RAZER INC.

雷蛇*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1337)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board of directors of Razer Inc. (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited results of the Group for the six months ended June 30, 2021. This announcement, containing the full text of the 2021 Interim Report of the Company, is prepared with reference to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. This results announcement will be published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.razer.com. The Company's 2021 Interim Report will be dispatched to the Company's shareholders and published on the websites of The Stock Exchange of Hong Kong Limited and of the Company in due course.

By order of the Board
Razer Inc.
Min-Liang TAN
Chairman

Singapore, August 25, 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Min-Liang Tan as Chairman and Executive Director, Mr. Tan Chong Neng as Executive Director, Mr. Lim Kaling as Non-executive Director, and Mr. Chau Kwok Fun Kevin, Mr. Lee Yong Sun and Mr. Gideon Yu as Independent Non-executive Directors.

* *For identification purposes only*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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United States

Razer SEA HQ, 1 one-north Crescent
#02-01, Singapore 138538

Principal Place Of Business In Hong Kong
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Share Registrar and Transfer Office
Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman KY1-1102
Cayman Islands

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

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STOCK CODE: 1337


THIS IS ESPORTS
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MIAMI SUNSET
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CHAIRMAN'S STATEMENT


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RAZER

CHAIRMAN'S STATEMENT

Razer had a phenomenal first half of the year.

In addition to the ongoing growth in the broader industry that benefitted our core business segments, Razer's stellar results were driven by our strong brand position and intensely loyal user base, our proven capabilities in rolling out innovative, category-defining products and services, and effective operational execution.

Key highlights for the first half of 2021 include:

- **Record high Revenue of US$752.0 million with 68.0% year-on-year growth** driven by robust demand, market share leadership for the Hardware business, and ongoing growth in the Services segment
- **Gross Profit Margin improved to 27.1%**, as compared to 22.0% for the same period in 2020, primarily due to improving margins in the Hardware segment
- **Adjusted EBITDA Profit* (a non-GAAP measure) of US$59.5 million**, with 1,759.4% year-on-year growth from US$3.2 million for the same period in 2020
- **Net Profit of US$31.3 million**, as compared to a Net Loss of US$17.7 million for the same period in 2020, driven by exceptional revenue growth, continued gross margin expansion, and productivity improvement

In addition, Razer is one of the leaders in Environmental, Social and Corporate Governance ("ESG") in the gaming industry and this year, we formalized our commitment to the environment with a 10-year #GoGreenWithRazer roadmap.

Razer Barracuda X

* We define adjusted EBITDA as profit/(loss) from operations added back with depreciation and amortisation, share-based compensation expense, restructuring expense, and merger and acquisitions expense.

CORE SEGMENT

HARDWARE

77.0% YEAR-ON-YEAR GROWTH TO US$677.3 MILLION

In the first half of 2021, our Hardware business saw 77.0% year-on-year growth to US$677.3 million, driven by the stellar growth of our Peripherals and Systems businesses.

Our Peripherals business has maintained its market leading position for gaming peripherals across the U.S., Europe, and Asia-Pacific[1]. Driven by strong demand for products such as the Razer Viper 8K Hz mouse and Razer Huntsman V2 Analog keyboard, these products have been both critical and commercial successes, earning high marks and accolades. Razer further expanded its wireless portfolio with a line-up of highly regarded, versatile products like the Razer Orochi V2 mouse and BlackWidow V3 Mini Hyperspeed keyboard as a result of increased demand for wireless, compact form factor gaming devices.

Our Systems business has maintained its market leading position in the premium gaming laptop segment in the U.S. while growing market share in new markets outside of the U.S.[2]. The announcement of the Blade 14, our first AMD CPU based laptop, saw unprecedented success with rave reviews from the industry.

During the period, we continued to demonstrate our proven ability to develop innovative, category-defining products that captivate fans across the world. Our new gaming growth categories have continued to gain market share such as broadcast and gaming chairs with new products including ring lights and colour variants of the award-winning Razer Iskur chair.

SOFTWARE

50.0% YEAR-ON-YEAR GROWTH TO APPROXIMATELY 150 MILLION TOTAL USER ACCOUNTS WITH OVER 51.4% GROWTH IN MONTHLY ACTIVE USERS

Our Software business continued to gain momentum with approximately 50.0% year-on-year increase in total user accounts to approximately 150.0 million, as of June 30, 2021. Monthly active users surged by over 51.4%, as of June 30, 2021. The increase was attributable to strong growth across all our Software offerings, boosted by increases in gaming, esports, and livestreaming activities.

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

Razer Cortex PC Squad Rewards, where teams of 4 jump into their favourite PC games using Razer Cortex and race to be the top teams to grab over 5 million Razer Silver loyalty points each season, continues to be a highly popular event for our fans. During the period, Razer Cortex PC Squad Rewards Seasons 6 and 7 continued to drive high engagement with over 200,000 gamers joining the competition each season. Players logged in a total of over 3.5 million hours of PC game time each season.

Razer Chroma™ RGB continued to reinforce its partner-of-choice position, working with leading hardware partners through its connected devices programme. As of June 30, 2021, over 180 games and applications are natively integrated with Razer Chroma™ RGB Software Development Kit (SDK).

SERVICES

13.8% YEAR-ON-YEAR GROWTH IN REVENUE TO US$72.8 MILLION

Razer offers payment services for youth, millennials and Generation Z. Our Services business, comprising of Razer Gold and Razer Fintech, grew 13.8% year-on-year to US$72.8 million for the period. Gross margin was 41.9% and contributed 15.0% of the Group's gross profit.

RAZER GOLD

Razer Gold, a global gaming and digital entertainment payment service, recorded a 13.8% year-on-year increase in total payment volume ("TPV"). This was driven primarily by the increase in the number of transactions conducted through the Razer Gold platform. In terms of geography, Southeast Asia, EMEA, and Latin America were key TPV growth contributors for the period.

As of June 30, 2021, Razer Gold recorded approximately 30 million registered users, representing 25.3% growth year-on-year.

During the period, we further expanded our footprint and added more channel touchpoints in places such as Southeast Asia and Latin America. Users from more than 130 countries can now purchase Razer Gold from more than 5.6 million channel touchpoints.

Razer Gold has further reinforced its position as a partner of choice for content partners with over 42,000 digital entertainment titles supported. We added popular new games, such as Ragnarok X: Next Generation, Perfect World Mobile, MU Archangel, BLEACH: Eternal Soul during the period.

In addition, we put in place a number of longer-term initiatives that will well-position Razer Gold for the next level of growth, such as:

- Further increasing Razer Gold's penetration in high growth regions such as Latin America, with its gaming market expected to reach US$3.6 billion in 2023. So far, the initial response to our effort is encouraging as we saw good uptake of paying users from these regions. We believe there will be further room for growth with Razer Gold as the spending power of these users continues to trend up; and
- Bolstering our localization strategy in both content and channel to cater to the specific tastes and needs of the regions we operate in.

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.

Since we started Razer Fintech back in 2018, the business unit has recorded 63.7% CAGR in TPV over the last 3 years.

Over 95% of the TPV was driven by Razer Merchant Services ("RMS"), our B2B payment processing business which powers over 60,000 merchants across Southeast Asia through our online payment gateways and offline reloads.

RMS has made significant progress in the first half of 2021 in the following areas:

TPV:
- 79.5% year-on-year growth to US$3.2 billion in the first half of 2021, driven mainly by e-commerce marketplace purchases, food deliveries and e-wallet top-ups.

Merchant adoption:
- 88.6% year-on-year growth to over 60,000 merchants, coming from the retail, F&B industries, and professional/ commercial services.

