewing the continuing connected transactions; and

(g) discussing the audit plan and strategy with the external auditor for the year ended December 31, 2020.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Gideon Yu, Independent Non-executive Director, Mr. Chau Kwok Fun Kevin, Independent Non-executive Director and Mr. Min-Liang Tan, Executive Director. Mr. Gideon Yu is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining, reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his or her associates will participate in deciding his or her own remuneration.

During the reporting period, the Remuneration Committee held a meeting and the following matters were reviewed and approved at the meeting:

(a) 2019 performance goals and proposed short-term and long-term compensation for all employees;

(b) Proposed compensation for key management for 2019;

(c) Proposed directors' fees for the financial year ended December 31, 2020; and

(d) Proposed grants of RSUs to employees.

Details of the fees and other emoluments paid or payable to the Directors and the five individuals with the highest emoluments are set out in notes 9 and 10 to the Financial Statements respectively.

The remuneration paid to members of senior management by band during the year is set out below:

In Hong Kong dollars ("HKD")	**2020**	2019
1,000,001 – 1,500,000	**1**	–
3,500,002 – 4,000,000	**1**	2
4,000,001 – 4,500,000	**2**	–
5,500,002 – 6,000,000	**2**	1
8,500,002 – 9,000,000	**–**	1
9,000,001 – 9,500,000	**–**	–
13,000,001 – 13,500,000	**1**	1
15,000,001 – 15,500,000	**–**	–
17,500,001 – 18,000,000	**–**	–
24,500,001 – 25,000,000	**–**	–
28,000,001 – 28,500,000	**–**	–
167,000,001 – 167,500,000	**–**	1

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Lee Yong Sun, Independent Non-executive Director, Mr. Chau Kwok Fun Kevin, Independent Non-executive Director and Mr. Lim Kaling, Non-executive Director. Mr. Lee Yong Sun is the chairman of the Nomination Committee.

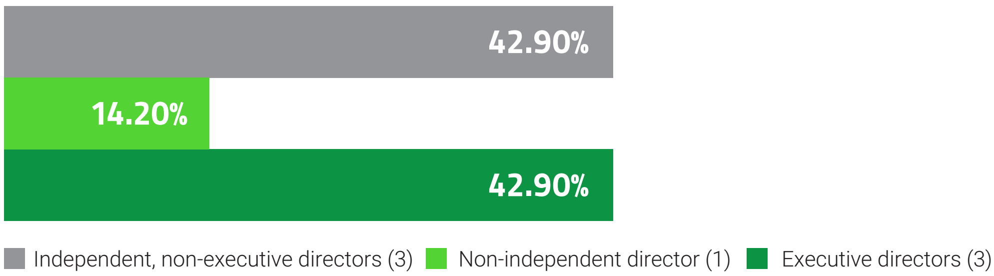
The terms of reference of the Nomination Committee are no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

The Nomination Committee's policy for evaluating and nominating any candidate for directorship includes considering various criteria, including the collective skills of Non-executive Directors represented on the Board to determine whether the Board, as a whole, has the skills required to achieve the Group's strategic and operational objectives. In carrying out this evaluation, the Nomination Committee takes into account the need for the Board composition to reflect balance in matters such as skills representation, tenure, experience, age spread and diversity. The Nomination Committee also identifies suitable candidates for appointment to the Board. External consultants may be retained from time to time to access a wide base of potential non-executive Directors. Those considered will be assessed against a range of criteria including background, experience, professional skills and personal qualities including integrity as well as reputation. The Nomination Committee will also consider whether a candidate's skills and experience will complement the existing Board, and whether the candidate has sufficient time available to commit to his or her responsibilities as a Director.

The Company has adopted a board diversity policy with effect from January 1, 2019 in compliance with Rule 13.92 of the Listing Rules. Board appointments have been, and will continue to be, made based on attributes that complement and expand the skill set, experience and expertise of the Board as a whole, taking into account factors such as age, professional experience, qualifications, cultural and educational background, and any other factors that the Board and the Nomination Committee of the Company may consider relevant to the Company's strategy, governance and business and that contribute to the Board's effectiveness.

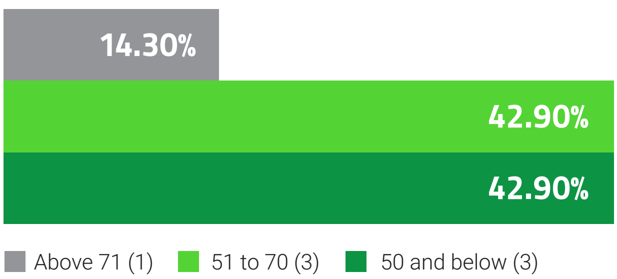
Set out below is a breakdown of the composition of the Board based on diversity principles:

Independence

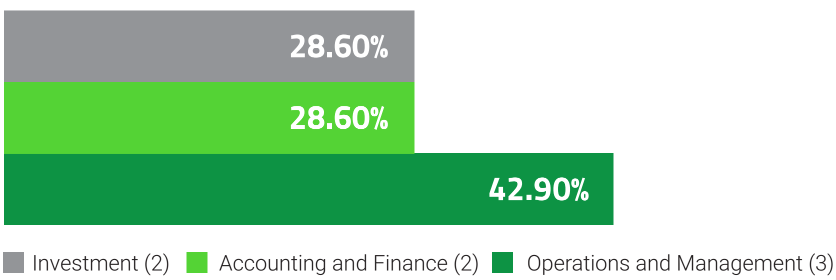


Gender

Age



Skills and Experience



The Nomination Committee has reviewed the composition of the Board for the year 2020 against the measurable objectives of the board diversity policy, and has noted the progress of the Company, as set out below:

Category	Objective	Progress
Independence	The Board should have a strong element of independence, and independent directors should be of sufficient stature and caliber.	The Board comprised 3 executive directors, 1 non-independent director, and 3 independent, non-executive directors (42.9%).
Gender	Selection of potential candidates for appointment as directors shall not be subject to discrimination on the basis of gender. The Board shall endeavor to identify and appoint female directors who possess suitable expertise, experience and qualifications.	In 2020, the Board had 1 female director (14.3%), which exceeds the percentage of women on boards of Hang Seng Index companies (13.7%)[1]. Following the resignation of Ms. Patricia Liu, in searching for a replacement director the Company intends to identify candidates with suitable expertise, experience and qualifications.
Age	The Board should comprise directors of different age ranges, reducing succession risk.	The age ranges of the directors were: • 50 and below: 3 (42.9%) • 51-70: 3 (42.9%) • Above 71: 1 (14.3%)
Skills and experience	The Board should comprise directors with different professional and business backgrounds, with a wide range of skillsets and experiences, and varied areas of expertise.	The Board comprised directors with the following areas of expertise: • Operations and management: 3 (42.9%) • Accounting and finance: 2 (28.6%) • Investment: 2 (28.6%)

During the reporting period, the Nomination Committee held a meeting and the following matters were reviewed and approved:

(a) reviewing of nomination policy;

(b) after review of the written annual confirmation from each of the Independent Non-executive Directors in respect of his independence pursuant to the requirements of the Listing Rules, the Nomination Committee recommended to the Board that each of the Independent Non-executive Directors is considered to be independent under the Listing Rules;

(c) for the purpose of re-election of the retiring Directors at the 2020 annual general meeting of the Company, the Nomination Committee had evaluated and confirmed the contribution of each of the retiring Directors who offered themselves for re-election and recommended to the Board to propose the re-election of each of the retiring Directors who offered themselves for re-election at the 2020 annual general meeting of the Company; and

(d) after review of the structure, size and composition of the Board, it was agreed that the Board has an independent element and balanced composition of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the reporting period, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

[1] *Source: Community Business, Women on Boards, Hong Kong 2020: H2*

Attendance Records of Directors

The attendance record of each Director at the Board, Board Committee and annual general meetings of the Company held during the reporting period is set out in the table below:

	Number of Meetings Attended/Number of Meetings held for the reporting period				
Name of Directors	**Board meeting**	**Audit and Risk Management Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**	**Annual General Meeting**
Executive Directors					
Mr. Min-Liang Tan	4/4	–	1/1	–	1/1
Mr. Chan Thiong Joo Edwin[(1)]	1/1	–	–	–	–
Ms. Liu Siew Lan Patricia	4/4	–	–	–	1/1
Mr. Tan Chong Neng[(2)]	3/3	–	–	–	1/1
Non-executive Director					
Mr. Lim Kaling	4/4	–	–	1/1	1/1
Independent Non-executive Directors					
Mr. Chau Kwok Fun Kevin	4/4	3/3	1/1	1/1	1/1
Mr. Lee Yong Sun	4/4	3/3	–	1/1	1/1
Mr. Gideon Yu	4/4	3/3	1/1	–	0/1

Notes:
(1) Chan Thiong Joo Edwin resigned as Executive Director with effect from March 24, 2020.
(2) Tan Chong Neng was appointed as Executive Director with effect from March 24, 2020.

During the reporting period, an annual general meeting of shareholders was held on June 23, 2020 in Singapore.

All proposed shareholders' resolutions put to the above annual general meeting were resolved by poll vote and were duly passed. The vote tally of each such resolution was set out in the Company's announcement released on the day of the annual general meeting.

The attendance of the members of the Board and/or each Board committee at the annual general meeting is set out in the table above. The external auditors of the Company, Messrs. KPMG, attended the annual general meeting.

Continuous Professional Development of Directors

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Company arranges continuous professional development training to Directors such as internally-facilitated briefings and provision of reading material on relevant topics to ensure Directors keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. All Directors are also encouraged to attend relevant training courses at the Company's expense.

The following directors pursued continuous professional development and relevant details are summarized as follows:

Name of Directors	Training[Note]
Executive Directors	
Mr. Min-Liang Tan	√
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	√

Note: During the reporting period, all Directors received training and training materials, including from the Company's external advisors in relation to regulatory updates for 2020. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs.

Dividend Policy

On March 24, 2021, the Company adopted a dividend policy (the "Dividend Policy"), which sets out the principles and guidelines that the Company shall apply in relation to the declaration of dividends.

The Dividend Policy seeks to balance between retaining adequate reserves for maintaining working capital requirements and for future growth, and allowing shareholders to participate in the Company's profits.

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

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

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

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

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

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

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

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

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit and Risk Management Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The internal control processes and procedures that have been established for various aspects of the business, with clearly defined scopes of responsibilities, forms the foundation for the Group's internal control system to ensure compliance of business operations with applicable regulations.

During the reporting period, the management had also appointed an independent risk consultant to conduct an enterprise-wide risk assessment to facilitate the identification of key and significant risks across the businesses. A bottoms-up and top-down approach was adopted, where bottoms-up inputs from key internal stakeholders across verticals and business units were collated and appraised, with refinement and adjustments through top-down inputs from senior management in an iterative manner. Eight (8) enterprise key risk areas along with the mitigating strategies were identified following this assessment. As part of management's continuing assessment of the Group's internal control systems, the management will, from time to time, appoint independent internal control consultants to perform analysis and independent appraisal of the Group's internal control system, focusing on the adequacy and effectiveness of internal controls across business functions globally.

During the reporting period, the management had outsourced its internal audit function to an independent internal audit firm ("Internal Auditor"). The Internal Auditor reports directly to the Audit and Risk Management Committee on all internal audit matters. The internal audit plan is submitted to the Audit and Risk Management Committee for approval prior to the commencement of the internal audit work. The Audit and Risk Management Committee reviews the internal audit report and monitors the implementation of the improvements required on internal control weaknesses identified.

The Board has, through the management and the Audit and Risk Management Committee, conducted a review of the effectiveness of risk management and internal control systems of the Group for the year ended December 31, 2020. Based on the internal controls established and maintained by the Group and the reviews performed by the management and the Audit and Risk Management Committee, the Board, with the concurrence of the Audit and Risk Management Committee, is of the opinion that the internal controls and risk management systems were adequate and effective to address financial, operational, compliance and information technology controls risks which the Group considers material and relevant to its operations.

Our Code of Ethics and Professional Conduct ("Code of Conduct") spells out the guiding principles and responsibilities for our employees in areas such as compliance with the law, working ethically and with integrity, and treating others inside and outside of the Group fairly and honestly. New employees are required to confirm that they have understood the Code of Conduct appropriate to their role and position in the Company on joining and all employees provide annual confirmation of compliance in writing. The Code of Conduct is accessible to all employees via our intranet, and is continually assessed from time to time, to ensure it reflects best practices and meets expectations of all stakeholders.

The Whistleblower and Complaint Policy is also in place to facilitate employees of the Group raising, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

The Group has also adopted a Policy on Information Disclosure Management which sets out comprehensive guidelines in respect of handling and dissemination of inside information. This policy sets out the procedures and internal controls to ensure the timely disclosure of information on the Group and the fulfillment of the Group's continuous disclosure obligations, including:

- the processes for identifying, assessing and escalating potential inside information to the Company Secretary;
- restricting access to inside information to a limited number of employees on a "need to know" basis including members of the Disclosure Management Office;
- identifying members of senior management who are authorised to release inside information; and
- the requirement of all directors, officers and employees of the Group to observe the Policy on Information Disclosure Management.

The Board is entrusted with the responsibility for monitoring and implementing the procedural requirements in the Policy on Information Disclosure Management.

Significant Risks of the Group

The Group's business, financial condition and results of operations are subject to various business risks and uncertainties. As part of the Audit and Risk Management Committee's review of the Group's risk management systems, the Audit and Risk Management Committee considers the significant risks facing the Group and the nature and extent of such risks. The risk management and internal control management processes set out in this section detail the main features of the Group's risk management and internal control system, along with how the Group identifies, evaluates and manages significant risks.

The Group has identified and determined significant risks through the risk management process. The risks set out below are those that the Group believes could adversely affect the Group's financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

1. Competitive Landscape

The technology, Internet, gaming and consumer electronics industry continues to be highly competitive, innovative and ever-changing. Consumer preferences continue to evolve and products and services have increasingly shorter life cycles. Therefore, the Group's ability to anticipate, gauge and respond to these changing consumer preferences and technological trends in a timely manner, while maintaining the authenticity of our brand, quality and relevance of our products remains a key challenge. In staying competitive, the Group also focuses on attracting new consumers while expanding its existing market share. In view of these challenges, the absence of or any lag in new technology and product innovation would impair the core competitiveness of the Group.

In order to mitigate these risks, the Group continues to focus on user experience by keeping track of the development of new technologies in a timely manner, capturing changes in user experience, and continuously developing new products and services to meet the expectations of the market. The Group encourages its employees to innovate and allocates considerable resources (including hiring personnel) to the research and development of new technologies and the optimisation of features as well as enhancement of user experience of products.

The Group also closely monitors global financial and physical supply chain developments, its product lifecycle management and maintains oversight over its third-party manufacturers' and service providers' capabilities and performance in order to enable the Group to bring its products and services to the market in a timely manner.

The COVID-19 situation continues to evolve with uncertainties about the extent and duration of the outbreak. Although the COVID-19 outbreak led to short-term impact to the Group's hardware supply in the first quarter of 2020, supply chain issues have largely been addressed by mid-March 2020. The Group continues to closely monitor the uncertainties surrounding the COVID-19 situation globally.

2. Ecosystem Strategy risk

PRODUCT QUALITY AND RELIABILITY: Our brand, our distinctive triple-headed snake logo and our signature acid green and black aesthetics are widely recognised by the global gamer community. The Group believes that our brand, logo and colours are synonymous with high performance and industry-leading technology, and represent the gamer lifestyle.