Key licences and network expansion:
Strengthened core infrastructure, expanded business footprint, and secured additional licences across the Southeast Asia region. These include:

- Direct acquiring licence from Visa and Mastercard to commence direct card processing in Malaysia before expanding into Singapore and the Philippines;
- In Singapore, Razer Fintech has been granted a Major Payment Institution licence from Monetary Authority of Singapore (MAS) for domestic and cross-border money transfer and merchant acquisition services;
- In Taiwan, Razer Fintech has been approved by the Financial Supervisory Commission (FSC) as the first and only overseas payment provider for cross-border payments through a partnership with E.Sun Commercial Bank;
- In the Philippines, Razer Fintech has been approved by Bangko Sentral Ng Philippines (BSP) as Operator of Payment System to operate merchant acquiring and payment facilitator services. Razer Fintech has also been approved by BSP as an E-money issuer to operate as domestic and cross border e-money transfer; and
- Razer Fintech is currently operational in Thailand through the payment gateway license held via Razer Gold.

Growth Initiatives

MOBILE

During the period, we continued to work with key players in the cloud gaming space to further elevate our leading position across mobile peripherals, software, and services in the mobile and cloud gaming space.

For Peripherals, the Razer Kishi mobile controller continues to earn rave reviews from the market, and we currently hold the position as the number one market share leader in the U.S. through Amazon[3].

For Software, the Razer Cortex Mobile game recommendations app saw massive growth with 428% year-on-year growth and total accounts reaching 18 million as of June 30, 2021. User engagement continued to trend up, driven by Silver Rewards programmes like Paid to Play, where users were encouraged to install and play new games to earn Razer Silver loyalty points, which can be used to redeem prizes. During the period, Cortex Mobile saw a 932% year-on-year jump in the number of games installed by users.

For Services, we further reinforced Razer Gold as the partner of choice for companies looking to monetize mobile games and lifestyle content by leveraging our strong brand affinity and intensely sticky user base, and added titles such as Ragnarok X: Next Generation, Perfect World Mobile, MU Archangel, BLEACH: Eternal Soul.

ESPORTS

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

Buoyed by the smashing success of Razer Invitational Season 2020, Razer started Season 2021 with a bang, bringing the series to North America, providing gamers in the U.S., Canada and Mexico an equal playing field to compete in for international recognition.

Razer Invitational seeks to remove barriers within esports communities across the globe, while introducing general audiences to the excitement and passion that esports brings. Unlike traditional esports competitions, it is open to all who wish to test their mettle on the world stage, giving undiscovered talent a shot at greatness.

The event in North America saw eager participation with over 1,500 players taking part and over 1.5 million views on its live streams. The series continues its appearance in other regions and will also be making its debut in the Middle East. It will also be held once again in Europe, Latin America, which, as part of Razer's efforts on fostering inclusivity and gender equality in esports, will be featuring tournaments for women for the first time, and with the last leg of the series in Southeast Asia.

Meanwhile, Team Razer continues to support top esports organizations and athletes across the globe. We also continue to strongly support the esports scene, sponsoring tournaments and initiatives worldwide, which includes

- Valorant Summer Championships by Nerd St. Gamers
- Super Girl Gamer Pro 2021
- League of Legends: Wild Rift SEA Pentaboom Showdown
- Mobile Legends: Bang Bang (MLBB) M2 World Championship

We also signed some amazing teams to the Team Razer roster:

- Tribe Gaming, arguably the best mobile gaming and content creation team in the world
- Hanwha Life Esports, League of Legends team in the LCK
- MAD Lions, League of Legends 2021 LEC Spring Split Champions
- Bren Esports, M2 World Champions

ESG

In March, we formalized our commitment to the environment with a 10-year roadmap as part of our #GoGreenWithRazer initiative. Our sustainability programme is supported by four main initiatives:

- **Green Organization:** Incorporating steps internally to reduce our global carbon footprint.
- **Green Products:** Implementing environmentally sound industrial processes to ensure responsible production, consumption, and recycling.
- **Green Community:** Rallying our community of millions of gamers worldwide to contribute to our green causes and offer them opportunities to do so through our product offerings.
- **Green Investments:** Investing and supporting up-and-coming environment and sustainability startups via zVentures, Razer's corporate venture arm.

In addition, we also announced our short-, mid- and long-term plans to bring us closer towards building a greener future:

By the end of 2021

- **Green Organization:** Say no to single-use plastics
- **Green Products:** Greener packaging

By the end of 2025

- **Green Organization:** 100% powered by renewable energy
- **Green Products:** 100% products are recyclable with Razer

By the end of 2030

- **Green Organization:** 100% carbon neutral
- **Green Products:** Made of 100% recycled and recyclable materials

As part of our drive to galvanize our community to contribute and support the global green movement, we partnered with Conservation International in October 2020 and introduced our Sneki Snek campaign, led by Razer's fan-favourite sustainability mascot. Part of the proceeds from the sale of Sneki Snek eco-merchandise goes towards helping Conservation International save trees. We have since then rallied our community by launching a new Sneki Snek product with every 100,000 trees saved, and are delighted to report that we have seen such a tremendous response from our fans, that we surpassed our initial target of 100,000 trees in just the first few months. As of August 25, 2021, we are proud to announce that we have now saved over 500,000 trees, moving us closer to our end goal of saving 1 million trees together with our community.

Details of our #GoGreenWithRazer initiative can be found on our website: http://www.razer.com/go-green.

Razer Sneki Snek Plushie and Razer Sneki Snek Headrest

Invest for Growth

Our gamer-centric ecosystem of Hardware, Software and Services has expanded very rapidly over the last few years, and we expect this growth to continue as exciting new market opportunities emerge. Gaming, esports, and fintech are all on a significant growth trajectory as they become more entrenched in people's lives.

The robust momentum in our business, our strong fundamentals and the exciting opportunities we see in the market, give us the confidence that it is the right timing to further scale our business. We intend to reinvest part of our full year profits into high potential areas such as Razer Gold and Razer Fintech, as well as step up investments in new growth opportunities in the Razer ecosystem. These investments will involve additional spending in our operating expenses.

Specifically, key investment areas will include:

- In Hardware, additional investments will be allocated for research and development of both existing gaming Peripherals and new Hardware categories.

- In Software, we plan to develop new services to increase user acquisition, engagement, and retention, explore new monetization initiatives and deepen big data analytics capabilities to drive user acquisition and nurture user activity.

- In Services, we plan to expand into new regions internationally and deepen penetration in high growth regions such as Latin America, Middle East and Southeast Asia, as well as enhance core infrastructure and recruit talent to improve user experience, acquire new users and drive usage/spending per user for Razer Gold.

  For Razer Fintech, additional investments will be allocated for continued geographical expansion across SEA, scale TPV aggressively with expanded merchant base, enhance service capabilities for existing customers and M&A/investments.

These strategic investments will allow us to build a greater platform for Razer to achieve its long-term growth ambitions and deliver outstanding value to shareholders.

FY2021 Outlook

2021 is expected to be another remarkable year for Razer.

While we are closely monitoring the market environment in light of the continued COVID-19 situation, we intend to carry on the momentum and strength of our operations and are on track to deliver strong revenue growth and operational enhancements, while amping up our investments for growth for full year 2021.

Our outlook for the full year will be:

Strong Revenue Growth:
- New Hardware product introductions
- Growth of Software user base
- Continue scaling Services business

Continued Operational Enhancements:
- Track record of cost discipline
- Improvement of Hardware margins
- Expansion of higher-margin Hardware and Services as part of the revenue mix

Amp up Investments for growth
- Reinvesting profits in high potential areas such as Razer Gold and Razer Fintech
- Such investments will involve additional spending in operating expenses as we scale our Services business
- Step-up investments in new growth opportunities in the Razer ecosystem

For Gamers. By Gamers.

Min-Liang Tan
Co-Founder, Chairman and CEO

[1,2] Internal sources and market research
[3] Amazon stackline US weekly data, mobile controllers Jan-Jun 2021

MANAGEMENT DISCUSSION AND ANALYSIS


RAZER

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended June 30,	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Revenue	**751,991**	447,549
Cost of sales	**(548,424)**	(349,022)
Gross profit	**203,567**	98,527
Selling and marketing expenses	**(85,706)**	(54,845)
Research and development expenses	**(30,598)**	(24,869)
General and administrative expenses	**(47,319)**	(35,794)
Profit/(loss) from operations	**39,944**	(16,981)
Other non-operating (expense)/income	**(444)**	149
Finance income	**2,216**	4,399
Finance costs	**(913)**	(877)
Profit/(loss) before income tax	**40,803**	(13,310)
Income tax expense	**(9,521)**	(4,361)
Profit/(loss) for the period	**31,282**	(17,671)
Profit/(loss) attributable to:		
Equity shareholders of the Company	**33,979**	(17,343)
Non-controlling interests	**(2,697)**	(328)
Profit/(loss) for the period	**31,282**	(17,671)
Unaudited non-GAAP measures		
Adjusted profit/(loss) before income tax	**48,230**	(4,575)
Adjusted EBITDA	**59,484**	3,183

Revenue

Our revenue increased by 68.0% from US$447.5 million in the six months ended June 30, 2020 to US$752.0 million in the six months ended June 30, 2021, due to an increase in revenue from both our Hardware and our Software and Services businesses.

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

	Six months ended June 30,			
	2021		2020	
	US$'000 (unaudited)	**%**	US$'000 (unaudited)	%
Segment Revenue				
Hardware				
Peripherals	**515,760**	**68.6**	252,706	56.5
Systems	**161,543**	**21.5**	129,967	29.0
Software and Services	**72,762**	**9.6**	63,970	14.3
Others	**1,926**	**0.3**	906	0.2
	751,991	**100.0**	447,549	100.0

Our *Hardware.* Business consists primarily of sales of Peripherals and Systems, which increased 77.0% from US$382.7 million in the six months ended June 30, 2020 to US$677.3 million in the six months ended June 30, 2021. Revenue from the Peripherals segment increased by 104.1% from US$252.7 million in the six months ended June 30, 2020 to US$515.8 million in the six months ended June 30, 2021, due to an overall increase across all of our Peripherals categories. Revenue from the Systems segment increased by 24.2% from US$130.0 million in the six months ended June 30, 2020 to US$161.5 million in the six months ended June 30, 2021, primarily due to sales from refreshed model lines.

Software and Services. Revenue from the Software and Services segment increased by 13.8% from US$64.0 million in the six months ended June 30, 2020 to US$72.8 million in the six months ended June 30, 2021. The increase was primarily driven by continual expansion of channels, territories and contents.

Others. Revenue from the Others segment increased by 111.1% from US$0.9 million in the six months ended June 30, 2020 to US$1.9 million in the six months ended June 30, 2021. The increase was primarily driven by increase in sales arising from THX and Respawn products.

Cost of sales and gross profit

Cost of sales increased by 57.1% from US$349.0 million in the six months ended June 30, 2020 to US$548.4 million in the six months ended June 30, 2021. Gross profit increased by 106.7% from US$98.5 million in the six months ended June 30, 2020 to US$203.6 million in the six months ended June 30, 2021, and gross margin increased from 22.0% for the six months ended June 30, 2020 to 27.1% for the six months ended June 30, 2021.

Peripherals. Segment cost for Peripherals increased by 86.8% from US$189.4 million in the six months ended June 30, 2020 to US$353.8 million in the six months ended June 30, 2021, which was generally in line with the increase in our Peripherals revenue. Gross margin for our Peripherals segment increased from 25.0% for the six months ended June 30, 2020 to 31.4% for the six months ended June 30, 2021 primarily due to shift in product mix towards higher margin products.

Systems. Segment cost for Systems increased by 23.8% from US$122.2 million in the six months ended June 30, 2020 to US$151.3 million in the six months ended June 30, 2021, which was generally in line with the increase in our Systems revenue. Gross margin for our Systems segment slightly increased from 6.0% for the six months ended June 30, 2020 to 6.3% for the six months ended June 30, 2021.

Software and Services. Segment cost for Software and Services increased by 22.3% from US$34.6 million in the six months ended June 30, 2020 to US$42.3 million in the six months ended June 30, 2021, which was in line with our increase in sales. Gross margin for our Software and Services segment decreased from 45.9% for the six months ended June 30, 2020 to 41.9% for the six months ended June 30, 2021, primarily due to higher service costs.

Others. Segment cost for Others decreased by 65.5% from US$2.9 million in the six months ended June 30, 2020 to US$1.0 million in the six months ended June 30, 2021, primarily due to the write-down for spare parts relating to Razer Phone in 2020. Gross margin for our Others segment increased from (222.2)% for the six months ended June 30, 2020 to 47.4% for the six months ended June 30, 2021, as we recorded write-down for spare parts relating to Razer Phone in 2020.

Selling and marketing expenses

Selling and marketing expenses increased by 56.4% from US$54.8 million in the six months ended June 30, 2020 to US$85.7 million in the six months ended June 30, 2021. The increase was primarily due to (i) an overall increase in sales marketing spendings of US$20.0 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 22.9% from US$24.9 million in the six months ended June 30, 2020 to US$30.6 million in the six months ended June 30, 2021. The increase was primarily due to increase in personnel costs.

General and administrative expenses

General and administrative expenses increased by 32.1% from US$35.8 million in the six months ended June 30, 2020 to US$47.3 million in the six months ended June 30, 2021. The increase was primarily due to (i) increase in legal costs provision relating to licenses and potential claims of US$6.0 million, and (ii) increase in storage charges of US$5.6 million.

Other non-operating (expense)/income

Other non-operating income decreased from an income of US$0.1 million in the six months ended June 30, 2020 to an expense of US$0.4 million in the six months ended June 30, 2021. The decrease was primarily due to foreign exchange loss arising from our Hardware business.

Net finance income

Our net finance income decreased from US$3.5 million in the six months ended June 30, 2020 to US$1.3 million in the six months ended June 30, 2021 primarily due to a reduction in the interest rate on fixed deposits.

Profit/(loss) before income tax

As a result of the foregoing, our loss before income tax decreased from a loss of US$13.3 million in the six months ended June 30, 2020 to a profit of US$40.8 million in the six months ended June 30, 2021, an increase of 406.8%.

Income tax expense

Our income tax expense increased from US$4.4 million in the six months ended June 30, 2020 to US$9.5 million in the six months ended June 30, 2021 primarily due to an overall increase in the pre-tax income position.

Profit/(loss) for the period

As a result of the foregoing, our profit for the period was US$31.3 million for the six months ended June 30, 2021, increased by US$49.0 million from the loss of US$17.7 million for the six months ended June 30, 2020.

Non-GAAP Measures

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

Adjusted profit/(loss) before income tax

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

	Six months ended June 30,	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Profit/(loss) for the period	**31,282**	(17,671)
Add: Income tax expense	**9,521**	4,361
Profit/(loss) before income tax	**40,803**	(13,310)
Add:		
Share-based compensation expense	**6,612**	7,475
Restructuring expense	**181**	1,260
Merger and acquisitions expense	**634**	–
Adjusted profit/(loss) before income tax	**48,230**	(4,575)

Adjusted EBITDA

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

	Six months ended June 30,	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Profit/(loss) from operations	**39,944**	(16,981)
Add:		
Depreciation and amortisation	**12,113**	11,429
Share-based compensation expense	**6,612**	7,475
Restructuring expense	**181**	1,260
Merger and acquisitions expense	**634**	–
Adjusted EBITDA	**59,484**	3,183

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 June 30, 2021 and December 31, 2020 were as follows:

	At June 30, 2021 US$'000 (unaudited)	At December 31, 2020 US$'000 (audited)
Cash at bank and in hand	**277,053**	211,032
Fixed deposits and money market funds	**126,803**	297,618
Cash and cash equivalents in the condensed consolidated cash flow statement	**403,856**	508,650
Short-term fixed deposits	**113,161**	113,161
Cash and bank balances in the consolidated statement of financial position	**517,017**	621,811

As at June 30, 2021, our cash and bank balances were US$517.0 million. The decrease was mainly due to the purchase of investment in financial assets and equity securities of US$138.5 million and repurchase of ordinary shares of US$52.3 million. This was slightly offset by cash generated from operations of US$72.6 million.