In order to ensure that the Group delivers quality and high-performance products and services to the market, the Group maintains oversight on quality of incoming raw materials to the manufacturing process, executes quality and reliability testing programs, as well as conducts site audit checks on third party manufacturers to ensure compliance with product specifications and requirements.

SOFTWARE AND SERVICES DELIVERY INFRASTRUCTURE: Within the Razer ecosystem, the stability of servers and network infrastructure for the Group's products and platforms is of critical importance not only for the successful operations of the Group's business but also the provision of high quality user experience. Any functional defect, interruption, breakdown or other issue in connection is likely to materially adversely impact the Group's businesses due to poor user experience.

In order to mitigate this risk, the Group binds its third party service providers through contractual agreements to implement adequate preventive measures for required service levels and recovery. The Group also continually assesses its IT infrastructure's capacity to accommodate growing needs and/or sudden surges in demand, and maintains the necessary systems protection as well as capacity redundancy to ensure IT systems resilience.

3. Information Security risk

Protecting user data is a priority of the Group, and the Group is fully aware that any loss or leakage of sensitive user information could have a negative impact on affected users and the Group's reputation, even leading to potential legal liability.

The Group is obliged to protect sensitive user information and as such, the Group strives to provide the highest level of protection to such data. The Group has formulated policies and control measures to protect user data. Information security is ensured through effective management systems, encryption, access restrictions and process protocols.

During the year, the Group established the Information Security Council that, inter alia, provides guidance on Group level policies and procedures relating to risk-management governance, procedures and controls, implementation of information security programs as well as training and awareness.

4. Intellectual Property risk

The Group's branding and intellectual property ("IP") assets are critical to our business. In order to protect these IP assets, the Group relies on a combination of trademark, patent, design and other IP-related laws within the jurisdictions in which we operate, as well as confidentiality agreements signed with stakeholders that we work with.

In order to mitigate these risks, we have a dedicated IP team that is responsible for the day-to-day management of legal matters involving our business' trademarks, patents, designs, and other IP rights. The Group continuously monitors on-going contentious IP-related matters and undertakes legal recourse against infringement. The Group also registers its IP rights across jurisdictions and binds contractual parties to IP clauses in agreements to govern and enforce the Group's IP rights.

5. Legal and Compliance risk

Regulatory authorities in numerous jurisdictions, in an attempt to keep up with evolution in the technology, fintech and Internet industries, have been developing more comprehensive and stringent industry regulations. As the Group expands its businesses overseas, it is required to comply with applicable laws and regulations in different jurisdictions that are specifically relevant to the Group's businesses, such as laws relating to data protection, Internet information security, IP, gaming and fintech among others.

The Group has teams of professionals that work closely with management of business groups to monitor and identify changes in any relevant laws and regulations, so as to take appropriate actions or measures to ensure the Group is in compliance with applicable laws and regulations. The Group also leverages on third party professional firms to provide advisory and compliance consulting services.

6. Acquisition and Investment Management risk

As the Group engages in investment activities that further enhance and strengthen its existing ecosystem, it is important for the Group to adopt robust procedures in the formulation of investment strategies and treasury management both at the investment evaluation and post-investment phase. Inability to promptly manage investment risks may hinder the realization of the Group's investment strategies and may result in financial loss of the Group.

In order to mitigate this risk, there is an Investment Committee that approves all potential strategic investments or acquisitions. A dedicated Investment team is responsible for identifying and evaluating investment opportunities for the Group, performing a rigorous due diligence process prior to submission to the Investment Committee for consideration. There is a regular review of the Group's treasury position which explores our different financing channels and capabilities to meet the needs of the group's business operations and acquisitions.

7. People risk

The Group's success is dependent upon continued service from personnel employed by the Group and our ability to attract and retain talent. The Group's success also substantially depends on the continued service of our senior management team. In particular, our co-founder and Chief Executive Officer, Mr. Tan, has been instrumental in the vision and creativity of the Group's business, and continues to be intimately involved in the development and design of our products.

In order to mitigate this risk, the Group proactively seeks out talented and experienced personnel to join the Group and has also established a succession plan for key personnel and senior management.

8. Disease outbreak risk

An outbreak of an epidemic such as COVID-19 could potentially disrupt our operations or impact our results. If our employees are, or are suspected to have been, infected, such employees, as well as those who have been in contact with them (which may be a significant proportion of the employees in the affected territory), may be hospitalised, quarantined, or otherwise unable to work. We may also be required to disinfect the affected offices or suffer a temporary suspension of business operations. As the Group relies on third party suppliers, manufacturers and distributors, we would similarly be affected if any of them are subject to quarantine or are required to suspend operations as a result of government-imposed measures.

To address this, the Group has implemented a business continuity plan which is aimed at protecting the Group's employees, business, systems and infrastructure. It identifies and puts in place policies to mitigate risks to the Group's business and services, and is designed to minimise the impact of an epidemic outbreak or other disaster event. For instance, the Group deploys appropriate technology solutions to enable employees to work remotely, enabling the continuity of business operations even if offices are required to be closed.

Such an outbreak could also lead to a decrease in the level of economic activity in affected areas, or legal restrictions on activity and movement, which could adversely affect our business and operating results. In addition, a pandemic may affect supply chain and distribution channels which the Group relies on, which would also have a negative effect on the Group's performance and ability to meet demand. For instance, the COVID-19 outbreak led to short-term impact to the Group's hardware supply in the first quarter of 2020. However, supply chain issues have largely been addressed by mid-March 2020. The Group continues to closely monitor the uncertainties surrounding the COVID-19 situation globally.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 81 to 86.

Auditors' Remuneration

An analysis of the remuneration paid to the external auditors of the Company, Messrs. KPMG, in respect of audit services and non-audit services for the year ended December 31, 2020 is set out below:

Service Category	**Fees Paid/Payable** (US$)
Audit Services	1,162,000
Non-audit Services	242,000
Total	1,404,000

The fees attributable to the non-audit services above include professional fees related to interim review and tax services.

Joint Company Secretaries

Mr. Choo Wei Pin and Ms. Chan Wai Ling are the joint company secretaries of the Company. Mr. Choo Wei Pin is the Company's Chief Legal and Compliance Officer. The Company has appointed Ms. Chan Wai Ling of Tricor Services Limited, an external service provider, as one of the Company's joint company secretaries. Her primary contact person at the Company is Ms. Sandra Phung, Director, Legal of the Company.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

Mr. Choo and Ms. Chan have each taken no less than 15 hours of relevant professional training during the year ended December 31, 2020 in compliance with Rule 3.29 of the Listing Rules.

Shareholders' Rights

The Company engages with shareholders through various communication channels and a Shareholders Communication Policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening and Putting Forward Proposals at General Meetings

General meetings may be convened on the written requisition of any two or more members holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company deposited at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The written requisition must specify the objects of the meeting and be signed by the requisitionists.

Putting Forward Enquiries to the Board

Shareholders may send written enquiries to the Board by email to ir@razer.com or by mail to 514 Chai Chee Lane, #07-05, Singapore 469029 for the attention of the Director of Investor Relations.

Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through general meetings and other effective forms of engagement.

The Company has not made any changes to its Memorandum and Articles of Association since November 13, 2017, the date of listing on the Stock Exchange, except to reflect the increase in its authorised share capital to US$150,000,000 divided into 15,000,000,000 ordinary shares with a par value of US$0.01 each as approved by the shareholders at the annual general meeting of the Company held on May 30, 2018. An up to date version of the Company's Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About This Report

Reporting Period and Scope

This report covers the sustainability performance of the Group for the period from January 1, 2020, to December 31, 2020. The scope of this report includes activities and data from all our offices, and that of the top five contract manufacturers in our supply chain, unless explicitly stated otherwise.

Approach to ESG Strategy and Reporting Standard

The environmental, social, and governance ("ESG") strategy of the Group, details of which are set out in this report, aligns with its commitment to creating long-term value for the Group's stakeholders. We have implemented an ESG policy to guide ESG considerations and drive ESG initiatives in our daily operations. We will focus on each of these areas in turn in this report, particularly those environmental and social issues that could have a material impact on the sustainability of our operations and that are of interest to stakeholders.

Reporting Standard

This report was prepared in accordance with the ESG Guide. For detailed information about the "comply or explain" provisions of the ESG Guide, please refer to the ESG Guide content index on pages 76 to 79.

ESG Governance

The Board and Management are committed to continually enhance stakeholders' value through a robust corporate governance framework under which we manage ESG related risks and opportunities throughout our operations. The Board considers ESG-related risks and opportunities as part of the Group's overall strategic formulation, and the significant ESG impact caused by day-to-day operations and businesses. The Board maintains oversight of and approves the identification and assessment of ESG issues that are material to operations and interests of key stakeholder groups.

Management has established internal control systems and risk management processes to govern sustainability-related practices to provide reasonable assurances of effective ESG management to the Board and key stakeholders. For this report, we have engaged key internal stakeholders across the Group who drive sustainability initiatives and proactively manage and monitor material ESG performance.

Environmental

Environment

A3. Environment & Natural Resources

Our sustainability vision is to reduce and minimise adverse environmental impact by committing to continuous improvement. We aspire to improve the awareness and involvement of all stakeholders across our operating jurisdictions and along the value chain in our drive to reduce our carbon footprint and negative impact on the environment.

We encourage all employees to conserve energy and incorporate eco-friendly practices into daily habits at the workplace. We will continue to roll out more initiatives and awareness training in the future to reduce our resource consumption and environmental impact.

A1. Emission

CARBON EMISSION: The Group recognises that the use of purchased electricity contributes to the emission of carbon and other Greenhouse Gases ("GHG"). We have taken conscious efforts to measure and monitor the consumption of electricity at our corporate offices across operating locations, as well as that of our contract manufacturers.

Ensuring normal business operations at our offices necessitates electricity consumption. We also recognise the need to focus on electricity consumed at our contract manufacturers' production facilities. In this ESG report, we are disclosing the electricity consumption of our top five contract manufacturers based on the percentage of our annual spending.

Our and our contract manufacturers' electricity consumption and carbon dioxide emissions during the reporting period are set out below. Global Warming Potential rates from the Second Assessment Report of the Intergovernmental Panel on Climate Change was used as the basis for computing and disclosing GHG data.

Source of Consumption	Total Electricity Consumption (kWh)		Carbon Dioxide Emission Equivalence* (Metric Tonnes)	
	2020	2019	**2020**	2019
Corporate Offices				
Singapore – Razer	**853,091**	999,999	**603**	707
U.S. – Razer	**253,895**	307,496	**179**	217
U.S. – THX	**30,786**	39,000	**21**	29
Europe – Razer	**17,218**	27,886	**12**	20
China – Razer	**78,829**	91,693	**56**	65
China – THX	**1,600**	1,600	**1**	1
Taiwan – Razer	**325,339**	353,004	**230**	250
Hong Kong – Razer	**42,834**	57,625	**30**	41
Malaysia – Razer	**243,899**	259,187	**172**	183
Indonesia – Razer	**19,042**	23,476	**14**	17
Philippines – Razer	**43,552**	69,776	**31**	49
Thailand – Razer	**50,537**	60,280	**36**	43
Turkey – Razer	**21,862**	16,008	**16**	11
Contract Manufacturers Peripherals				
CM1	**2,795,029**	2,970,000	**1,976**	2,100
CM2	**3,676,136**	3,293,942	**2,599**	2,329
CM3	**465,441**	459,983	**329**	325
CM4	**1,432,287**	286,457	**1,013**	203
Systems				
CM5	**2,730,000**	2,180,000	**1,930**	1,541

* *GHG emission is calculated using emission factor:*
1,640.7 lbs CO_2/MWh × (4.536 × 10^{-4} metric tons/lb) × 0.001 MWh/kWh = 7.44 × 10^{-4} metric tons CO_2/kWh

REGULATORY COMPLIANCE: The Group is not aware of any non-compliance of laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the reporting period that have a significant impact on the Group.

WASTE MANAGEMENT: The Group is committed to dispose of hazardous waste responsibly and in compliance with relevant local and international environmental, safety, and health regulations, as well as in line with industry standards. We have put in place waste disposal procedures governing both hazardous and non-hazardous waste at our repair centres and warehouses.

HAZARDOUS WASTE MANAGEMENT: Hazardous waste generated in our business operations consists of lithium batteries from defective or returned laptops and mobile phones. Government-authorised disposal companies handle the disposal of such hazardous waste. Total disposal of hazardous waste is consolidated in the table below. The Group is not aware of any non-compliance with environmental, health, and safety standards in the disposal of our hazardous waste during the reporting period.

Repair Centre	Disposal Volume (kg) 2020	2019
Australia	**130**	16
Canada	**38**	20
China	**166**	101
Dubai	**3**	5
Germany	**486**	267
Hong Kong	**70**	52
Japan	**33**	28
Korea	**34**	5
Singapore	**152**	133
Taiwan	**115**	29
U.S.	**1,056**	709

NON-HAZARDOUS WASTE MANAGEMENT: Non-hazardous waste consists of returned, obsolete, and defective peripherals products such as mice, headphones, wires, keyboards, and packaging materials such as cardboard boxes, paper, and plastics. These are all collected at our warehouses located in Hong Kong, Germany, and the United States, where sorting takes place and records are kept. Government-authorised waste disposal companies then dispose of the waste.

Total disposal of non-hazardous waste and packaging materials are consolidated in the table below. During the reporting period, there were no incidents of non-compliance relating to the disposal of non-hazardous waste.

	Quantity (Metric Tonnes)		
Types of Non-Hazardous Waste	**Hong Kong**	**U.S.**	**Europe**
2020			
Peripherals Products (Mice, Headphones, Keyboards, Wires, etc.)	11.490	0.950	22.487
Packaging Materials (Cardboard boxes, plastics, paper, foam, etc.)	3.830	0.000	32.225
2019			
Peripherals Products (Mice, Headphones, Keyboards, Wires, etc.)	14.724	14.872	22.879
Packaging Materials (Cardboard boxes, plastics, paper, foam, etc.)	3.681	22.003	29.547

A2. Use of Resources

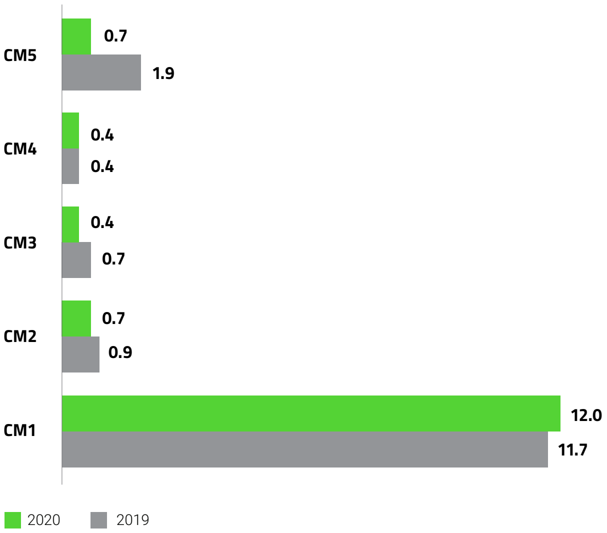
ENERGY CONSUMPTION: We have taken various initiatives to encourage energy conservation at all our offices. We also strongly encourage employees to adopt paperless communication.

Energy consumption at corporate offices and that of our top five contract manufacturers during the reporting period are as follows:

Region	Water Consumption (Metric Tonnes)	Electricity Consumption (kWh)	Water Intensity (per square meter)	Electricity Intensity (per square meter)
2020				
Singapore – Razer	141.90	853,091	0.02	147.03
U.S. – Razer	*	253,895	*	59.86
U.S. – THX	*	30,786	*	34.63
Europe – Razer	*	17,218	*	22.96
China – Razer	*	78,829	*	34.27
China – THX	*	1,600	*	35.56
Taiwan – Razer	659.60	325,339	0.46	225.37
Hong Kong – Razer	*	42,834	*	356.95
Malaysia – MOL Global	584.00	243,899	0.45	80.20
Indonesia – MOL Global	*	19,042	*	190.42
Philippines – MOL Global	174.00	43,552	0.41	101.43
Thailand – MOL Global	41.00	50,537	0.09	108.56
Turkey – MOL Global	255.93	21,862	0.43	36.44
2019				
Singapore – Razer	218.70	999,999	0.04	172.30
U.S. – Razer	*	307,496	*	76.40
U.S. – THX	*	39,000	*	48.40
Europe – Razer	*	27,886	*	37.20
China – Razer	*	91,693	*	32.70
China – THX	*	1,600	*	35.60
Taiwan – Razer	659.80	353,004	0.40	198.10
Hong Kong – Razer	33.70	57,625	0.20	303.30
Malaysia – MOL Global	791.00	259,187	0.23	74.87
Indonesia – MOL Global	*	23,476	*	234.76
Philippines – MOL Global	559.00	69,776	1.30	162.50
Thailand – MOL Global	43.00	60,280	0.09	129.49
Turkey – MOL Global	136.00	16,008	0.23	26.68

* *Water consumption is managed by the landlord*

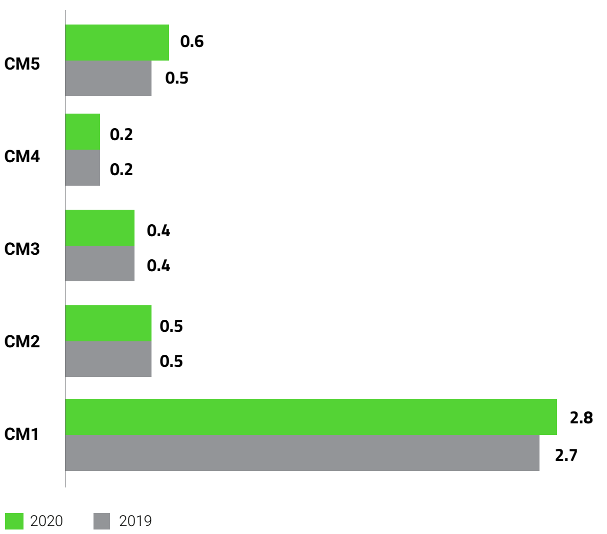
Electricity/Unit (kWh/Units)



SOURCING OF MATERIALS: All raw materials and components used in our products that are sold in Europe and the United States are compliant with Restriction of Hazardous Substances ("RoHS2"), Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") and Waste Electrical and Electronic Equipment ("WEEE"). The Company ensures raw materials and packaging materials used are sourced from quality and reliable suppliers who are ISO 9001 and ISO 14001 certified.

Our sourcing team measures and tracks total packaging materials consumed per unit of production by our top five contract manufacturers. The consolidated packaging materials per unit production are presented in the chart below:

Packaging/Unit (KG/Units)



Towards #GoGreenWithRazer by 2030

The Group is cognizant of the impact our operations have towards the planet. Following the successful launch of #GoGreenWithRazer manifesto in October 2020, the Group will continue to play its part as a responsible global citizen by committing a sustainability roadmap by which includes:

(a) Evolving into a Green Organization

- Reduce GHG emission by eradicating the use of single-use plastics across our global offices. When reduction is not feasible, the Group will neutralize the carbon footprint through investments in forestry and other environmental projects.
- Transfer to 100% renewable energy to power Razer's global operations and to be 100% carbon neutral for our product portfolio and operations.
- Cultivate a green mindset amongst its employees, by offering paid time-off to support their volunteerism and contributions towards a green cause of their choosing while committing to a global donation-matching program in support of employees' donations.

(b) Assembling a Green Products portfolio

- The Group will implement Razer Design-for-Sustainability Program that will incorporate environmental considerations into the design and manufacturing process across its product lifecycle. This includes, but not limited to, the use of PCR plastics across all product categories, adoption of environmentally-friendly colour, materials and product finishes. The program will also see the introduction of Efficient Product Design philosophy across the Group, enhancing space efficiency to reduce packaging materials, shipping volume and ultimately environmental impacts.
- Strictly comply to responsible waste disposal procedures according to local and international regulations.
- Enable recycling of its products through accessible point-of-recycling at RazerStores globally and in collaboration with distributors, retailers and e-tailers.
- The Group will introduce clear labelling across its products to enhance transparency of our products' environmental impacts.

(c) Rallying a Green Community for Maximum Impact

- Continue to execute and fund efforts that will galvanize the Razer community to contribute towards green causes. This includes dedicating a portion of sales proceed from RazerStores and Razer.com to environmental and sustainable causes.
- The Group is committed to invest in environmental innovation through zVentures, Razer's corporate venture arm.

Social

Employment & Labour Practices

B1. Employment

Operating in a highly competitive industry, we believe our continued success lies in attracting and retaining the right and best people to continue driving the Razer brand to greater heights. We are committed to maintaining a work environment that not only values integrity, diversity, collaboration, and communication, but also respects labour and human rights of all employees.

EMPLOYMENT RELATIONSHIP: All our employees' employment relationships with the Group are on a voluntary basis. Employees are free to resign at any time, subject to the appropriate notice period.

EQUAL OPPORTUNITY: Razer is an equal opportunity employer. Our employment decisions are based on merit and business needs, and not based upon race, colour, citizenship status, religious creed, national origin, ancestry, gender, sexual orientation, age, marital status, veteran status, physical or mental disability, medical condition, or any other conditions prohibited by law.

DISCRIMINATION AND HARASSMENT: The Group does not tolerate unlawful discrimination and harassment in the workplace. In connection with our Code of Ethics, we expressly prohibit any form of unlawful discrimination and harassment based on race, colour, religion, sexual orientation, sex, gender identity, national origin, age, disability, genetic information, military or veteran status, pregnancy, childbirth or related medical conditions or status in any group protected by state or local law. Improper interference with the ability of employees to perform their expected job duties is not tolerated.

WAGES AND BENEFITS: We are committed to provide to all our employees above the local legal minimum wage and benefits, along with annual leave, sick leave, maternity and/or paternity leave, in accordance with the respective national laws and regulations in the regions that we are operating in, and without any repercussions.

GREAT PLACE TO WORK® CERTIFICATION – RAZER SINGAPORE: Razer Singapore has been certified as a Great Place To Work®, joining the ranks of top companies known for their phenomenal work culture and environment.

REGULATORY COMPLIANCE: The Group is not aware of any non-compliance of laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the reporting period that have a significant impact on the Group.

B2. Health & Safety

At Razer, the health and safety of our employees are of the utmost importance. With the COVID-19 pandemic plaguing the world, we have stepped up the necessary precautions to protect our employees against the virus. These were done in compliance with the local authorities' safety guidelines and requirements.

At the same time, we encourage our employees to embrace health and safety as both a personal and collective responsibility. Surgical masks and Razer Cloth Masks have been made available for all employees throughout the year. While working in the office, all employees are mandated to wear masks at all times. Stringent protocols are enforced to ensure employees working in the office are in good health. Procedures are also in place should any of our employees contract the virus, including disinfecting the affected office unit and placing employees working in the same unit under mandatory 14-day quarantine.

During the reporting period, there was no material non-compliance with relevant laws and regulations relating to workplace health and safety.

HEALTH & WELLNESS: Over the years, we have established wellness initiatives that are designed to promote an overall culture of healthy living within Razer and includes an incentive program and a variety of wellness activities for our employees. With the COVID-19 pandemic requiring most of our offices to close, these activities have moved online, offering exercise classes (e.g. yoga) and wellness talks on physical and mental well-being.

SAFETY: Employees are placed under 'Work-From-Home' (WFH) arrangement, subject to the prevailing local COVID-19 situation. At the time of reporting, our Singapore office, for example, is operating on a split 50-50 basis, aligned with the improving COVID-19 situation in the country. In other regions where COVID-19 cases are on the rise, e.g. in Europe, Malaysia and the United States, employees are barred from entering the office and continue to work from home, unless there are business-critical reasons.

EMPLOYEE ENGAGEMENT: At Razer, we embrace the concept of open communication. Our employees can stay up to date on company announcements through team discussions and communicate with colleagues internationally via multiple social platforms. Every quarter, a company-wide town hall meeting is held, where senior management delivers updates on our business performance, goals for the quarters ahead, and other selected topics of interest. This is streamed live across Razer's global offices, with the exception of the U.S. and Europe offices due to time zone differences. For these two regions, we have arranged for a re-cast of the town hall meetings at alternate timings, such that employees in these regions can take turns watching the town hall meetings live.

The town hall meetings always finish with a live Q&A session, where any questions from employees are welcomed.

REGULATORY COMPLIANCE: The Group is not aware of any non-compliance of laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards during the reporting period that have a significant impact on the Group.

B3. Training and Development

The Group recognises the importance of training and development and believes in helping our people to achieve their fullest potential. We provide the necessary resources and support for employees who are keen to learn and develop their skill sets as they journey with the Company. In 2018, we formalised the Razer Academy to empower our employees to take charge of their own development to level up. The diverse offerings within the Razer Academy covers a gamut of topics, ranging from soft skills, such as communication, personal effectiveness, leadership and management, to functional and technical skills like project management and coding.

During the reporting period, a new program, Bytes by Razer Academy, was launched to offer employees opportunities to level-up their skill sets amidst the pandemic. The program was rolled out once every quarter, covering topics such as *Communicating with Impact, Managing Stress to Improve Productivity and Positive Influencing Skills*.

B4. Labour Standards

CHILD AND FORCED LABOUR: We seek to comply with all relevant local and international regulations in relation to human rights and labour practices. During the reporting period, there were no grievances in relation to, or incidents of non-compliance with, relevant laws and regulations relating to child and forced labour.

Operating Practices

B5. Supply Chain Management

At Razer, we are committed to managing our supply chain in an environmentally-friendly and socially responsible manner. To ensure ethical and socially responsible practices along our value chain, we have zero tolerance for unethical treatment and illegal labour practices including forced labour, child labour, and inhumane working conditions. We enforce our policies by subjecting each contract manufacturer to an audit prior to onboarding.

We have established a supply chain management protocol to govern our sourcing, on-boarding, performance evaluation, and quality checks. We have also undertaken the necessary measures to ensure suppliers and contract manufacturers comply with the regulations in their respective operating locations. For instance, as part of our onboarding process, we conduct site inspections and require contract manufacturers to provide evidence or references proving their quality of service, practices, financial capability, and compliance track record.

A list of certifications we require from our contract manufacturers is summarised in the table below:

Certifications in Manufacturing Facilities	
ISO 9001	Quality Management System
ISO 14001	Environmental Management Systems
OHSAS 18001	Occupational Health and Safety Management Systems
SA 8000	Social Accountability

In addition, we also mandate that our contract manufacturers ensure raw materials and components for our products are compliant with international safety, health, and quality requirements, including Restriction of Hazardous Substances ("RoHS2") and Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH").

To maintain oversight, we conduct factory audits and site visits. In addition, we hold biannual business reviews with our top five contract manufacturers. Razer Operations maintains the results of these audits and business reviews. We also engage with our suppliers and contract manufacturers via conference calls, emails, and business review meetings on a regular basis. We see our suppliers and manufacturers as partners and strive to forge sustainable long-term relationships built on mutual trust and respect.

To ensure our products are accessible to customers around the world, we strategically partner with a network of distributors and retailers. Our products are sold in large online and offline retailers such as Amazon, Best Buy and Walmart in North America; JD.com and Tmall in China and MediaMarket, Saturn, and Fnac in Europe.

B6. Product Responsibility

QUALITY ASSURANCE: Driven by a passion to create high quality products that meet our own demanding needs as gamers, we have implemented stringent quality control and compliance checks over our processes. Our checks cover aspects ranging from incoming materials inspection, to sampling checks during manufacturing process, and performing independent quality assessment and reliability testing on certain percentages of our finished products to ensure that they are free from defects and in compliance with relevant safety standards before delivery.

To uphold consistent quality standards, all our products are manufactured at facilities with ISO 9001 and ISO 14001 certifications. We also perform on-site audits and inspections of our contract manufacturers from time to time to ensure their processes adhere to our specifications and demands.

We ensure our products are compliant with the relevant environmental and safety standards and requirements in the respective markets that they are sold in. Our peripherals, systems and mobile devices sold in the U.S. and Europe are fully compliant with the Restriction of Hazardous Substances ("RoHS2"), Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") and Waste Electrical and Electronic Equipment ("WEEE") directives. All other related product specifications and information, including safety guidelines, are clearly labelled and packaged together with the finished product.

A list of countries product certification is shown in the table below:

Country	Certification Agency
Non-Wireless Devices	
U.S.	FCC 15B
Canada	ICES-003
Europe	CE Mark (EMC/LVD Directive)
Australia/New Zealand	RCM mark
Taiwan	BSMI
China	CCC
Korea	KC Mark
Japan	PSE Mark
Wireless Devices	
Europe	CE ETSI (R&TTE Directive)
Australia/New Zealand	C-Tick
U.S.	FCC ID
Canada	IC ID
Taiwan	NCC
Korea	KC
China	SRRC
Japan	TELEC
Malaysia	SIRIM
Indonesia	SDPPI
Singapore	IMDA
Thailand	NBTC
Philippines	NTC
UAE	TRA
Saudi Arabia	CITC
India	DoT

All our products are warranted against defects and workmanship fault. We have multiple channels, such as contact centres, social media platforms, or through our distributors and retailers, that allow customers to reach out to us over any product concerns with ease. A dedicated team focused on Sustaining Engineering proactively works on all reported cases, carrying out the necessary investigations and product evaluation, followed by corrective actions to timely resolve all customers' concerns. During the reporting period, there were no incidents relating to recall of products sold or shipped due to quality, safety or health reasons.

INTELLECTUAL PROPERTY RIGHTS: The Razer brand and IP is crucial to our business. To protect the Razer brand and IP assets, we rely on a combination of patents, trademarks, designs, copyrights and/or other IP rights to protect our proprietary rights and interests. We also sign and enter into confidentiality or non-disclosure agreements with our strategic partners and stakeholders to safeguard our trade secrets and sensitive business information.

We have a dedicated IP team responsible for the administration and management of all legal matters pertaining to our IP rights. The Group has a comprehensive strategy to promote, identify and reward innovation, and to register, protect and maintain registrable IP rights and assets in all the countries and territories in which we operate. We also employ a worldwide trademark watch service to monitor and oppose any third-party registrations of confusingly similar trademarks.

We are vigilant in protecting our IP rights and interests and will act to enforce our IP rights against third party infringements through a variety of civil and/or administrative proceedings. We regularly work together with enforcement agencies, customs authorities and/or other brand protection agencies to monitor and act against dealers or sellers of counterfeit products whether on our own, or together with local authorities.