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

Other Financial Information

Capital Expenditures

	Six months ended June 30,	
	2021 US$'000 (unaudited)	2020 US$'000 (unaudited)
Capital Expenditures		
Acquisition of property, plant and equipment	**7,588**	5,037
Acquisition of intangible assets	**543**	2,006
Total	**8,131**	7,043

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

Treasury Policy

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

Foreign Exchange Risk

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

Bank Loans and Other Borrowings

As at June 30, 2021 and December 31, 2020, we did not have any material bank loans, debt securities, borrowings, indebtedness, guarantees, hire purchase commitments or mortgages.

Contingent Liabilities

As of June 30, 2021, and December 31, 2020, we did not have any material contingent liabilities.

Dividends

No dividends have been paid or declared by us during the six months ended June 30, 2021 and 2020.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries

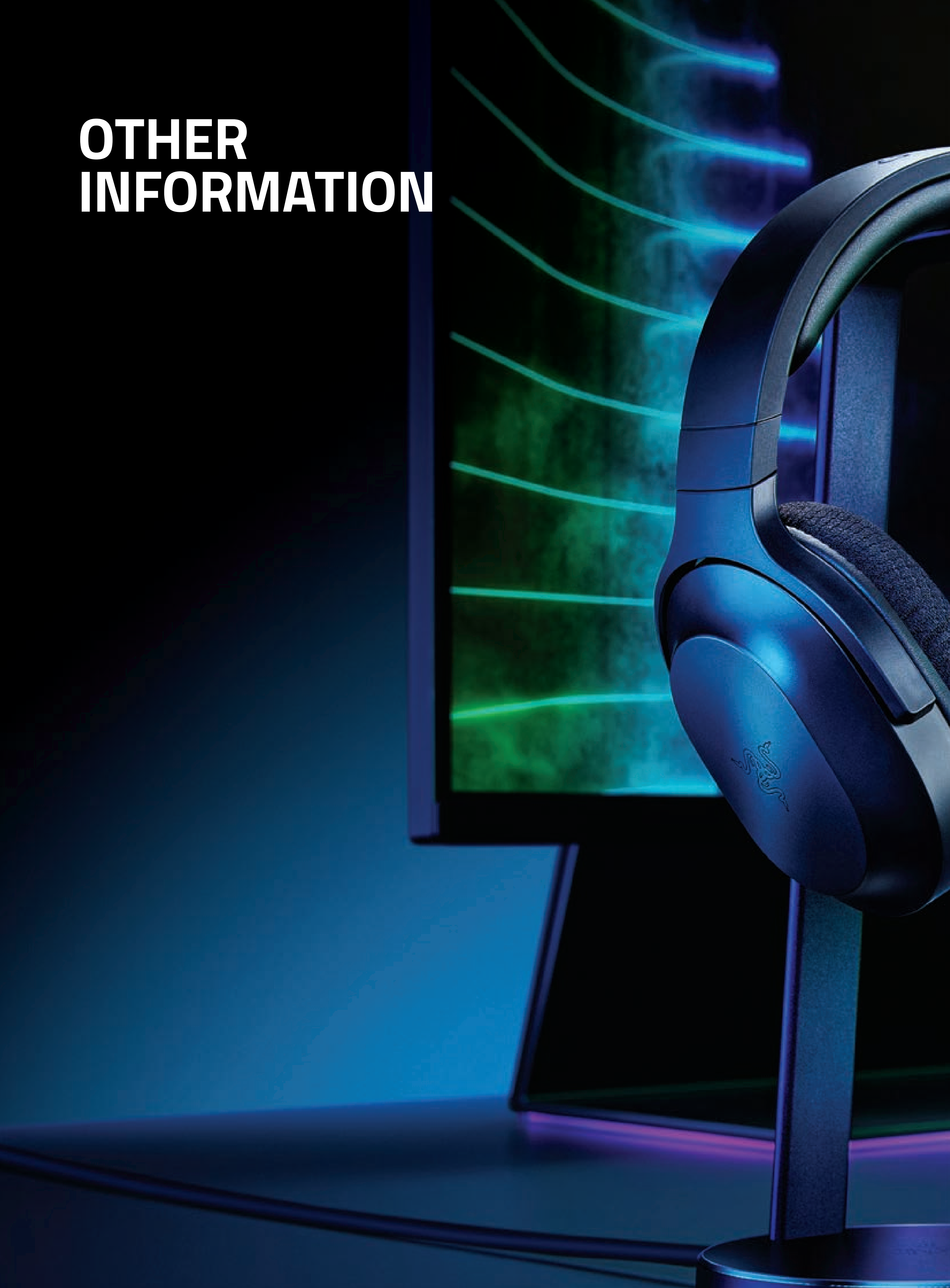
Except as disclosed below, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the six months ended June 30, 2021.

On January 22, 2021, Razer USA Ltd., an indirectly wholly-owned subsidiary of the Company, entered into an asset purchase agreement 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 comprises of the sum of cash of US$8.5 million, an adjustment amount based on the working capital balance as of the closing date of the acquisition, and an aggregate earn-out amount to be determined in accordance with the asset purchase agreement if certain financial targets are met for financial years 2021 and 2022.

Material Investments

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

OTHER INFORMATION



OTHER INFORMATION

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

As at June 30, 2021, the interest and/or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

(a) Long positions in the Shares of the Company

Directors	Capacity	Nature of Interests	Number of Shares held	Approximate percentage of shareholding[1]
Min-Liang Tan ("Mr. Tan")	Beneficial owner	Personal interest	170,354,399[2]	1.92%
	Founder of a discretionary trust	Other interest	2,837,935,801[3]	32.01%
Tan Chong Neng	Beneficial owner	Personal interest	3,646,031[4]	0.04%
Lim Kaling ("Mr. Lim")	Beneficial owner	Personal interest	1,654,444[5]	0.02%
	Interest of controlled corporations	Corporate interest	380,083,644[6]	4.29%
	Founder of a discretionary trust	Other interest	1,673,090,441[7][8]	18.87%
Chau Kwok Fun Kevin	Beneficial owner	Personal interest	1,883,352[9]	0.02%
	Founder of a discretionary trust	Other interest	600,000[10]	0.01%
Lee Yong Sun	Beneficial owner	Personal interest	1,369,710[11]	0.02%
Gideon Yu	Beneficial owner	Personal interest	5,418,672[12]	0.06%

Notes:

(1) The percentage has been computed based on the total number of Shares of the Company in issue as at June 30, 2021 including a total of 97,758,000 Shares repurchased by the Company as at June 30, 2021 but not yet cancelled (i.e. 8,864,413,691 Shares).

(2) Mr. Tan had a beneficial interest in a total of 170,354,399 Shares which included beneficial interest in 89,516,550 Shares underlying 89,516,550 RSUs which have been granted and have not yet vested as at June 30, 2021.

(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) Tan Chong Neng had a beneficial interest in a total of 3,646,031 Shares which included beneficial interest in 1,920,666 Shares underlying 1,920,666 RSUs which have been granted and have not yet vested as at June 30, 2021.

(5) Mr. Lim had a beneficial interest in a total of 1,654,444 Shares which included beneficial interest in 443,171 Shares underlying 443,171 RSUs which have been granted and have not yet vested as at June 30, 2021.

(6) Lim Teck Lee Land Pte Ltd directly held 307,424,615 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 18,358,843 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.

(7) 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.

(8) 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.

(9) Chau Kwok Fun Kevin had a beneficial interest in a total of 1,883,352 Shares which included beneficial interest in 812,484 Shares underlying 812,484 RSUs which have been granted and have not yet vested as at June 30, 2021.

(10) 600,000 Shares were held by Nottinghill Holdings Limited, a discretionary, irrevocable trust of which Chau Kwok Fun Kevin is the settlor.