SERVICE RESPONSIBILITIES: Our mission as a Company – for Gamers, by Gamers – is to continually meet and exceed customers' expectations and anticipate their future needs. To ensure our gamers and fanbase are supported, connected, and engaged from pre-sales to post-sales support, we provide multiple channels and platforms (such as contact centres, razer.com, social media platforms, as well as through our distributors and retailers) to receive customers' feedback and opinions timely.

We have a dedicated engineering team that proactively works on all reported cases relating to post-sale technical support, where they will carry out the required investigations and product evaluation, followed by corrective actions to ensure customers' concerns are resolved in a timely manner.

Our enthusiastic Customer Support team is readily available for our gamers and fanbase to reach out to us. Alongside this team, we also leverage chat technology to proactively seek and address customers' concerns through their comments and expressions posted on online forums and other social media platforms.

PERSONAL DATA PRIVACY: We take customers' data privacy very seriously, and take all necessary steps to safeguard our customers' personal information in compliance with all relevant laws and regulations. All personal data collected is accessible only by authorised personnel and is handled confidentially. Our Data Classification Policy, available to all employees via our intranet, provides guidance on the baseline security controls that need to be undertaken to protect data. There were two instances of breaches of customer privacy and/or loss of customer data which we became aware of during the reporting period. However, we have taken measures to mitigate the breaches and do not assess these to have material financial impact.

REGULATORY COMPLIANCE: The Group is not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

B7. Anti-Corruption

Razer is committed to promoting the highest ethical and legal standards of business conduct, as well as the highest level of compliance with applicable laws, rules and regulations. Our core values are the key principles according to which we run our business on a day-to-day basis. Adherence to our core values is key to working as an employee of Razer.

CODE OF CONDUCT: Our Code of Ethics and Professional Conduct ("Code of Ethics") spells out the guiding principles and responsibilities for our employees in the following areas such as compliance with the law, working ethically and with integrity, and treating others inside and outside of Razer fairly and honestly. New employees are required to confirm that they have understood the Code of Ethics appropriate to their role and position in the Company on joining and provide annual confirmation of compliance in writing. The Code of Ethics is accessible to all employees via our intranet and is continually assessed from time to time, to ensure it reflects best practices and meets the expectations of all stakeholders.

WHISTLEBLOWING: We operate a Whistleblower and Complaint Policy to encourage and assist whistleblowers to report all known and suspected violations of laws and regulations, as well as improper activities relating to misconduct, malpractices or irregularities through a confidential and anonymous channel. The policy is communicated to all our employees through our intranet. Under the policy, the whistleblower may make a report through email at play.fair@razer.com, by letter addressed to Razer at 514 Chai Chee Lane, #07-05, Singapore 469029, marked "Attention: Head of Legal" or "Attention: Head of HR" or directly to the Audit and Risk Management Committee ("ARMC") via armc.ww@razer.com. Both the Head of Legal and Head of HR are appointed executives responsible for reviewing reported cases, determine the appropriate mode of investigation and corrective actions, and will in turn report appropriate cases to the ARMC.

ANTI-CORRUPTION AND BUSINESS INTEGRITY: Razer's policy is to conduct its business and operations in an honest and ethical manner. Under the Anti-Bribery and Anti-Corruption Policy, the Group takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all of its business dealings. We expect our employees to be vigilant around any potential conflicts of interest arising from their relationships in both their personal and professional networks. The Group does not make contributions or payments that could be considered a contribution to a political party or candidate but does not restrict employees from doing so, provided there is no conflict of interest to their role as an employee at Razer.

During the reporting period, the Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group. There were also no confirmed legal cases regarding corrupt practices brought against Razer or its employees.

ANTI-MONEY LAUNDERING: Razer strictly abides by all applicable laws and regulations on anti-money laundering and anti-terrorism financing and fulfils its social responsibilities and legal obligations on anti-money laundering. There were no confirmed legal cases relating to non-compliance with applicable laws and regulations on anti-money laundering and anti-terrorism financing.

REGULATORY COMPLIANCE: The Group is not aware of any non-compliance of laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Community

B8. Community Investment

We aim to build a sustainable community by supporting local initiatives that create effective and lasting benefits, through initiatives that may include corporate philanthropy, establishing community partnerships, and mobilising our employees to participate in volunteer work. As members and leaders of the gamer, esports and local communities where we operate in, we made several commitments to grow, develop and give back to those around us.

Esports

Razer Invitational Series

Despite the onslaught of a global pandemic, Razer remained resolute in its commitment to empower the next generation of regional esports communities and athletes – sparking a global esports revolution in May 2020 with the inaugural Razer Invitational – Southeast Asia.

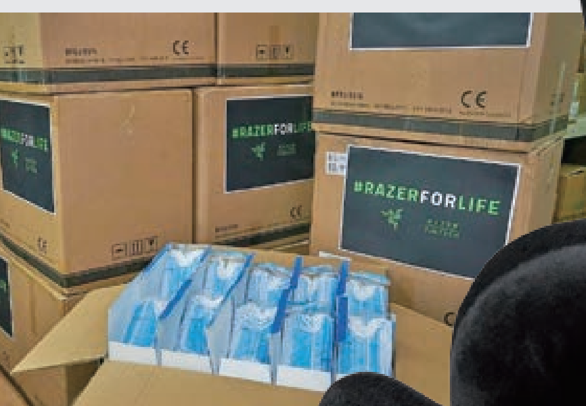
The tournament's resounding success took the world by storm, resulting in Razer Invitational – Latin America in December 2020 and Razer Invitational – Europe in January 2021. A showdown like no other, the Razer Invitational celebrates the spirit and passion of the esports dream, providing a fair, diverse, and inclusive platform for athletes to hone their skills ahead of the 2021 SEA Games in Vietnam.

Community

#RazerForLife Mask Initiatives

When the number of COVID-19 cases peaked globally, there was a shortage of surgical masks globally. Recognizing the importance of surgical masks to curb the spread of COVID-19, Razer leveraged on its extensive network of business partners to secure 1 million pieces of surgical masks. These masks were then donated to various countries globally as an immediate relief to the supply, providing masks to front-line workers and to those in need.

In Singapore, Razer converted existing production facilities into a mask manufacturing line in Singapore in a short span of 24 days, producing approximately 5 million masks a month. Adult Singaporeans from all walks of life can redeem these masks for free via a network of vending machines available across the nation.



Razer's COVID-19 efforts did not stop there. As an influential leader in the global gaming communities, Razer rallied gamers to pledge their Razer Silver, Razer's own reward points, to donate masks to the frontline workers at any corner of the world. At this time of writing, more than 60,000 units of masks have been donated since the campaign commenced in June 2020.

#GoGreenWithRazer

Razer's manifesto towards a sustainable future was announced in #RazerCon2020, outlining three strategic pillars that will manifest the organization's commitment to give back to Mother Nature: Green Products, Green Offices and Green Community. Aligned with the announcement, Sneki Snek, Razer's own mascot to signify our sustainable endeavors, was introduced along with the joint campaign with Conservation International (CI) to save trees. For every sale of a Sneki Snek plushie, Razer will make a contribution to CI to save 10 trees. With an initial goal of 100,000 trees, Razer plans to conserve nearly 400 acres of forests which will save endangered wildlife that depends on these forests for survival. At the time of writing, close to 140,000 trees have been saved through this campaign.

ESG Aspects Content Index

Aspect	Disclosure	Page Number
SUBJECT AREA A. ENVIRONMENT		
A1. Emission		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Pages 62 - 64
KPI A1.1	The types of emissions and respective emissions data.	Pages 62 - 63
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 63
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 64
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 64
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Pages 62 - 63
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Page 64
A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Page 65
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Pages 65 - 66
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Page 65
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Page 65
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	The Group does not have any issue in sourcing water that is fit for purpose and does not specifiably initiate any form of measure to ensure water efficiency. This is primarily because, most of our water consumption arose from internal office usage.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group has more than 100 over suppliers and hence collating the total packaging material would be tough. The Group has instead disclosed the packaging materials (in kg) per unit produced by our top 5 contract manufactures, which represented approximately 70% of the Group's total purchases for the year, as disclosed in Page 65.

ESG Aspects Content Index

Aspect	Disclosure	Page Number
I A3. I Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Page 66
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 66
SUBJECT AREA B. SOCIAL		
I B1. I Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 67
KPI B1.2 (Optional)	Employee turnover rate by gender, age group and geographical region.	We maintain average staff turnover rate at or below 15%.
I B2. I Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Pages 67 - 68
KPI B2.1 (Optional)	Number and rate of work-related fatalities.	There were no work related fatalities during the reporting period.
KPI B2.2 (Optional)	Lost days due to work injury.	NA
KPI B2.3 (Optional)	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Pages 67 - 68
I B3. I Training and Development		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Page 68
KPI B3.1 (Optional)	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	NA
KPI B3.2 (Optional)	The average training hours completed per employee by gender and employee category.	NA

ESG Aspects Content Index

Aspect	Disclosure	Page Number
B4. Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Page 68
KPI B4.1 (Optional)	Description of measures to review employment practices to avoid child and forced labour.	Supplier visits and assessment are carried out to ensure no child and forced labour at our contract manufacturers.
KPI B4.2 (Optional)	Description of steps taken to eliminate such practices when discovered.	No such incidents were reported during the reporting period.
B5. Supply and Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 68
KPI B5.1 (Optional)	Number of suppliers by geographical region.	NA
KPI B5.2 (Optional)	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Pages 68 - 69
B6. Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Pages 69 - 71
KPI B6.1 (Optional)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There was less than 0.001% of products recalled during the reporting period.
KPI B6.2 (Optional)	Number of products and service related complaints received and how they are dealt with.	The Group is not aware of any significant complaints related to product and services during the reporting period. We consider issues that are significant to be those related to material non-compliance with relevant standards, rules and regulations on health and safety, mis-advertising and labelling, and intellectual property rights etc. Upon any complaints received, formal investigations are launched and follow up actions are taken in a timely manner.

ESG Aspects Content Index

Aspect	Disclosure	Page Number
I B6. I Product Responsibility		
KPI B6.3 (Optional)	Description of practices relating to observing and protecting intellectual property rights.	Page 70
KPI B6.4 (Optional)	Description of quality assurance process and recall procedures.	Pages 69 - 71
KPI B6.5 (Optional)	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Page 71
I B7. I Anti-Corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Pages 71 - 72
KPI B7.1 (Optional)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Zero cases
KPI B7.2 (Optional)	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Page 72
I B8. I Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 73
KPI B8.1 (Optional)	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Pages 73 - 75
KPI B8.2 (Optional)	Resources contributed (e.g. money or time) to the focus area.	Pages 73 - 75

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAZER INC.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Razer Inc. ("the Company") and its subsidiaries ("the Group") set out on pages 87 to 146, which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAZER INC. (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of Potential Impairment of Intangible Assets and Goodwill

Refer to notes 4(a) and 14 to the consolidated financial statements and the accounting policies in notes 3(d) and 3(h)(ii).

The Key Audit Matter

The carrying values of the Group's intangible assets and goodwill as at December 31, 2020 amounted to US$25,499,000 and US$65,486,000 respectively. Management allocates intangible assets and goodwill to separately identifiable cash generating units ("CGUs") and assesses if there are any indicators of impairment of these CGUs.

Management performs impairment assessments of goodwill and intangible assets with indefinite useful lives annually and whenever there is an indication that intangible assets with definite useful lives may be impaired. Management compares the aggregate carrying values of the CGUs to which the intangible assets and goodwill have been allocated with their estimated recoverable amounts by preparing discounted cashflow forecasts to determine the amount of impairment which should be recognised for the year, if any.

The preparation of discounted cashflow forecasts involves the exercise of significant judgement, particularly in estimating the revenue growth rates and the discount rates applied.

We identified assessing potential impairment of intangible assets and goodwill as a key audit matter because the impairment assessments prepared by management are complex and contain certain judgemental assumptions applied which could be subject to management bias in their selection.

How the matter was addressed in our audit

Our audit procedures to assess the potential impairment of intangible assets and goodwill included the following:

- evaluating management's identification of the CGUs and the value of intangible assets and goodwill allocated to each CGU and assessing the methodology applied by management in the preparation of the discounted cashflow forecasts with reference to the requirements of the prevailing accounting standards;
- comparing data in the discounted cashflow forecasts prepared by management with the relevant data, including revenue and operating expenses, contained in the financial budget which was approved by the management;
- challenging the key assumptions adopted by management in the preparation of the discounted cashflow forecasts, including the pre-tax discount rate and revenue growth rate, adopted in the discounted cashflow forecasts by referring to industry and other available third party information, the recent financial performance of each CGU subject to impairment assessment and management's future plan;
- engaging our internal valuation specialists to assist us in evaluating whether the discount rates applied in the discounted cashflow forecasts were within the range adopted by other companies in the same industry; and
- assessing the impact of changes in the key assumptions on the conclusions reached in the impairment assessments and whether there were any indicators of management bias.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAZER INC. (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

Revenue Recognition from the Sale of Goods and Service Income

Refer to note 5 to the consolidated financial statements and the accounting policies in note 3(i).

The Key Audit Matter

The Group's revenue is principally generated from sale of goods and service income.

Revenue from the sale of goods is recognised when the customer obtains control of the promised good in the contract and is measured at the fair value of the consideration received or receivable, net of estimated product returns, and expected payments for sales channel incentive programs (if any).

Management's estimations of expected payments for sales channel incentive programs and returns are based on the terms and conditions in the sales arrangements as well as historical experience and expectation of future conditions.

Revenue from service income is primarily generated from Razer Gold virtual credit and Razer Pay services, which is recognised at a point in time when the performance obligations have been satisfied. For Razer Gold, performance obligations are satisfied when end customers purchase merchant games or related goods using Razer Gold virtual credit. Revenue from Razer Pay services consists of volume-based service fees that are made up of a high volume of transactions. Performance obligations are satisfied when the transactions are being processed.

The recognition of revenue from sales of goods has been identified as a key audit matter because of the different types of sales channel incentive programs the Group has and the inherent level of complex and subjective management judgement required in assessing the assumptions in the estimation of payments for sales channel incentive programs, which could be subject to management bias in their selection.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue included the following:

- assessing the design, implementation and operating effectiveness of management's key internal controls over revenue recognition;
- engaging our internal information technology specialists to assist us in understanding, evaluating and testing the relevant IT controls over the generation of automated entries for service income and in testing of system interface and configuration controls relevant to service income recognition process;
- inspecting sales contracts with distributors, retailers and merchants on a sample basis, to understand the trade terms agreed with individual customer including the terms of delivery and acceptance, applicable arrangement of payments for sales channel incentive programs and any sales return arrangements to assess the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;
- for sales of goods, comparing, on a sample basis, sales transactions recorded during the financial reporting period with underlying delivery documents, which contained evidence of acknowledgement of the customer's receipt of the goods, and assessing whether the related revenue was properly recognised in accordance with the trade terms set out in the respective sales contracts;

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAZER INC. (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

Revenue Recognition from the Sale of Goods and Service Income

Refer to note 5 to the consolidated financial statements and the accounting policies in note 3(i).

The Key Audit Matter

The recognition of revenue from service income has been identified as a key audit matter because the processing of these electronic transactions is highly dependent upon automated systems to ensure the accuracy and timely recording of its revenue transactions.