(11) Lee Yong Sun had a beneficial interest in a total of 1,369,710 Shares which included beneficial interest in 590,894 Shares underlying 590,894 RSUs which have been granted and have not yet vested as at June 30, 2021.

(12) Gideon Yu had a beneficial interest in a total of 5,418,672 Shares which included beneficial interest in 590,894 Shares underlying 590,894 RSUs which have been granted and have not yet vested as at June 30, 2021.

(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%[4]

Notes:

(1) The percentage has been computed based on the total number of common stock of THX Ltd. in issue as at June 30, 2021 (i.e. 17,100,000 common stock).

(2) Mr. Tan had a beneficial interest in a total of 900,000 common stock which had not yet been issued. Such common stock underlies 900,000 THX RSUs which have been granted but have not yet vested as at June 30, 2021.

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

(4) The percentage does not take into account any dilution resulting from the issue and vesting of shares underlying THX RSUs.

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

As at June 30, 2021, so far as is known to the Directors, the persons or entities, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the total number of Shares of the Company were as follows:

Long positions in the Shares of the Company

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate Percentage of shareholding[1]
Julius Baer Group Ltd	Interest of controlled corporations	2,837,935,801 [2]	32.01%
Julius Baer Trust Company (Channel Islands) Limited	Trustee	2,837,935,801 [2]	32.01%
Chen Family (Global) Holdings Limited	Interest of controlled corporations	2,837,935,801 [2]	32.01%
Chen Family (Hivemind) Holdings Limited	Beneficial owner	2,837,935,801 [2]	32.01%
Risoluto Pte. Ltd.	Trustee	1,673,090,441 [3][4]	18.87%
Voyager Equity Limited	Beneficial owner	1,342,446,474 [3]	15.14%

Notes:

(1) The percentage has been computed based on the total number of Shares of the Company in issue as at June 30, 2021 including a total of 97,758,000 Shares repurchased by the Company as at June 30, 2021 but not yet cancelled (i.e. 8,864,413,691 Shares).

(2) 2,837,935,801 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of the Chen Family Trust, which beneficially owns Chen Family (Global) Holdings Limited which in turn wholly owns Chen Family (Hivemind) Holdings Limited. The Chen Family Trust was established by Mr. Tan as the settlor and the investment advisor. Mr. Tan and his family members are the beneficiaries of the Chen Family Trust. Mr. Tan is also a director of Chen Family (Hivemind) Holdings Limited. Julius Baer Group Limited is a parent company of Julius Baer Trust Company (Channel Islands) Limited which has an interest in the shares in its role as trustee of a certain trust.

(3) 1,342,446,474 Shares were held by Risoluto Pte. Ltd. as the trustee of the Quadri Trust, which beneficially owns Voyager Equity Limited. The Quadri Trust was established by Mr. Lim as the settlor and the investment advisor. Mr. Lim and his family member are the beneficiaries of the Quadri Trust.

(4) 330,643,967 Shares were held by Risoluto Pte. Ltd. as the trustee of the Campagnion Trust, which beneficially owns Primerose Ventures Inc. The Campagnion Trust was established by Mr. Lim as the settlor and the investment advisor. Mr. Lim and his family member are the beneficiaries of the Campagnion Trust.

Save as disclosed above, as at June 30, 2021, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Remuneration Policy

The Directors, senior management and employees receive compensation in the form of salaries, allowances, bonuses, share-based awards and other benefits-in-kind. Their salaries are based on their qualification, position and seniority. The Group has 1,526 employees as of June 30, 2021. The Group also uses independent contractors to provide the Group more flexibility over overall workforce numbers.

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

2016 Equity Incentive Plan

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

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

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

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

To facilitate the administration of the 2016 Equity Incentive Plan, an aggregate of 708,104,004 Shares, 150,000,000 shares and 66,472,658 Shares were issued to the Computershare Hong Kong Trustees Limited, as trustee, on November 13, 2017, November 1, 2019 and March 25, 2021 respectively. As at June 30, 2021, an aggregate of 73,391,303 Shares were still held in trust by Computershare Hong Kong Trustees Limited, of which 36,112,768 Shares were held in trust for the purpose of satisfying grants made to connected persons, and 37,278,535 Shares were held in trust for the purpose of satisfying grants made to non-connected persons[1]. As at June 30, 2021, the number of shares underlying the RSUs which remains available under the Scheme Limit to be granted was 517,804,412 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, 2021	RSUs granted during the period from January 1, 2021 to June 30, 2021	RSUs vested during the period from January 1, 2021 to June 30, 2021	RSUs cancelled during the period from January 1, 2021 to June 30, 2021	Number of Shares underlying RSUs outstanding at June 30, 2021
Directors of the Company					
Min-Liang Tan	156,173,578	390,763	(67,047,791)	–	89,516,550
Tan Chong Neng	2,133,844	122,113	(291,406)	–	1,964,551
Lim Kaling	531,154	195,382	(283,365)	–	443,171
Chau Kwok Fun Kevin	925,122	358,200	(470,838)	–	812,484
Lee Yong Sun	672,814	260,509	(342,429)	–	590,894
Gideon Yu	708,206	260,509	(377,821)	–	590,894
Subtotal	**161,144,718**	**1,587,476**	**(68,813,650)**	**–**	**93,918,544**
Other employees[2]	98,080,253	2,647,378	(14,647,089)	(4,279,954)	81,800,588
TOTAL OF ALL GRANTEES	**259,224,971**	**4,234,854**	**(83,460,739)**	**(4,279,954)**	**175,719,132**

Notes:

(1) *With reference to the announcement of the Company dated July 1, 2021 (the "Announcement"), the Company would like to clarify that there was an inadvertent error in relation to the number of Shares held in trust for the purpose of satisfying grants made to connected persons and non-connected persons as at June 30, 2021. Such number was incorrectly stated as an aggregate of 73,398,099 Shares were still held in trust by Computershare Hong Kong Trustees Limited, of which 36,112,768 and 37,285,331 Shares were held in trust for the purpose of satisfying grants made to connected persons and non-connected persons respectively, instead of the figures as disclosed above. This clarification does not affect the other information in the Announcement.*

(2) *Comprising 994 and 921 other employees as of January 1, 2021 and as of June 30, 2021 respectively.*

THX Equity Incentive Plan

Pursuant to the resolutions of the directors and shareholders of THX 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 June 30, 2021, 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 resolutions of the directors and shareholders of Razer Fintech Holdings Pte. Ltd. ("Razer Fintech") dated May 29, 2020, Razer Fintech, a non-wholly owned subsidiary of the Company, adopted an equity incentive plan (the "Razer Fintech EIP"). The Razer Fintech EIP is designed to attract, retain and motivate Razer Fintech's employees, directors and consultants through the grant of restricted stock units. The terms of the Razer Fintech EIP governing the grant of restricted stock units in Razer Fintech ("RF RSUs") are not subject to the provisions of Chapter 17 of the Listing Rules as the Razer Fintech EIP does not involve the grant of options by Razer Fintech to subscribe for new shares in Razer Fintech ("RF Shares").

Unless otherwise approved by the shareholders of Razer Fintech, the total number of RF Shares underlying RF RSUs to be granted under the Razer Fintech EIP shall not exceed such number of RF Shares as shall constitute 10% of the fully-diluted share capital of Razer Fintech from time to time, where such fully-diluted share capital shall take into account the RF Shares which may be issued pursuant to awards granted under the Razer Fintech EIP and any other securities and instruments convertible into RF Shares. The adoption of the Razer Fintech EIP did not constitute a discloseable transaction under Chapter 14 of the Listing Rules. As of June 30, 2021, no awards had been granted under the Razer Fintech EIP.

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

During the six months ended June 30, 2021, the Company repurchased 168,789,000 Shares at prices ranging from HK$2.09 to HK$2.84 on the Stock Exchange at an aggregate consideration of HK$421,559,505.63 excluding brokerage fees and other expenses. The repurchase was approved by the Board for the enhancement of shareholders' value for the long term. All 168,789,000 Shares repurchased were subsequently cancelled. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2021.