How the matter was addressed in our audit

- for service income, where applicable, comparing, on a sample basis, commission income recorded during the financial reporting period with underlying supporting documents;
- assessing, on a sample basis, whether specific revenue transactions recorded around the end of the financial reporting period have been recognised in the appropriate financial period by inspecting the trade terms agreed with the individual customers and the delivery status of the relevant products;
- inspecting the sales ledger subsequent to the financial reporting period and making enquiries of management to identify significant credit notes issued and sales returns and inspecting relevant underlying documentation to assess if the related revenue had been accounted for in the appropriate financial period in accordance with the requirements of the prevailing accounting standards;
- evaluating the key assumptions adopted by management in estimating the provision for sales channel incentive programs by, on a sample basis, inspecting the trade terms agreed with the individual customers and comparing the assumptions to contract terms and the Group's relevant experience in the sales channel incentive programs; and
- comparing, on a sample basis, actual payments for sales channel incentive programs subsequent to the reporting date with the provision for those payments at the reporting date to assess whether there were any significant under/over-provision.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAZER INC. (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

Information Other than the Consolidated Financial Statements and Auditor's Report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAZER INC. (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Ngar Yee.

KPMG

Certified Public Accountants

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

24 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2020 (Expressed in United States dollars)

	Note	2020 US$'000	2019 US$'000
Revenue	5	**1,214,570**	820,795
Cost of sales		**(943,562)**	(652,732)
Gross profit		**271,008**	168,063
Selling and marketing expenses		**(135,501)**	(112,675)
Research and development expenses		**(53,999)**	(52,418)
General and administrative expenses		**(77,653)**	(89,267)
Impairment of goodwill and other assets	14	**(10,830)**	(9,525)
Loss from operations		**(6,975)**	(95,822)
Other non-operating income		**3,880**	6,188
Finance income	7	**8,581**	13,193
Finance costs	7	**(1,134)**	(1,375)
Profit/(loss) before income tax	8	**4,352**	(77,816)
Income tax expense	11(a)	**(3,547)**	(5,654)
Profit/(loss) for the year		**805**	(83,470)
Other comprehensive income for the year, net of nil tax unless specified			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**2,342**	860
Remeasurement of net defined benefit liability		**44**	(81)
		2,386	779
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**3,764**	(561)
		3,764	(561)
Other comprehensive income for the year		**6,150**	218
Total comprehensive income for the year		**6,955**	(83,252)
Profit/(loss) attributable to:			
Equity shareholders of the Company		**5,626**	(84,179)
Non-controlling interests		**(4,821)**	709
Profit/(loss) for the year		**805**	(83,470)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

for the year ended December 31, 2020 (Expressed in United States dollars)

	Note	**2020 US$'000**	2019 US$'000
Total comprehensive income attributable to:			
Equity shareholders of the Company		**11,381**	(81,755)
Non-controlling interests		**(4,426)**	(1,497)
Total comprehensive income for the year		**6,955**	(83,252)
Profit/(loss) per share	12		
Basic		**US$0.001**	US$(0.010)
Diluted		**US$0.001**	US$(0.010)

The notes on pages 95 to 146 form part of these financial statements.

Consolidated Statement of Financial Position

at December 31, 2020 (Expressed in United States dollars)

	Note	**December 31, 2020 US$'000**	December 31, 2019 US$'000
Non-current assets			
Property, plant and equipment	13	**30,058**	29,982
Intangible assets and goodwill	14	**90,985**	104,895
Other investments	20	**61,305**	1,297
Deferred tax assets	17	**12,614**	5,647
Restricted cash	21	**1,396**	2,047
Prepayments		**223**	182
Other receivables	19	**3,692**	2,829
		200,273	146,879
Current assets			
Inventories	18	**124,858**	74,820
Trade and other receivables	19	**267,707**	215,096
Prepayments		**8,254**	6,268
Current tax receivables		**1,754**	2,785
Other investments	20	**–**	6,234
Restricted cash	21	**18,234**	14,395
Cash and bank balances	22	**621,811**	528,330
		1,042,618	847,928
Total assets		**1,242,891**	994,807
Current liabilities			
Trade and other payables	23	**584,212**	377,590
Contract liabilities		**2,995**	999
Customer funds	24	**20,147**	12,869
Lease liabilities	25	**4,049**	4,029
Current tax payables		**5,701**	3,073
Other tax liabilities	16	**3,464**	3,360
		620,568	401,920
Net current assets		**422,050**	446,008
Total assets less current liabilities		**622,323**	592,887
Non-current liabilities			
Deferred tax liabilities	17	**2,366**	3,265
Contract liabilities		**1,436**	1,655
Net defined benefit retirement obligation		**589**	515
Other payables	23	**1,712**	1,588
Other tax liabilities	16	**2,276**	1,095
Lease liabilities	25	**6,720**	9,981
		15,099	18,099
NET ASSETS		**607,224**	574,788

Consolidated Statement of Financial Position (Continued)

at December 31, 2020 (Expressed in United States dollars)

	Note	**December 31, 2020 US$'000**	December 31, 2019 US$'000
Capital and reserves			
Share capital	27(b)	**88,762**	89,482
Share premium		**672,526**	683,847
Reserves		**(179,367)**	(205,054)
Total equity attributable to equity shareholders of the Company		**581,921**	568,275
Non-controlling interests		**25,303**	6,513
TOTAL EQUITY		**607,224**	574,788

Approved and authorised for issue by the board of directors on March 24, 2021.

	)	
Min-Liang Tan	)	
	)	
	)	Directors
	)	
	)	
Tan Chong Neng	)	

The notes on pages 95 to 146 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended December 31, 2020 (Expressed in United States dollars)

		Attributable to equity shareholders of the Company											
	Note	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve (non-recycling) US$'000	Reserve for treasury shares *(note)* US$'000	Share-based payments reserve US$'000	Put option written on non-controlling interests US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at January 1, 2019		89,661	714,082	(4,000)	(5,714)	998	(24,721)	105,619	(1,567)	(214,548)	659,810	2,132	661,942
Changes in equity for 2019:													
Loss for the year		–	–	–	–	–	–	–	–	(84,179)	(84,179)	709	(83,470)
Other comprehensive income		–	–	–	3,066	(561)	–	–	–	(81)	2,424	(2,206)	218
Total comprehensive income		–	–	–	3,066	(561)	–	–	–	(84,260)	(81,755)	(1,497)	(83,252)
Issuance of vested shares, net of tax	26	–	–	–	–	–	1,893	(41,237)	–	39,344	–	–	–
Share-based compensation expense	26	–	–	–	–	–	–	30,154	–	–	30,154	52	30,206
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(191)	(191)
Change in ownership interests in subsidiaries		–	–	–	–	–	–	–	–	(6,017)	(6,017)	6,017	–
Issuance of treasury shares		1,500	–	–	–	–	(1,500)	–	–	–	–	–	–
Remeasurement of put option written on non-controlling interests	30(e)	–	–	–	–	–	–	–	(2,003)	–	(2,003)	–	(2,003)
Purchase and cancellation of own shares	27(c)	(1,679)	(30,235)	–	–	–	–	–	–	–	(31,914)	–	(31,914)
Balance at December 31, 2019		89,482	683,847	(4,000)	(2,648)	437	(24,328)	94,536	(3,570)	(265,481)	568,275	6,513	574,788

Consolidated Statement of Changes in Equity (Continued)

for the year ended December 31, 2020 (Expressed in United States dollars)

		Attributable to equity shareholders of the Company											
	Note	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve (non-recycling) US$'000	Reserve for treasury shares (note) US$'000	Share-based payments reserve US$'000	Put option written on non-controlling interests US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at January 1, 2020		89,482	683,847	(4,000)	(2,648)	437	(24,328)	94,536	(3,570)	(265,481)	568,275	6,513	574,788
Changes in equity for 2020:													
Profit/(loss) for the year		-	-	-	-	-	-	-	-	5,626	5,626	(4,821)	805
Other comprehensive income		-	-	-	1,947	3,764	-	-	-	44	5,755	395	6,150
Total comprehensive income		-	-	-	1,947	3,764	-	-	-	5,670	11,381	(4,426)	6,955
Issuance of vested shares, net of tax	26	-	-	-	-	-	23,424	(43,124)	-	19,700	-	-	-
Share-based compensation expense	26	-	-	-	-	-	-	15,684	-	-	15,684	-	15,684
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(349)	(349)
Reversals of shares issuances expenses		-	1,850	-	-	-	-	-	-	-	1,850	-	1,850
Issuance of ordinary shares to non-controlling interests		-	-	-	-	-	-	-	-	-	-	24,700	24,700
Remeasurement of put option written on non-controlling interests	30(e)	-	-	-	-	-	-	-	(627)	-	(627)	-	(627)
Acquisition of non-controlling interests of a subsidiary without a change in control		-	-	-	-	-	-	-	4,197	(5,429)	(1,232)	(1,135)	(2,367)
Purchase and cancellation of own shares	27(c)	(720)	(13,171)	-	-	-	-	-	-	481	(13,410)	-	(13,410)
Balance at December 31, 2020		88,762	672,526	(4,000)	(701)	4,201	(904)	67,096	-	(245,059)	581,921	25,303	607,224

Note: Treasury shares are the Company's shares held by a designated trustee for the purpose of providing for existing and future restricted stock unit ("RSU") grants under the 2016 Equity Incentive Plan (note 26). Shares issued to the RSU holders are recognised on a first-in-first-out basis.

Consolidated Cash Flow Statement

for the year ended December 31, 2020 (Expressed in United States dollars)

	Note	**2020 US$'000**	2019 US$'000
Cash flows from operating activities			
Profit/(loss) for the year		**805**	(83,470)
Adjustments for:			
Depreciation of property, plant and equipment	13	**15,655**	15,462
Amortisation of intangible assets	14	**7,437**	8,675
Loss on disposal of property, plant and equipment		**135**	33
Loss on disposal of intangible assets		**65**	40
Impairment of goodwill and other assets	14(b)	**10,830**	9,525
Impairment loss recognised on trade receivables	30b	**3,591**	241
Gain on sale of subsidiary		**–**	(4,770)
Loss on remeasurement of investments		**–**	523
Write-down of inventories	18	**18,055**	1,925
Finance income	7	**(8,581)**	(13,193)
Finance costs	7	**1,134**	1,375
Share-based compensation expense		**15,782**	30,432
Income tax expense	11(a)	**3,547**	5,654
Changes in working capital:			
Increase in inventories		**(68,092)**	(9,209)
Increase in trade and other receivables		**(58,219)**	(37,778)
(Increase)/decrease in prepayments		**(2,026)**	407
Increase in restricted cash		**(3,187)**	(7,794)
Increase in trade and other payables		**219,294**	48,829
Increase/(decrease) in contract liabilities		**1,777**	(2,841)
(Decrease)/increase in net defined benefit retirement obligation		**(44)**	81
Cash generated from/(used in) operations		**157,958**	(35,853)
Income taxes paid		**(5,076)**	(2,640)
Net cash generated from/(used in) operating activities		**152,882**	(38,493)
Cash flows from investing activities			
Interest received		**7,433**	12,764
Proceeds from disposal of property, plant and equipment		**–**	69
Acquisition of property, plant and equipment		**(14,804)**	(10,369)
Acquisition of intangible assets		**(3,208)**	(4,492)
Investment in financial assets and equity securities		**(152,707)**	(5,300)
Increase in short-term fixed deposits	22	**(113,161)**	–
Proceeds from disposal of financial assets and equity securities		**105,536**	–
Sale of subsidiary		**–**	(2,710)
Net cash used in investing activities		**(170,911)**	(10,038)

Consolidated Cash Flow Statement (Continued)

for the year ended December 31, 2020 (Expressed in United States dollars)

	Note	**2020 US$'000**	2019 US$'000
Cash flows from financing activities			
Interest paid		**(207)**	(294)
Proceeds from issuance of ordinary shares of a subsidiary to non-controlling interests		**24,700**	–
Repurchase of ordinary shares		**(13,410)**	(31,914)
Repayment of principal of lease liabilities		**(5,206)**	(5,380)
Acquisition of non-controlling interests of a subsidiary		**(8,436)**	–
Dividends paid to non-controlling interests		**(349)**	(191)
Net cash used in financing activities		**(2,908)**	(37,779)
Net decrease in cash and cash equivalents		**(20,937)**	(86,310)
Cash and cash equivalents at January 1	22	**528,330**	615,237
Effect of exchange rate fluctuations on cash and cash equivalents		**1,257**	(597)
Cash and cash equivalents at December 31	22	**508,650**	528,330

The notes on pages 95 to 146 form part of these financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together "the Group") are those relating to the design, manufacture, distribution, research and development of gaming peripherals, systems, software, services, mobiles and accessories. The principal activities of the subsidiaries are set out in note 15 to the financial statements.

2 BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of the significant accounting policies adopted are set out in note 3.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3(t) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the other investments are stated at their fair value as explained in the accounting policies set out in note 3(f).

(c) Functional and presentation currency

These consolidated financial statements are presented in United States dollars ("US$") which is also the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Total comprehensive income of subsidiaries is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses (note 3(h)), unless classified as held for sale.

(ii) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Deferred consideration comprises obligations to pay specific amounts at future dates. Deferred consideration is recognised and measured at fair value at the acquisition date and included in the consideration transferred. The unwinding of any interest element of deferred consideration is recognised in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control). The resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(iii) Non-controlling interests

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by IFRSs.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their own capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of net assets of the subsidiary.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the consolidated statement of profit or loss and other comprehensive income except for differences arising on the translation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below).

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to US dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to US dollars at exchange rates prevailing at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the consolidated statements of profit or loss and other comprehensive income.

(c) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (note 3(h)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When different parts of a property, plant and equipment have different useful lives, such parts are accounted for as separate items (major components) of the property, plant and equipment.

The gain or loss from the retirement or disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised at the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives are as follows:

Building	20 years
Office equipment	3 to 5 years
Computer software and equipment	3 years
Leasehold improvements	Shorter of lease term and 5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Retail fixtures	Shorter of lease term and 3 years
Tooling assets	1 to 3 years

(d) Intangible assets and goodwill

(i) Goodwill

At initial recognition, goodwill is measured at cost, being the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree;
- plus if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Goodwill that arises on business combinations is included in intangible assets. Following initial recognition, goodwill is measured at cost less accumulated impairment losses (note 3(h)(ii)). Goodwill is not amortised. Goodwill is tested for impairment on an annual basis.

(ii) Trademarks

Trademarks acquired by the Group through business combination have indefinite useful lives and are measured at cost less accumulated impairment losses (note 3(h)(ii)). The useful lives of the trademarks are estimated to be indefinite because based on the current market share and the strong branding of the trademark, management believes there is no foreseeable limit to the period over which the trademark is expected to generate net cash inflows for the Group because it is expected that their values will not be reduced through usage and the cost of renewal in relation to the period of their use is negligible.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets and goodwill (continued)

(iii) Development cost

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of materials, third party's services and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses (note 3(h)(ii)).

Amortisation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of 1 to 3 years.

(iv) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 3(h)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Purchased technology assets	3 to 5 years
Patents	7 to 17 years
Distribution contracts	4 to 15 years
Customer relationships	20 years

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined on a weighted-average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

(i) Non-derivative financial assets

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to its acquisition. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – equity investment; or FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVPL:

- it is held within a business model whose objective is to hold asset to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrecoverably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group has the following non-derivative financial assets: cash and cash equivalents, trade and other receivables and other investments.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Trade and other receivables

Receivables are recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are recognised initially at fair value plus any directly attributable transaction costs, less allowance for sales rebates and returns (collectively "allowance for trade receivables"). Subsequent to initial recognition, receivables are stated at amortised cost using the effective interest method, less allowance for credit losses (note 3(h)(i)).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances at banks, fixed deposits and money market funds held at call with banks that are not subject to significant risk of changes in value, are readily convertible into known amounts of cash and have original maturities of three months or less at the time of purchase. Cash and cash equivalents are assessed for expected credit loss ("ECL") in accordance with the policy set out in note 3(h)(i).

Other investments

Investments in equity and debt securities are recognised/derecognised on the date of the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss.

An investment in equity and debt securities is classified as FVPL. Unless the equity investment is not held for trading purpose and on initial recognition of the investment the Group makes an election to designate such equity investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. When such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other non-operating income.

(ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, or cancelled or expired.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities comprise trade and other payables.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(g) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are shown in equity as a deduction, net of tax, from the proceeds.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividend is discretionary. Dividends thereon are recognised as distributions within equity upon approval the Company's shareholders.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold and reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables.

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)
ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Write-off policy
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets (other than inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (continued)

(ii) Impairment of non-financial assets (continued)

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. An impairment loss in respect of other assets recognised in prior years is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in note 5.

(j) Employee benefits

(i) Short-term employee benefits

Salaries, annual leave, paid annual leave, contribution to defined contribution pension plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by the employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

Certain of the Company's subsidiaries have defined benefit plans. Defined benefit plans are post-employment benefit plans other than defined contribution plans. It defines the benefits that the employee will receive at the time of retirement in which the Group makes contribution to meet the costs of benefits defined in the plan.

Payments to defined benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(iii) Equity-settled share-based compensation expense

The grant date fair value of share-based payment awards granted to employees is measured at grant date and is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees have to meet vesting conditions before becoming unconditionally entitled to the awards. During the vesting period, the amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. Grant date is the date at which the Company and an employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

If it is determined that the grant date has not been established, but an employee has begun rendering services, the Company estimates the grant date fair value of the share-based payment at the reporting date for the purpose of recognising the services from service commencement date until grant date. Once grant date has been established, the Company revises its earlier estimates so that the amount recognised for services received is based on the grant date fair value of the share-based payment.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When the time value of money is material, provisions are stated at the present value of expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefit is remote.

Product warranties

Most of the Group's products are covered by warranty to be free from defects in materials and workmanship, for periods ranging from six months to two years. At the time of sale, the Group accrues a warranty liability for estimated costs to provide products, parts or services to replace products in satisfaction of the warranty obligation. The Group's estimate of costs to fulfil its warranty obligations is based on historical experience and expectations of future conditions. When the Group experiences changes in warranty claim activity or costs associated with fulfilling those claims, the warranty liability is adjusted accordingly.

(l) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets, and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(m) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

(i) As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16, *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and 'lease liabilities' in the statement of financial position.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

(i) As a lessee (continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(n) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the net gain or loss on financial assets at FVPL;
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

(o) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the consolidated statement of profit or loss and other comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investment in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(p) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(q) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for treasury shares, for the effects of all dilutive potential ordinary shares.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transaction with any of the Group's other components. The management of the Group has determined that its Chief Executive Officer ("CEO") is the chief operating decision maker ("CODM"). Further details are disclosed in the segment information in note 6.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to the Group's financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 16, *Covid-19-Related Rent Concessions*

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

Amendments to IFRS 3, *Definition of a Business*

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

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

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

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

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 13(b)). There is no impact on the opening balance of equity at January 1, 2020.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) New accounting standards and interpretations not yet adopted

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended December 31, 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	January 1, 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	January 1, 2023

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

4 SIGNIFICANT ACCOUNT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions based on currently available information that affect that reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgements are evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

Note 14 contains information about the assumptions and their risk factors relating to impairment for goodwill and intangible assets. Other key sources of estimation uncertainty are as follows:

Estimates & assumptions

(a) CGU definition

The determination of CGUs requires judgment in defining the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Notes to the Consolidated Financial Statements (Continued)

4 SIGNIFICANT ACCOUNT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) Deferred tax

The Group follows the statement of financial position method to be consistent with note 3(n). Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the deferred tax assets and liabilities recorded at the date of the statement of financial position could be impacted. Additionally, changes in tax laws could limit the ability of the Group to obtain tax deductions in the future.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated cost necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value.

Based on the Group's recent experience in utilisation of spare parts, management revised the model for estimating obsolescence in spare parts during the year ended December 31, 2020. A write-down of US$9.3 million was provided for accordingly.

5 REVENUE

(a) Disaggregation of revenue from contracts with customers

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

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

Notes to the Consolidated Financial Statements (Continued)

5 REVENUE (CONTINUED)

(b) Performance obligations and revenue recognition policies

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

(i) Sales of goods

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

Notes to the Consolidated Financial Statements (Continued)

5 REVENUE (CONTINUED)

(b) Performance obligations and revenue recognition policies (continued)

(ii) Services income

Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Under the Group's services business, the Group generates commission income from the sales of virtual credits ("Razer Gold") and digital payments services ("Razer Fintech"). Commission income from Razer Gold is recognised when users use virtual credits they bought to make purchases online of physical goods, games and related virtual products. The amount of commission income from Razer Gold is measured based on a percentage of the underlying purchases made with virtual credits. Commission income from Razer Fintech services is recognised when the Group satisfies its performance obligations by rendering services and it is based on a percentage of the underlying payments successfully processed by the Group. Most of the contracts do not permit customers to return or obtain refund for services.	Revenue for payments received in advance of the fulfilment of the performance of services is deferred. Revenue is recognised when the performance obligations have been satisfied.

(iii) Royalty income

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

Notes to the Consolidated Financial Statements (Continued)

6 SEGMENT INFORMATION

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

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

- *Peripherals* primarily consists of gaming mice, keyboards, audio devices and mouse mats developed, marketed and sold;
- *Systems* consists of laptops developed, marketed and sold;
- *Software and Services* primarily consists of provision of software over the Razer Software Platform, virtual credits and payment related services; and
- *Others* primarily consists of new products and services including the THX and Razer Phone in 2019.

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

	Peripherals US$'000	**Systems** US$'000	**Software and Services** US$'000	**Others** US$'000	**Total** US$'000
2020					
Revenue	**773,226**	**310,483**	**128,388**	**2,473**	**1,214,570**
Depreciation and amortisation	**(8,112)**	**(4,611)**	**(9,109)**	**(1,260)**	**(23,092)**
Impairment of goodwill and other assets	**–**	**–**	**–**	**(10,830)**	**(10,830)**
Gross profit	**208,170**	**10,362**	**56,278**	**(3,802)**	**271,008**
2019					
Revenue	444,902	269,077	77,027	29,789	820,795
Depreciation and amortisation	(6,776)	(3,122)	(10,021)	(4,219)	(24,138)
Impairment of goodwill and other assets	–	–	–	(9,525)	(9,525)
Gross profit	117,462	26,449	32,675	(8,523)	168,063

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

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

Notes to the Consolidated Financial Statements (Continued)

6 SEGMENT INFORMATION (CONTINUED)

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

Revenue by regions were as follows:

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

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

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

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

1 *Revenue from Americas region includes revenue from the United States of America ("U.S.") of US$515,203,000 for the year ended December 31, 2020 (2019: US$336,501,000). Non-current assets at Americas region in 2020 and 2019 represents non-current assets in the U.S.*

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

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

Notes to the Consolidated Financial Statements (Continued)

7 FINANCE INCOME AND FINANCE COSTS

	2020 US$'000	2019 US$'000
Finance income		
Interest income on fixed deposits and money market funds	**5,755**	13,193
Net gain on financial assets	**2,826**	–
	8,581	13,193
Finance costs		
Bank charges	**195**	163
Interest on lease liabilities	**836**	963
Others	**103**	249
	1,134	1,375

8 PROFIT/(LOSS) BEFORE INCOME TAX

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

9 DIRECTOR'S REMUNERATION

Details of director's remuneration for the years ended December 31, 2020 and 2019 are as follows:

	Directors' fees US$'000	Salaries, allowance and benefits' in kind[1] US$'000	Retirement scheme contribution US$'000	Discretionary bonuses US$'000	Share-based compensation[2] US$'000	2020 Total US$'000
Directors						
Gideon Yu	**37**	**–**	**–**	**–**	**77**	**114**
Lim Kaling	**28**	**–**	**–**	**–**	**58**	**86**
Tan Min-Liang	**56**	**479**	**13**	**38**	**9,871**	**10,457**
Chan Thiong Joo Edwin[5]	**6**	**169**	**8**	**–**	**88**	**271**
Lee Yong Sun	**37**	**–**	**–**	**–**	**73**	**110**
Chau Kwok Fun Kevin	**51**	**–**	**–**	**–**	**100**	**151**
Liu Siew Lan Patricia[7]	**23**	**252**	**9**	**21**	**185**	**490**
Tan Chong Neng[6]	**17**	**251**	**12**	**21**	**177**	**478**
	255	**1,151**	**42**	**80**	**10,629**	**12,157**

	Directors' fees US$'000	Salaries, allowance and benefits' in kind[1] US$'000	Retirement scheme contribution US$'000	Discretionary bonuses US$'000	Share-based compensation[2] US$'000	2019 Total US$'000
Directors						
Gideon Yu	40	–	–	–	82	122
Lim Kaling	30	–	–	–	63	93
Tan Min-Liang	60	524	13	43	20,718	21,358
Chan Thiong Joo Edwin	25	225	12	19	860	1,141
Lee Yong Sun	40	–	–	–	63	103
Chau Kwok Fun Kevin	55	–	–	–	86	141
Khaw Kheng Joo[3]	6	299	6	25	1,340	1,676
Liu Siew Lan Patricia[4]	19	262	11	22	189	503
	275	1,310	42	109	23,401	25,137

1 *Allowances and benefits in kind include leave pay, insurance premium and retirement scheme contributions.*
2 *This represents the estimated share-based compensation expense recorded for each director.*
3 *Khaw Kheng Joo resigned as director of the Company on March 21, 2019.*
4 *Liu Siew Lan Patricia was appointed as a director of the Company on March 21, 2019.*
5 *Chan Thiong Joo Edwin resigned as director of the Company on March 24, 2020.*
6 *Tan Chong Neng was appointed as a director of the Company on March 24, 2020.*
7 *Liu Siew Lan Patricia resigned as director of the Company on March 24, 2021.*
8 *The amount paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company of its subsidiary undertakings.*

Save as disclosed above, no emoluments were paid to other directors during the years ended December 31, 2020 and 2019.

Notes to the Consolidated Financial Statements (Continued)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2019: three) was a director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2020 US$'000	2019 US$'000
Salaries, allowances, benefits in kind and retirement scheme contributions	**1,509**	561
Share-based compensation[1]	**854**	1,625
	2,363	2,186

[1] *This represents the share-based compensation expense recorded for these individuals.*

The emoluments of four (2019: two) individuals with the highest emoluments other than the one (2019: three) director as disclosed in note 9 are within the following bands:

	2020	2019
in Hong Kong dollars ("HKD")		
4,000,001 – 4,500,000	**3**	–
5,000,001 – 5,500,000	**1**	–
5,500,001 – 6,000,000	**–**	1
11,000,001 – 11,500,000	**–**	1

11 INCOME TAX EXPENSE

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

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

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

Notes to the Consolidated Financial Statements (Continued)

11 INCOME TAX EXPENSE (CONTINUED)

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

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

(c) Tax incentives

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

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

Notes to the Consolidated Financial Statements (Continued)

12 PROFIT/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

Weighted average number of ordinary shares:

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

(b) Diluted earnings/(loss) per share

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

Weighted average number of ordinary shares (diluted):

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

Notes to the Consolidated Financial Statements (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Building US$'000	Office equipment US$'000	Computer software and equipment US$'000	Leasehold improvements US$'000	Furniture and fittings US$'000	Motor vehicles US$'000	Retail fixtures US$'000	Tooling assets US$'000	Right-of-use assets US$'000	Construction in progress US$'000	Total US$'000
Cost:											
At January 1, 2019	843	4,210	11,946	4,694	1,602	517	3,421	40,765	12,967	208	81,173
Additions	–	41	1,095	1,012	199	156	121	4,526	4,866	3,220	15,236
Disposals	–	(487)	(3,013)	(186)	(58)	(350)	–	(160)	(26)	(37)	(4,317)
Transfer	–	–	12	992	49	–	304	1,654	–	(3,011)	–
Effect of movement in exchange rate	55	17	39	22	5	(2)	1	–	44	–	181
At December 31, 2019	898	3,781	10,079	6,534	1,797	321	3,847	46,785	17,851	380	92,273
At January 1, 2020	898	3,781	10,079	6,534	1,797	321	3,847	46,785	17,851	380	92,273
Additions	–	187	875	212	79	–	–	7,285	939	6,166	15,743
Disposals	–	(244)	(626)	(338)	(282)	–	(208)	–	(1,000)	–	(2,698)
Transfer	–	180	72	35	23	–	–	4,579	–	(4,889)	–
Effect of movement in exchange rate	(15)	17	34	62	(2)	9	–	–	209	–	314
At December 31, 2020	883	3,921	10,434	6,505	1,615	330	3,639	58,649	17,999	1,657	105,632
Accumulated depreciation:											
At January 1, 2019	42	2,726	9,028	3,734	1,145	400	3,280	29,731	–	–	50,086
Depreciation for the year	49	529	1,973	759	222	28	155	7,254	4,493	–	15,462
Impairment	–	–	–	–	–	–	–	844	–	–	844
Disposals	–	(485)	(2,999)	(166)	(54)	(350)	–	(161)	–	–	(4,215)
Effect of movement in exchange rate	31	18	34	15	5	–	1	–	10	–	114
At December 31, 2019	122	2,788	8,036	4,342	1,318	78	3,436	37,668	4,503	–	62,291
At January 1, 2020	122	2,788	8,036	4,342	1,318	78	3,436	37,668	4,503	–	62,291
Depreciation for the year	58	688	1,449	661	208	56	154	7,711	4,670	–	15,655
Disposals	–	(236)	(626)	(327)	(282)	–	(189)	–	(903)	–	(2,563)
Effect of movement in exchange rate	–	15	27	36	–	4	–	–	109	–	191
At December 31, 2020	180	3,255	8,886	4,712	1,244	138	3,401	45,379	8,379	–	75,574
Net book value:											
At December 31, 2020	703	666	1,548	1,793	371	192	238	13,270	9,620	1,657	30,058
At December 31, 2019	776	993	2,043	2,192	479	243	411	9,117	13,348	380	29,982

Notes to the Consolidated Financial Statements (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of use assets

(i) The carrying amount of right of use assets is as follows:

	2020 US$'000	2019 US$'000
Motor vehicles	**232**	200
Office equipment	**141**	263
Office space	**9,247**	12,885
Total	**9,620**	13,348

(ii) Amount recognised in consolidated statement of profit or loss and other comprehensive income:

	2020 US$'000	2019 US$'000
Leases under IFRS 16		
Interest on lease liabilities	**836**	963
Expenses relating to short-term leases	**1,550**	1,652
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**–**	16
COVID-19-related rent concessions received	**32**	–

(iii) Amount recognised in consolidated cash flow statement:

	2020 US$'000	2019 US$'000
Total cash outflow for leases	**7,592**	7,995

Notes to the Consolidated Financial Statements (Continued)

14 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	**–**	**3,208**	**–**	**–**	**–**	**–**	**–**	**3,208**
Transfer	**(4,005)**	**4,005**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**(65)**	**–**	**–**	**–**	**–**	**–**	**(65)**
Effect of movement in exchange rate	**–**	**67**	**52**	**–**	**298**	**–**	**1,110**	**1,527**
At December 31, 2020	**15,471**	**20,725**	**18,750**	**2,736**	**17,655**	**407**	**76,830**	**152,574**
Accumulated depreciation and impairment losses:								
At January 1, 2019	15,193	5,832	2,957	–	2,071	45	805	26,903
Amortisation for the year	296	3,736	1,498	–	3,125	20	–	8,675
Impairment	–	–	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 year	**–**	**3,572**	**789**	**–**	**3,056**	**20**	**–**	**7,437**
Impairment	**–**	**–**	**1,210**	**–**	**–**	**–**	**9,620**	**10,830**
Effect of movement in exchange rate	**–**	**75**	**7**	**–**	**231**	**–**	**–**	**313**
At December 31, 2020	**15,471**	**13,150**	**13,012**	**–**	**8,528**	**85**	**11,343**	**61,589**
Net book value:								
At December 31, 2020	**–**	**7,575**	**5,738**	**2,736**	**9,127**	**322**	**65,487**	**90,985**
At December 31, 2019	4,005	4,007	7,692	2,736	12,116	342	73,997	104,895

Notes to the Consolidated Financial Statements (Continued)

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(a) Amortisation charge

The amortisation of development costs and purchased technology assets is included in research and development expenses. The amortisation of patents and customer relationships is included in selling and marketing expenses.