Compliance with the CG Code

The Company has adopted and applied the principles and code provisions as set out in the CG Code contained in Appendix 14 of Listing Rules. During the six months ended June 30, 2021, the Company has complied with the applicable code provisions as set out in the CG Code, except for code provisions A.2.1 and E.1.5.

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

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

Code provision E.1.5 provides that the Company should have a policy on payment of dividend and disclose such policy in the annual report. As the Company turned profitable in the financial year ended December 31, 2020 the annual results of which were announced on March 24, 2021, prior to this date the Company did not have a dividend policy. On March 24, 2021, the Company adopted a dividend policy, which sets out the principles and guidelines that the Company shall apply in relation to the declaration of dividends. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of the Company and the Companies Law. The Board of Directors did not declare any interim dividend for the six months ended June 30, 2021.

Compliance with the Model Code

The Board has adopted the Model Code as the code of conduct regulating Directors' dealings in securities of the Company. Having made specific enquiry to the Directors, all the Directors confirmed that they have complied with the standards as set out in the Model Code during the six months ended June 30, 2021.

Use of Proceeds from the Initial Public Offering

On November 13, 2017, the Shares were listed on the Main Board of the Stock Exchange. Net proceeds from the initial public offering were approximately US$596 million. As of June 30, 2021, the Group had:

- Used approximately US$88 million (of approximately US$149 million as set out in the Prospectus) to finance acquisitions that will continue the expansion of our Razer ecosystem. The Group expects to fully utilise the remaining net proceeds by the end of 2024.
- Deployed approximately US$60 million for general working capital purposes, including share buyback activities*. The Group has fully utilised the net proceeds as set out in the Prospectus.
- Used approximately US$31 million (of approximately US$149 million as set out in the Prospectus) to develop new verticals such as the Razer Fintech business, audiovisual technology, livestreaming and broadcasting technology and other digital transaction-related services. The Group expects to fully utilise the remaining net proceeds by the end of 2024.
- Used approximately US$17 million (of approximately US$119 million as set out in the Prospectus) to expand our research and development capabilities including hiring engineers and designers to develop and innovate new products and services that optimize performance, design and other attributes desired by gamers. The Group expects to fully utilise the remaining net proceeds by the end of 2024.
- Spent approximately US$38 million (of approximately US$119 million as set out in the Prospectus) to continue implementing our sales and marketing initiative to expand the appeal of the Razer brand and increase user awareness of our new products and services across our ecosystem. Some of our sales and marketing initiatives include branding agreements and sponsorships, direct engagement with users through social media and viral marketing campaigns and opening more Razer Stores. The Group expects to fully utilise the remaining net proceeds by the end of 2023.

The remaining balance of the net proceeds of US$362 million was placed with banks and financial institutions. The Group will apply the remaining net proceeds in the manner set out in the Prospectus.

Changes in Directors' Information

There has been no change in the information of Directors required to be disclosed under Rule 13.51B(1) of the Listing Rules since the date of the Company's 2020 annual report.

Audit and Risk Management Committee

The unaudited interim financial report of the Company and its subsidiaries for the six months ended June 30, 2021 have been reviewed by the Company's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" and by the Audit and Risk Management Committee of the Company.

* *To update the disclosure as set out in FY2020 Annual Report. As of December 31, 2020, the Group has deployed approximately US$60 million for general working capital purposes, including share buyback activities of US$52 million.*

FINANCIAL STATEMENTS

REVIEW REPORT

KPMG

REVIEW REPORT TO THE BOARD OF DIRECTORS OF RAZER INC.

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 30 to 50 which comprises the consolidated statement of financial position of Razer Inc. (the "Company") and its subsidiaries (the Group") as of June 30, 2021 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June, 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

August 25, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2021 – unaudited (Expressed in United States dollars)

		Six months ended June 30,	
	Note	**2021 US$'000**	2020 US$'000
Revenue	4 & 5	**751,991**	447,549
Cost of sales		**(548,424)**	(349,022)
Gross profit		**203,567**	98,527
Selling and marketing expenses		**(85,706)**	(54,845)
Research and development expenses		**(30,598)**	(24,869)
General and administrative expenses		**(47,319)**	(35,794)
Profit/(loss) from operations		**39,944**	(16,981)
Other non-operating (expenses)/income		**(444)**	149
Finance income	6	**2,216**	4,399
Finance costs	6	**(913)**	(877)
Profit/(loss) before income tax		**40,803**	(13,310)
Income tax expense	7	**(9,521)**	(4,361)
Profit/(loss) for the period		**31,282**	(17,671)
Other comprehensive income for the period, net of nil tax unless specified			
Items 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)		**137**	705
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**(4,122)**	(4,375)
Remeasurement of net defined benefit liability		**–**	9
Other comprehensive income for the period		**(3,985)**	(3,661)
Total comprehensive income for the period		**27,297**	(21,332)
Profit/(loss) attributable to:			
Equity shareholders of the Company		**33,979**	(17,343)
Non-controlling interests		**(2,697)**	(328)
Profit/(loss) for the period		**31,282**	(17,671)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**30,319**	(20,086)
Non-controlling interests		**(3,022)**	(1,246)
Total comprehensive income for the period		**27,297**	(21,332)
Profit/(loss) per share	8		
Basic		**US$0.004**	US$(0.002)
Diluted		**US$0.004**	US$(0.002)

The notes on pages 36 to 50 form part of this interim financial report.

Consolidated Statement of Financial Position

at June 30, 2021 – unaudited (Expressed in United States dollars)

	Note	At June 30, 2021 US$'000	At December 31, 2020 US$'000
Non-current assets			
Property, plant and equipment	9	**51,120**	30,058
Intangible assets and goodwill	10	**89,920**	90,985
Other investments		**167,091**	61,305
Deferred tax assets		**7,718**	12,614
Restricted cash	13	**1,155**	1,396
Prepayments		**111**	223
Other receivables	12	**5,312**	3,692
		322,427	200,273
Current assets			
Inventories	11	**178,650**	124,858
Trade and other receivables	12	**240,874**	267,707
Prepayments		**16,035**	8,254
Current tax receivables		**1,731**	1,754
Restricted cash	13	**27,912**	18,234
Cash and bank balances	14	**517,017**	621,811
		982,219	1,042,618
Total assets		**1,304,646**	1,242,891
Current liabilities			
Trade and other payables	15	**648,686**	584,212
Contract liabilities		**4,217**	2,995
Customer funds	16	**18,898**	20,147
Lease liabilities	17	**3,622**	4,049
Current tax payables		**4,782**	5,701
Other tax liabilities		**3,356**	3,464
		683,561	620,568
Net current assets		**298,658**	422,050
Total assets less current liabilities		**621,085**	622,323
Non-current liabilities			
Deferred tax liabilities		**1,931**	2,366
Contract liabilities		**1,336**	1,436
Net defined benefit retirement obligation		**602**	589
Other payables	15	**2,623**	1,712
Other tax liabilities		**2,427**	2,276
Lease liabilities	17	**25,776**	6,720
		34,695	15,099
NET ASSETS		**586,390**	607,224

Consolidated Statement of Financial Position (Continued)

at June 30, 2021 – unaudited (Expressed in United States dollars)

	At June 30, 2021 US$'000	At December 31, 2020 US$'000
Capital and reserves		
Share capital	**88,644**	88,762
Share premium	**646,890**	672,526
Reserves	**(171,455)**	(179,367)
Total equity attributable to equity shareholders of the Company	**564,079**	581,921
Non-controlling interests	**22,311**	25,303
TOTAL EQUITY	**586,390**	607,224