(b) Impairment tests for CGUs containing goodwill and intangible assets with indefinite useful lives

Goodwill and trademarks with indefinite useful lives has been allocated to the Group's CGUs (operating divisions) as follows:

	2020		2019	
	Goodwill US$'000	**Trademarks US$'000**	Goodwill US$'000	Trademarks US$'000
CGU A within the "Others" segment	**–**	**2,736**	9,620	2,736
CGU B within the "Others" segment	**–**	**–**	–	–
CGU C within the "Software and Services" segment	**22,800**	**–**	26,556	–
CGU D within the "Software and Services" segment	**42,687**	**–**	37,821	–
	65,487	**2,736**	73,997	2,736

(i) CGU A

CGU A is part of the business operations within the "Others" segment. The recoverable amount of CGU A was based on its value-in-use calculations. These calculations use cash flows projections based on financial forecasts approved by management covering a eleven-year period as CGU A's business operations is still at the initial phase. Cash flows beyond the aforementioned financial forecasts period were extrapolated using the estimated growth rates stated below. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and are based on historical data from both external and internal sources.

	2020	2019
Pre-tax discount rate	**20%**	20%
Terminal value growth rate	**3%**	3%
Budgeted revenue growth rate (average of financial forecasts period)	**15%**	20%

Pre-tax discount rate represents the current market assessment of the risks specific to CGU A, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

During the year ended December 31, 2020, due to pandemic situation, CGU A has underperformed as compared to management's expectations. The management performed an impairment assessment and the recoverable amount of the CGU A (including goodwill) based on the estimated value-in-use calculations was US$689,000, and was lower than its carrying amount at December 31, 2020. Accordingly, the Company recognised an impairment loss of US$10,830,000 during 2020 (2019: nil). The impairment loss allocated to goodwill and patents was US$9,620,000 and US$1,210,000, respectively and included in "impairment of goodwill and other assets".

Notes to the Consolidated Financial Statements (Continued)

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(b) Impairment tests for CGUs containing goodwill and intangible assets with indefinite useful lives (continued)

(ii) CGU B

During 2019, following certain changes in the Group's business roadmap, the Group has recognised a full impairment on the carrying value of CGU B's long-lived assets.

(iii) CGU C

CGU C is part of the business operations within the "Software and Services" segment. The recoverable amount of the CGU C was based on its value-in-use calculations. These calculations use cash flows projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the aforementioned financial forecasts period are extrapolated using estimated growth rate stated below. Cash flows for the stabilised years are equal to or lower than the cash flows of the fourth year of the business plan. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2020	2019
Pre-tax discount rate	**13%**	13%
Terminal value growth rate	**2%**	0%
Budgeted revenue growth rate (average of financial forecasts period)	**26%**	20%

Pre-tax discount rate represents the current market assessment of the risks specific to CGU C, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

The recoverable amount of the CGU C (including goodwill) based on the estimated value-in-use calculations was higher than its carrying amount at December 31, 2020 and 2019. Accordingly, no provision for impairment loss for goodwill is considered necessary. Any reasonably possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2020 and 2019.

Notes to the Consolidated Financial Statements (Continued)

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(b) Impairment tests for CGUs containing goodwill and intangible assets with indefinite useful lives (continued)

(iv) CGU D

The recoverable amount of CGU D was based on its value-in-use calculations. These calculations use cash flows projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the aforementioned financial forecasts period are extrapolated using estimated growth rate stated below. Cash flows for the stabilised years are equal to or lower than the cash flows of the fourth year of the business plan. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2020	2019
Pre-tax discount rate	**13%**	13%
Terminal value growth rate	**2%**	0%
Budgeted revenue growth rate (average of financial forecasts period)	**24%**	17%

Pre-tax discount rate represents the current market assessment of the risks specific to CGU D, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

The recoverable amount of the CGU D (including goodwill) based on the estimated value-in-use calculations was higher than its carrying amount at December 31, 2020 and 2019. Accordingly, no provision for impairment loss for goodwill is considered necessary. Any reasonably possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2020 and 2019.

Notes to the Consolidated Financial Statements (Continued)

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. All the subsidiaries are limited liability companies.

Name of subsidiary	Principal activities	Place of incorporation and business	Particulars of issued and paid-up capital	Attributable equity interest held by the Group	
				Direct %	Indirect %
Razer (Asia-Pacific) Pte. Ltd.	Design, manufacture, distribution, research and development of computer peripherals, systems and accessories	Singapore	Issued and paid-up capital of S$359,825,933.36 consisting of 329,917,605 ordinary shares	100	–
Razer USA Ltd.	Trading of computer peripherals, systems and accessories	Place of incorporation is State of Delaware, U.S. Place of business in Irvine and San Francisco, California, U.S.	Issued and paid-up capital of US$0.10 consisting of 10 shares of common stock of US$0.01 each	–	100
Razer (Europe) GmbH	Trading of computer peripherals and accessories	Hamburg, Germany	Paid-up capital of EUR25,000.00	–	100
Razer Online Pte. Ltd	Providing software and virtual credit service	Singapore	Issued and paid-up capital of US$1.00 consisting of 1 ordinary share	–	100
MOL AccessPortal Sdn. Bhd.	Internet media, e-commerce utilizing internet-connected physical outlets as e-distribution and e-payment centers and provision of e-solution services	Malaysia	Issued and paid-up capital of MYR23,182,909.00 consisting of 108,574,700 ordinary shares	–	100
Razer Merchant Services Sdn. Bhd.	Provision of establishment, maintenance and operation of payment, clearing and settlement system and other related activities	Malaysia	Issued and paid-up capital of MYR2,999,972.00 consisting of 2,550,000 ordinary shares	–	51
RMS Reloads Sdn. Bhd.	Providing distribution of airtime electronic pins for all major prepaid services, reload prepaid credit services and bill payment services through distribution channel networks comprising terminals located in retail stores operated by chain operators	Malaysia	Issued and paid-up capital of MYR29,255,409.00 consisting of 29,255,409 ordinary shares	–	51
MOL Payment Co., Ltd.	Processing data and financial transactions payment	Thailand	Issued and paid-up capital of THB200,000,000.00 consisting of 2,000,000 ordinary shares of THB100 each	–	100
e-Innovations Systems & Networks Thai Co., Ltd	Provision of online retail platform to ell game cards over Point-of-Sales (POS) or e-commerce for game users who can access games provided by third-party game developers	Thailand	Issued and paid-up capital of THB5,000,000.00 consisting of 50,000 ordinary shares of THB100 each	–	100
Sihirli Kule Bilgi Sistemleri Ltd (Cyprus)	Sale of electronic pins for online games and other related products	Cyprus	Issued and paid-up capital of EUR24,000.00 consisting of 2,400 ordinary shares of EUR10 each	–	100
Uniwiz Trade Sales, Inc	Distribution solution provider for prepaid services in the Philippines	Philippines	Issued and paid-up capital of PHP11,000,000.00 consisting of 11,000,000 common shares of PHP1 each	–	51

Notes to the Consolidated Financial Statements (Continued)

16 OTHER TAX LIABILITIES

Recognised income tax positions are measured at the best estimate of the tax amounts to be paid. Changes in recognition or measurement are reflected in the year in which the change in judgment occurs. As at December 31, 2020, the Group recognised tax effect of uncertain income tax positions of US$5,740,000 (2019: US$4,455,000).

17 DEFERRED TAX ASSETS AND LIABILITIES

(a) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the years are as follows:

	At January 1, 2019 US$'000	Recognised in/ (credited to) profit or loss (note 11) US$'000	Recognised in equity US$'000	Acquired in business combination US$'000	At December 31, 2019 US$'000	Recognised in/ (credited to) profit or loss (note 11) US$'000	Recognised in equity US$'000	**At December 31, 2020 US$'000**
Assets								
Unutilised research credits	1,462	(130)	–	–	1,332	(362)	–	**970**
Loss allowance for trade receivables	823	237	–	–	1,060	1,052	–	**2,112**
Share-based compensation	2,636	(937)	–	–	1,699	(1,328)	185	**556**
Other provisions	2,083	1,544	18	(172)	3,473	46	49	**3,568**
Tax losses	–	–	–	–	–	4,905	–	**4,905**
Lease liabilities	–	–	–	–	–	1,325	–	**1,325**
Other items	846	48	–	–	894	80	–	**974**
	7,850	762	18	(172)	8,458	5,718	234	**14,410**
Liabilities								
Property, plant and equipment	(2,229)	(886)	–	–	(3,115)	1,259	–	**(1,856)**
Intangible assets and goodwill	(4,219)	1,280	(36)	14	(2,961)	705	(50)	**(2,306)**
Net deferred tax assets	1,402	1,156	(18)	(158)	2,382	7,682	184	**10,248**

During the years ended December 31, 2020 and 2019, the Group granted restricted stock units and the corresponding share-based compensation expense is recognised in the respective subsidiaries. Under current U.S. tax law, such share-based compensation expense is not deductible for U.S. tax purposes until such restricted stock units vest. Therefore, deferred tax assets have been recognised in relation to the temporary timing difference arising from these share-based compensation expenses in relation to the Group's U.S. subsidiary. Deferred tax assets have been recognised because it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Notes to the Consolidated Financial Statements (Continued)

17 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(a) Movement of each component of deferred tax assets and liabilities (continued)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the consolidated statement of financial position as follows:

	2020 US$'000	2019 US$'000
Deferred tax assets	**12,614**	5,647
Deferred tax liabilities	**(2,366)**	(3,265)
	10,248	2,382

The utilisation of tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation.

(b) Unrecognised deferred tax assets

	2020 US$'000	2019 US$'000
Deductible temporary differences	**22,056**	2,899
Tax losses	**323,169**	339,195

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can use their benefits therefrom.

(c) Unrecognised tax losses

As at December 31, 2020, the Group has tax losses of US$323,169,000 (2019: US$339,195,000), that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. As at December 31, 2020, cumulative tax loss of US$323,169,000 (2019: US$339,195,000) can be carried forward indefinitely.

18 INVENTORIES

	2020 US$'000	2019 US$'000
Raw materials	**3,412**	11,941
Finished goods	**121,446**	62,879
	124,858	74,820

Raw materials and changes in finished goods recognised in cost of sales amounted to US$943,561,000 (2019: US$652,473,000) including write-down to net realisable value amounting to US$15,359,000 (2019: US$1,925,000) for the Group. A write-down to net reliasable value amounting to US$2,696,000 (2019: Nil) is recognised in selling and marketing expenses.

Notes to the Consolidated Financial Statements (Continued)

19 TRADE AND OTHER RECEIVABLES

	2020 US$'000	2019 US$'000
Trade receivables	**311,730**	202,896
Less: Allowance for trade receivables	**(84,254)**	(43,885)
Less: Loss allowance	**(4,083)**	(598)
	223,393	158,413
Deposits	**3,514**	3,148
Other receivables[1]	**44,492**	56,364
Trade and other receivables	**271,399**	217,925
Non-current	**3,692**	2,829
Current	**267,707**	215,096
	271,399	217,925

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

Ageing analysis

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

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

The Group usually grants credit terms ranging from 2 days to 60 days (2019: 2 days to 60 days) following the invoice date. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 30(b).

Notes to the Consolidated Financial Statements (Continued)

20 OTHER INVESTMENTS

	2020 US$'000	2019 US$'000
Equity securities designated at FVOCI (non-recycling)		
Equity security (quoted) – current	–	1,196
Equity security (quoted) – non-current	3,887	–
Equity security (unquoted) – non-current	1,565	997
	5,452	2,193
Financial assets designated at FVPL		
Financial assets (quoted) – current	–	5,038
Financial assets (quoted) – non-current	53,331	–
Financial assets (unquoted) – non-current	2,522	300
	55,853	5,338
	61,305	7,531

During 2020, the Group made a capital commitment US$500,000 to a venture capital fund, of which US$333,000 has been called as of 31 December 2020. The capital commitment may be drawn down by the fund for the purposes of investments and for management fees during its investment period, which terminates in 2024, and for limited purposes (including follow-on investments and management fees) after the end of the investment period, until the end of the fund's charter life in 2029 (subject to two potential one-year extensions).

During 2019, the Group made a capital commitment US$10,000,000 to a venture capital fund, of which US $1,750,000 (2019: US$500,000) has been called as of December 31, 2020. The capital commitment may be drawn down by the fund for the purposes of investments and for management fees during its investment period, which terminates in 2024, and for limited purposes (including follow-on investments and management fees) after the end of the investment period, until the end of the fund's charter life in 2029 (subject to two potential one-year extensions).

The Group's exposures to credit and market risks, and fair value measurement are disclosed in note 30.

21 RESTRICTED CASH

As at December 31, 2020, the restricted cash balance is US$19,630,000 (2019: US$16,442,000), of which US$1,186,000 (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 our letter of credits and amounts held at bank as required by local regulations for payment related services.

Notes to the Consolidated Financial Statements (Continued)

22 CASH AND BANK BALANCES

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

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

23 TRADE AND OTHER PAYABLES

	2020 US$'000	2019 US$'000
Trade payables	**469,826**	301,318
Accrued operating expenses	**77,153**	43,600
Provision for warranty expenses	**19,336**	12,958
Accrued liabilities for materials	**1,115**	1,043
Deposits received	**2,359**	795
Other payables[1]	**16,135**	19,464
	585,924	379,178
Non-current	**1,712**	1,588
Current	**584,212**	377,590
	585,924	379,178

1 *Other payables mainly comprise of sales and withholding taxes and the obligations arose from the put options written on non-controlling interests of certain subsidiaries.*

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

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

Notes to the Consolidated Financial Statements (Continued)

23 TRADE AND OTHER PAYABLES (CONTINUED)

The movements in the provision in respect of estimated gross obligation of the redemption amount of put options written on non-controlling interests of a subsidiary are as follows:

	2020 US$'000	2019 US$'000
At January 1	7,044	8,394
Revision to estimated exercise price	627	1,548
Disposal through transaction with non-controlling interests	–	(2,908)
Exercise of options	(7,574)	–
Exchange differences	(97)	10
At December 31	–	7,044

The movements in the provision of warranty expenses during the year are as follows:

	2020 US$'000	2019 US$'000
At January 1	12,958	8,676
Provision made during the year	28,552	24,129
Provision utilised during the year	(22,174)	(19,847)
At December 31	19,336	12,958

Under the Group's warranty terms and obligations, the Group will rectify any product defects arising during the warranty period. Provision is therefore made for the best estimate of the expected settlement under the warranty terms in respect of sales made prior to end of the reporting period. The amount of provision takes into account the Group's historical claim experience.