The notes on pages 36 to 50 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended June 30, 2021 – unaudited (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/ Retained Earnings 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 the six months June 30, 2020:													
Loss for the period		–	–	–	–	–	–	–	–	(17,343)	(17,343)	(328)	(17,671)
Other comprehensive income		–	–	–	(3,457)	705	–	–	–	9	(2,743)	(918)	(3,661)
Total comprehensive income		–	–	–	(3,457)	705	–	–	–	(17,334)	(20,086)	(1,246)	(21,332)
Issuance of vested shares, net of tax	18	–	–	–	–	–	23,244	(40,077)	–	16,833	–	–	–
Share-based compensation expense	18	–	–	–	–	–	–	7,460	–	–	7,460	–	7,460
Remeasurement of put option written on non-controlling interests		–	–	–	–	–	–	–	(627)	–	(627)	–	(627)
Repurchase and cancellation of own ordinary shares		(97)	(1,603)	–	–	–	–	–	–	–	(1,700)	–	(1,700)
Issuance of ordinary shares to non-controlling interests		–	–	–	–	–	–	–	–	–	–	200	200
Balance at June 30, 2020 and July 1, 2020		89,385	682,244	(4,000)	(6,105)	1,142	(1,084)	61,919	(4,197)	(265,982)	553,322	5,467	558,789
Changes in equity for the six months ended December 31, 2020:													
Profit/(loss) for the period		–	–	–	–	–	–	–	–	22,969	22,969	(4,493)	18,476
Other comprehensive income		–	–	–	5,404	3,059	–	–	–	35	8,498	1,313	9,811
Total comprehensive income		–	–	–	5,404	3,059	–	–	–	23,004	31,467	(3,180)	28,287
Issuance of vested shares, net of tax	18	–	–	–	–	–	180	(3,047)	–	2,867	–	–	–
Share-based compensation expense	18	–	–	–	–	–	–	8,224	–	–	8,224	–	8,224
Dividends to non-controlling interest		–	–	–	–	–	–	–	–	–	–	(349)	(349)
Reversals of shares issuance expenses		–	1,850	–	–	–	–	–	–	–	1,850	–	1,850
Issuance of ordinary shares to non-controlling interests		–	–	–	–	–	–	–	–	–	–	24,500	24,500
Acquisition of non-controlling interests of a subsidiary without a change in control		–	–	–	–	–	–	–	4,197	(5,429)	(1,232)	(1,135)	(2,367)
Repurchase and cancellation of own ordinary shares		(623)	(11,568)	–	–	–	–	–	–	481	(11,710)	–	(11,710)
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

Consolidated Statement of Changes in Equity (Continued)

for the six months ended June 30, 2021 – unaudited (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/ Retained Earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at January 1, 2021		88,762	672,526	(4,000)	(701)	4,201	(904)	67,096	–	(245,059)	581,921	25,303	607,224
Profit/(loss) for the period		–	–	–	–	–	–	–	–	33,979	33,979	(2,697)	31,282
Other comprehensive income		–	–	–	(3,797)	137	–	–	–	–	(3,660)	(325)	(3,985)
Total comprehensive income		–	–	–	(3,797)	137	–	–	–	33,979	30,319	(3,022)	27,297
Issuance of vested shares, net of tax	18	–	–	–	–	–	835	(16,075)	–	15,240	–	–	–
Share-based compensation expense	18	–	–	–	–	–	–	6,343	–	–	6,343	–	6,343
Issuance of treasury shares		665	–	–	–	–	(665)	–	–	–	–	–	–
Issuance of ordinary shares to non-controlling interests		–	–	–	–	–	–	–	–	–	–	30	30
Repurchase of own ordinary shares		(783)	(25,636)	–	–	–	–	–	–	(28,085)	(54,504)	–	(54,504)
Balance at June 30, 2021		88,644	646,890	(4,000)	(4,498)	4,338	(734)	57,364	–	(223,925)	564,079	22,311	586,390

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

Condensed Consolidated Cash Flow Statement

for the six months ended June 30, 2021 – unaudited (Expressed in United States dollars)

		Six months ended June 30,	
	Note	**2021 US$'000**	2020 US$'000
Cash flows from operating activities			
Cash generated from operations		**74,808**	68,586
Income taxes paid		**(2,197)**	(2,614)
Net cash generated from operating activities		**72,611**	65,972
Cash flows from investing activities			
Interest received		**255**	5,487
Acquisition of property, plant and equipment		**(7,588)**	(5,037)
Acquisition of intangible assets		**(543)**	(2,006)
Investment in financial assets and equity securities		**(138,471)**	(1,462)
Proceeds from disposal of financial assets and equity securities		**33,614**	–
Acquisition of business		**(7,650)**	–
Net cash used in investing activities		**(120,383)**	(3,018)
Cash flows from financing activities			
Interest paid		**–**	(420)
Repayment of principal of lease liabilities		**(3,156)**	(2,539)
Repurchase of own ordinary shares	21(a)	**(52,273)**	(1,700)
Issuance of ordinary shares of a subsidiary to non-controlling interests		**30**	200
Net cash used in financing activities		**(55,399)**	(4,459)
Net (decrease)/increase in cash and cash equivalents		**(103,171)**	58,495
Cash and cash equivalents at January 1	14	**508,650**	528,330
Effect of exchange rate fluctuations on cash and cash equivalents		**(1,623)**	(924)
Cash and cash equivalents at June 30	14	**403,856**	585,901

The notes on pages 36 to 50 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

1 GENERAL INFORMATION

Razer Inc. (the "Company") is a company incorporated in the Cayman Islands with limited liability. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The dual global headquarters and principal places of business of the Company are located at 9 Pasteur, Suite 100, Irvine, CA 92618, the United States of America and 1 one-north Crescent, #02-01, Singapore 138538.

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"), and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2020 ("last annual financial statements"). They do not include all of the information required for a complete set of International Financial Reporting Standard ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

These interim financial statements were authorised for issue by the Company's board of directors on August 25, 2021.

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

3 USE OF JUDGEMENTS AND ESTIMATES

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

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

4 REVENUE AND SEGMENT INFORMATION

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

The management of the Group has determined that its Chief Executive Officer is the chief operating decision maker ("CODM"). The CODM of the Group periodically reviews and makes operating decisions, manages the growth and profitability of the business using the below segment reporting structure based on product lines:

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

(a) Disaggregation of revenue

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

	Six months ended June 30,	
	2021 US$'000	2020 US$'000
Sales of goods	**677,337**	382,201
Services income	**72,749**	64,162
Royalty income	**1,905**	1,186
	751,991	447,549

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

	Six months ended June 30,	
	2021 US$'000	2020 US$'000
Americas[1]	**317,857**	196,761
Europe, the Middle East and Africa	**214,097**	97,282
Asia Pacific excluding China[2]	**141,265**	99,256
China	**78,772**	54,250
	751,991	447,549

1 *Revenue from Americas region includes revenue from the United States of America ("U.S.") of US$297,273,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: US$183,262,000).*

2 *Revenue from Asia Pacific region includes revenue from Singapore of US$29,577,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: US$33,266,000).*

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

	Peripherals US$'000	Systems US$'000	Software and Services US$'000	Others US$'000	Total US$'000
Six months ended June 30, 2021					
Revenue	**515,760**	**161,543**	**72,762**	**1,926**	**751,991**
Depreciation and amortisation	**(4,478)**	**(2,902)**	**(4,302)**	**(431)**	**(12,113)**
Gross profit	**161,989**	**10,188**	**30,455**	**935**	**203,567**
Six months ended June 30, 2020					
Revenue	252,706	129,967	63,970	906	447,549
Depreciation and amortisation	(3,510)	(2,179)	(5,194)	(546)	(11,429)
Gross profit/(loss)	63,295	7,763	29,420	(1,951)	98,527

5 SEASONALITY OF OPERATIONS

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

6 FINANCE INCOME AND FINANCE COSTS

	Six months ended June 30,	
	2021 US$'000	2020 US$'000
Finance income		
Interest income on fixed deposits and money market funds	**1,369**	4,399
Net gain on financial assets	**792**	–
Others	**55**	–
	2,216	4,399
Finance costs		
Interest on lease liabilities	**(741)**	(426)
Bank charges	**(127)**	(98)
Others	**(45)**	(353)
	(913)	(877)

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

7 INCOME TAX EXPENSE

	Six months ended June 30,	
	2021 US$'000	2020 US$'000
Current tax expense		
Current year	**5,103**	3,275
Deferred tax expense		
Origination and reversal of temporary differences	**4,418**	1,086
Total income tax expense	**9,521**	4,361

During the six months ended June 30, 2021, a tax benefit of US$38,000 (six months ended June 30, 2020: US$nil) related to share-based compensation was recognised in equity. Taxation is calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

Tax incentives

A subsidiary, Razer (Asia-Pacific) Pte. Ltd. was awarded the Development and Expansion Incentive under the International Headquarters Award (the "Incentive") by the 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$2,006,000) 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 extension until September 30, 2023.