The Group's exposures to currency and liquidity risks related to trade and other payables are disclosed in note 30.

24 CUSTOMER FUNDS

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

25 LEASE LIABILITIES

As at December 31, 2020 and 2019, the contractual maturities of the lease liabilities are as follows:

	2020 US$'000	2019 US$'000
Less than one year	4,676	4,975
Between one and five years	6,587	9,777
More than five years	1,154	1,560
Total contractual cash flows	12,417	16,312
Less: Imputed interest on lease liabilities	(1,648)	(2,302)
Carrying amount	10,769	14,010

Notes to the Consolidated Financial Statements (Continued)

26 SHARE-BASED COMPENSATION EXPENSE

The Group has the following share-based payment arrangements:

Restricted Stock Units

On August 23, 2016, the Company's shareholders approved the 2016 Equity Incentive Plan, which is a share-based incentive plan designed to reward, retain and motivate the Group's employees. The restricted stock units ("RSUs") were granted to certain employees, consultants and the Company's directors in 2016. Each RSU will entitle the holder to one ordinary share of the Company.

RSUs granted to employees and consultants prior to the Company's IPO on November 13, 2017 vest upon the satisfaction of both a service condition and a liquidity condition. The service condition for these awards is satisfied over four tranches, where awards are vested at the rate of 25% provided that the recipient remains in service on the vesting date of each tranche. The liquidity condition was satisfied upon the occurrence of a qualifying event, defined as a change of control transaction or six months following the completion of the Company's IPO. The liquidity condition was satisfied on March 15, 2018. Under the settlement procedures applicable to these awards, the Group is permitted to deliver the underlying shares within 30 days before or after the date on which the liquidity condition is satisfied. For accounting purposes, the liquidity condition is considered a non-market performance vesting condition which is taken into consideration in estimating the number of RSUs that are expected to vest. RSUs granted to employees and consultants after the Company's IPO are not subject to a liquidity condition in order to vest and the service condition for these awards is satisfied over four tranches, where awards are vested at the rate of 25% provided that the recipient remains in service on the vesting date of each tranche. For accounting purposes, the liquidity condition is considered a non-market performance vesting condition which is taken into consideration in estimating the number of RSUs that are expected to vest (note 3(j) (iii)).

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

For grants awarded prior to the IPO, the grant date fair value is based on the price of recent investments in the Company by third-party investors. For grants awarded after the IPO, the grant date fair value is based on the closing price of the Company's shares as of the grant date. The number of RSUs granted during 2020 was 161,916,949 (2019: 240,940,141). The weighted average grant date fair value of RSUs granted during 2020 was US$0.16 per share (2019: US$0.20 per share).

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

The board of directors considered that the Remuneration Committee's discretion on the Subsequent Grant is substantive and as of December 31, 2019, the grant date was not established, and subject to the Remuneration Committee fixing the vesting conditions, approving the grants, and a definitive RSU agreement being executed.

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

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

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

Notes to the Consolidated Financial Statements (Continued)

27 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital US$'000	Share premium US$'000	Reserve for treasury shares US$'000	Share-based payment reserve US$'000	Retained profits US$'000	Total US$'000
At January 1, 2019	89,661	714,082	(24,721)	105,619	75,614	960,255
Changes in equity for 2019:						
Profit for the year	–	–	–	–	10,593	10,593
Repurchase and cancellation of shares	(1,679)	(30,235)	–	–	–	(31,914)
Issuance of vested shares, net of tax	–	–	1,893	(41,237)	39,344	–
Share-based compensation expense	–	–	–	29,946	–	29,946
Intercompany loan waiver	–	–	–	–	(148)	(148)
Issuance of treasury shares	1,500	–	(1,500)	–	–	–
At December 31, 2019 and January 1, 2020	**89,482**	**683,847**	**(24,328)**	**94,328**	**125,403**	**968,732**
Changes in equity for 2020:						
Profit for the year	**–**	**–**	**–**	**–**	**3,146**	**3,146**
Repurchase and cancellation of shares	**(720)**	**(13,171)**	**–**	**–**	**481**	**(13,410)**
Issuance of vested shares, net of tax	**–**	**–**	**23,424**	**(43,124)**	**19,700**	**–**
Share-based compensation expense	**–**	**–**	**–**	**15,684**	**–**	**15,684**
Reversal of shares issuance expenses	**–**	**1,850**	**–**	**–**	**–**	**1,850**
At December 31, 2020	**88,762**	**672,526**	**(904)**	**66,888**	**148,730**	**976,002**

Notes to the Consolidated Financial Statements (Continued)

27 CAPITAL AND RESERVES (CONTINUED)

(b) Share capital

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

(c) Ordinary shares

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares (excluding treasury shares) rank equally with regards to the Company's residual assets.

During the year ended December 31, 2020, the Group repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share** HKD	**Lowest price paid per share** HKD	**Aggregate price paid/payable** US$'000
April 2020	500,000	1.00	1.00	64
May 2020	1,130,000	1.15	1.10	165
June 2020	8,045,000	1.46	1.31	1,465
September 2020	36,987,000	1.72	1.46	7,606
October 2020	7,830,000	1.99	1.81	1,920
December 2020	7,239,000	2.38	2.20	2,123
				13,343

Notes to the Consolidated Financial Statements (Continued)

27 CAPITAL AND RESERVES (CONTINUED)

(d) Treasury shares

In 2020, 213,226,192 ordinary shares were issued for vested RSUs, of which no shares were withheld for withholding tax purpose.

In 2019, 189,267,674 ordinary shares were issued for vested RSUs, of which no shares were withheld for withholding tax purpose.

(e) Capital management

The Group defines “capital” as including all components of equity. The Group’s policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future developments of the business. There were no changes in the Group’s approach to capital management during the year. The Group is not subject to any externally imposed capital requirements.

(f) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

(g) Merger reserve

The merger reserve represents the excess of the purchase consideration over the book value of net assets of a subsidiary acquired in 2006. The acquisition was accounted as an acquisition under common control.

(h) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of RSUs granted to the directors, employees and consultants of the Company and its subsidiaries that has been recognised in accordance with the accounting policy adopted for shared-based payments in note 3(j)(iii).

28 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Pursuant to the terms of a Subscription and Shareholder’s Agreement (“Agreement”) entered into between the Company and, inter alia, Berjaya Corporation Berhad (“Berjaya”) on April 16, 2018, Razer Pay Holdings Pte. Ltd. (now known as Razer Fintech Holdings Pte. Ltd. (“Razer Fintech”)) was incorporated with an initial paid-in capital of US$2,600,000 contributed proportionately by Razer Midas Pte. Ltd. and Berjaya in exchange for 51% and 49% of equity interest in Razer Fintech respectively. Under the Agreement, the Company agreed to transfer its payment services business to Razer Fintech and Berjaya committed to leverage its retail network to help expand the Razer Fintech’s payment services business.

During the year ended December 31, 2019, the Group’s payment services operations have been transferred to Razer Fintech.

The disposal was accounted for as a common control transaction and the transfer of assets and liabilities were recorded based on book values. The Group recorded an adjustment of US$6,017,000 in retained earnings related to the disposals.

Notes to the Consolidated Financial Statements (Continued)

29 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 as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2020 **US$'000**	2019 US$'000
Short-term employee benefits	**2,328**	2,095
Equity compensation benefits	**10,868**	23,833
	13,196	25,928

30 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with a minimum credit rating of A assigned by Standard & Poor's, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 36% (2019: 20%) and 71% (2019: 45%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances due are requested to settle all outstanding balances before any further credit is granted.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Consolidated Financial Statements (Continued)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2020:

	Expected loss rate	Gross carrying amount US$'000	Loss allowance US$'000
Current (not past due)	**0.8%**	**195,824**	**1,642**
Past due 1-30 days	**0.8%**	**26,939**	**214**
Past due 31-60 days	**8.7%**	**1,406**	**123**
Past due 61-90 days	**41.6%**	**1,195**	**497**
More than 90 days	**76.1%**	**2,112**	**1,607**
			4,083

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2019:

	Expected loss rate	Gross carrying amount US$'000	Loss allowance US$'000
Current (not past due)	0.1%	141,508	116
Past due 1-30 days	0.1%	14,730	15
Past due 31-60 days	2.0%	1,805	37
Past due 61-90 days	10.4%	278	29
More than 90 days	58.1%	690	401
			598

Expected loss rates are based on actual loss experience over the past one year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2020 US$'000	2019 US$'000
At January 1	**598**	357
Impairment loss recognised on trade receivables	**3,591**	241
Uncollectible amount written off	**(106)**	–
At December 31	**4,083**	598

Notes to the Consolidated Financial Statements (Continued)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than US$, the Company's functional currency. The currencies giving rise to this risk is primarily Euro, HKD, MYR and SGD.

The Group also holds cash in bank denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in Euro, HKD, MYR and SGD.

The Group's exposures to foreign currency are as follows:

	2020			
	Euro US$'000	**HKD US$'000**	**MYR US$'000**	**SGD US$'000**
Trade and other receivables	**36,628**	**145**	**17,620**	**4,565**
Cash and bank balances	**5,052**	**3,214**	**15,406**	**5,952**
Trade and other payables	**(5,737)**	**(862)**	**(62,343)**	**(21,734)**
	35,943	**2,497**	**(29,317)**	**(11,217)**

	2019			
	Euro US$'000	HKD US$'000	MYR US$'000	SGD US$'000
Trade and other receivables	33,474	180	12,112	3,818
Cash and bank balances	1,956	5,811	16,707	4,451
Trade and other payables	(3,840)	(1,341)	(57,983)	(6,116)
	31,590	4,650	(29,164)	2,153

Sensitivity analysis

A 10% strengthening of US$ against the following currencies at the reporting date would increase/(decrease) gain/(loss) by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant. In this respect, it is assumed that the pegged rate between US$ and HKD would be materially unaffected by any changes in movement in value of US$ against other currencies.

	2020 US$'000	2019 US$'000
Euro	**(3,594)**	(3,159)
MYR	**2,932**	2,916
SGD	**1,122**	(215)

A 10% weakening of US$ against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the Consolidated Financial Statements (Continued)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

The Group's exposure to market risk for changes in interest rates primarily relates to the Group's fixed deposits as disclosed in note 22. As at the reporting date, the Group is not significantly exposed to interest rate risk.

(e) Fair values

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 Consolidated Financial Statements (Continued)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values (continued)

Fair value hierarchy (continued)

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	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
2020				
Financial assets				
Money market funds	**–**	**49,043**	**–**	**49,043**
Other investments (quoted)	**6,403**	**50,815**	**–**	**57,218**
Other investments (unquoted)	**–**	**–**	**4,087**	**4,087**
	6,403	**99,858**	**4,087**	**110,348**
2019				
Financial assets				
Money market funds	–	20,286	–	20,286
Other investments (quoted)	6,234	–	–	6,234
Other investments (unquoted)	–	–	1,297	1,297
	6,234	20,286	1,297	27,817
Financial liabilities				
Put option liability over non-controlling interest	–	–	7,044	7,044

[1] *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 quoted investments are 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 put option liability over non-controlling interest, fair value is determined using valuation techniques which considers the present value of the gross obligation, discounted using a risk-adjusted rate.

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Notes to the Consolidated Financial Statements (Continued)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values (continued)

Fair value hierarchy (continued)

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	**2,721**	300
Net unrealised gain recognised in other comprehensive income	**69**	(213)
	4,087	1,297

	2020 US$'000	2019 US$'000
Financial liabilities		
At January 1	**7,044**	4,973
Net unrealised foreign exchange loss recognised in profit or loss	**(97)**	68
Unwinding of discount	**627**	2,003
Exercise of options with non-controlling interests	**(7,574)**	–
	–	7,044

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

(f) Liquidity risk

The Group monitors the overall liquidity risk by maintaining sufficient cash and cash equivalent levels and actively manages cash flow fluctuations to finance and support business operations. Operational cash flows are expected to be short-term in nature. All of the current trade and other payables are expected to be settled and recognised as income within one year or are repayable on demand. The effects of the Group's cash flows occurring beyond one year are expected to be immaterial.

Notes to the Consolidated Financial Statements (Continued)

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	December 31, 2020 US$'000	December 31, 2019 US$'000
Non-current assets		
Investments in a subsidiary	**582,329**	368,973
Other investments	**53,331**	–
Other receivables	**2,500**	–
Prepayments	**135**	182
	638,295	369,155
Current assets		
Other investments	**–**	5,038
Other receivables	**68,740**	186,147
Prepayments	**82**	81
Cash and bank balances	**271,154**	410,626
	339,976	601,892
Current liability		
Trade and other payables	**2,269**	2,315
Net current assets	**337,707**	599,577
NET ASSETS	**976,002**	968,732
Capital and reserves		
Share capital	**88,762**	89,482
Share premium	**672,526**	683,847
Reserves	**214,714**	195,403
TOTAL EQUITY	**976,002**	968,732

32 SUBSEQUENT EVENTS

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

Definitions and Glossary of Technical Terms

In this annual 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 on October 25, 2017 and March 8, 2019) for the grant of, among others, RSUs to eligible participants
"Articles of Association"	the articles of association of the Company adopted on October 25, 2017 and which became effective on November 13, 2017, the date on which the Shares were listed on the Stock Exchange, as amended from time to time
"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 announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company" or "Razer"	Razer Inc., an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1337)
"Director(s)"	director(s) of the Company
"Dividend Policy"	the dividend policy adopted by the Company effective as of March 24, 2021
"EBITDA"	Earnings before interest, taxes, depreciation and amortisation
"ESG Guide"	the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules
"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 China
"IFRS"	the International Financial Reporting Standards
"initial public offering" or "IPO"	the initial public offering of the shares of the Company, further details of which are set out in the prospectus of the Company dated November 1, 2017
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MOL Global"	MOL Global, Inc., a subsidiary of the Company since May 2018
"MYR"	Malaysian Ringgit, the lawful currency of Malaysia
"Prospectus"	the prospectus of the Company dated November 1, 2017

Definitions and Glossary of Technical Terms (Continued)

“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$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S$” or “SGD”	Singapore dollars, the lawful currency of Singapore
“THX”	THX Ltd. (formerly known as Razer Tone, Inc.), a company incorporated in Delaware, the United States on August 19, 2016 and our 80%-owned subsidiary
“U.S.”	the United States of America
“US$” or “U.S. dollar”	United States dollars, the lawful currency of the United States
“%”	per cent

This glossary contains definitions of certain terms used in this annual 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 gaming”	gaming involving game content being streamed to a gamer’s device
“esports”	professional competitive gaming
“gamers”	individuals who play games across any platform
“games”	games played primarily on personal computers, mobile devices and consoles
“mobile gaming”	gaming involving games being played on a mobile device
“peripherals”	hardware devices, such as mice, keyboards, headsets, audio devices and controllers, used to play games in conjunction with a personal computer, mobile device or console

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