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

8 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$33,979,000 (six months ended June 30, 2020: loss of US$17,343,000) divided by the weighted average of ordinary shares of 8,769,132,545 shares (six months ended June 30, 2020: 8,788,294,990 shares) in issue during the period.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share was based on the profit attributable to equity shareholders of the Company of US$33,979,000 (six months ended June 30, 2020: loss of US$17,343,000) divided by the weighted average number of ordinary shares of 8,944,851,677 (six months ended June 30, 2020: 8,788,294,990 shares) outstanding adjusted for the effects of all dilutive potential ordinary shares.

The effect of the conversion of the unvested RSUs was anti-dilutive for the period ended June 30, 2020 and accordingly, the diluted loss per share was the same as the basic loss per share.

9 PROPERTY, PLANT AND EQUIPMENT

	At June 30, 2021 US$'000	At December 31, 2020 US$'000
Opening net book value	**30,058**	29,982
Additions	**31,236**	15,743
Additions through business combination	**64**	–
Depreciation for the period/year	**(8,106)**	(15,655)
Disposals	**(2,082)**	(135)
Effect of movement in exchange rate	**(50)**	123
Closing net book value	**51,120**	30,058

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

10 INTANGIBLE ASSETS AND GOODWILL

	Development cost US$'000	Purchased technology assets US$'000	Patents US$'000	Trademarks US$'000	Distribution contracts US$'000	Customer relationships US$'000	Goodwill US$'000	Total US$'000
Cost:								
At January 1, 2020	19,476	13,510	18,698	2,736	17,357	407	75,720	147,904
Additions	–	3,208	–	–	–	–	–	3,208
Transfers	(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
At January 1, 2021	**15,471**	**20,725**	**18,750**	**2,736**	**17,655**	**407**	**76,830**	**152,574**
Additions	**–**	**1,191**	**–**	**–**	**–**	**–**	**69**	**1,260**
Additions through business combination (note 22)	**–**	**–**	**–**	**–**	**–**	**–**	**5,404**	**5,404**
Disposals	**–**	**(1,286)**	**–**	**–**	**–**	**–**	**–**	**(1,286)**
Effect of movement in exchange rate	**–**	**(126)**	**(177)**	**–**	**(548)**	**–**	**(2,031)**	**(2,882)**
At June 30, 2021	**15,471**	**20,504**	**18,573**	**2,736**	**17,107**	**407**	**80,272**	**155,070**
Accumulated amortisation:								
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]	–	–	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
At January 1, 2021	**15,471**	**13,150**	**13,012**	**–**	**8,528**	**85**	**11,343**	**61,589**
Amortisation for the period	**–**	**2,077**	**345**	**–**	**1,575**	**10**	**–**	**4,007**
Effect of movement in exchange rate	**–**	**(82)**	**(72)**	**–**	**(292)**	**–**	**–**	**(446)**
At June 30, 2021	**15,471**	**15,145**	**13,285**	**–**	**9,811**	**95**	**11,343**	**65,150**
Net book value:								
At June 30, 2021	**–**	**5,359**	**5,288**	**2,736**	**7,296**	**312**	**68,929**	**89,920**
At December 31, 2020	–	7,575	5,738	2,736	9,127	322	65,487	90,985

[1] *During 2020, due to pandemic situation, the Group recognised an impairment loss of US$10,830,000 on the carrying value of the THX-related cash-generating unit's long-lived assets. The impairment loss allocated to goodwill and patents was US$9,620,000 and US$1,210,000 respectively.*

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

11 INVENTORIES

During the six months ended June 30, 2021, raw materials and changes in finished goods recognised in cost of sales amounted to US$548,424,000 (six months ended June 30, 2020: US$349,022,000) including write-down to net realisable value amounting to US$4,225,000 (six months ended June 30, 2020: US$3,933,000) for the Group.

12 TRADE AND OTHER RECEIVABLES

	At June 30, 2021 US$'000	At December 31, 2020 US$'000
Trade receivables	**275,283**	311,730
Less: Allowance for trade receivables	**(88,028)**	(84,254)
Less: Loss allowance	**(4,335)**	(4,083)
	182,920	223,393
Deposits	**3,786**	3,514
Lease receivable	**1,341**	–
Other receivables[1]	**58,139**	44,492
Trade and other receivables	**246,186**	271,399
Non-current	**5,312**	3,692
Current	**240,874**	267,707
	246,186	271,399

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

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

	At June 30, 2021 US$'000	At December 31, 2020 US$'000
Current (not past due)	**160,379**	194,182
Past due 1-30 days	**14,992**	26,725
Past due 31-60 days	**3,862**	1,283
Past due 61-90 days	**1,477**	698
Past due more than 90 days	**2,210**	505
	182,920	223,393

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	At June 30, 2021 US$'000	At December 31, 2020 US$'000
At beginning of the period/year	**4,083**	598
Impairment loss recognised on trade receivables	**252**	3,591
Uncollectible amount written off	**–**	(106)
At the end of the period/year	**4,335**	4,083

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

13 RESTRICTED CASH

The restricted cash balance is US$29,067,000 as of June 30, 2021 (December 31, 2020: US$19,630,000), of which US$1,089,000 (December 31, 2020: US$1,186,000) relates to the unutilised virtual credits, Razer Gold, and mobile wallet (collectively "e-money liabilities") balance. The restricted cash is required to be kept at least at 1.02 times of the total e-money liabilities as per the Guideline on Electronic Money issued by Bank Negara of Malaysia. Currently, the money is held in trust by a trustee and maintained at 1.02 times of the total e-money liabilities.

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

14 CASH AND BANK BALANCES

	At June 30, 2021 US$'000	At December 31, 2020 US$'000
Cash at bank and in hand	**277,053**	211,032
Fixed deposits and money market funds	**126,803**	297,618
Cash and cash equivalents in the condensed consolidated cash flow statement	**403,856**	508,650
Short-term fixed deposits	**113,161**	113,161
Cash and bank balances in the consolidated statement of financial position	**517,017**	621,811

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

15 TRADE AND OTHER PAYABLES

	At June 30, 2021 US$'000	At December 31, 2020 US$'000
Trade payables	**517,508**	469,826
Accrued operating expenses	**94,691**	77,153
Provision for warranty expenses	**21,959**	19,336
Accrued liabilities for materials	**5,035**	1,115
Deposits received	**2,628**	2,359
Other payables[1]	**9,488**	16,135
	651,309	585,924
Non-current	**2,623**	1,712
Current	**648,686**	584,212
	651,309	585,924

1 *Other payables mainly comprise of sales and withholding taxes.*

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

	At June 30, 2021 US$'000	At December 31, 2020 US$'000
Up to 3 months	**473,857**	466,376
Over 3 months but within 6 months	**38,961**	1,253
Over 6 months but within 12 months	**2,280**	59
Over 12 months	**2,410**	2,138
	517,508	469,826

16 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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

17 LEASE LIABILITIES

The contractual maturities of the lease liabilities are as follows:

	June 30, 2021 US$'000	December 31, 2020 US$'000
Less than one year	**6,387**	4,676
Between one and five years	**18,489**	6,587
More than five years	**28,799**	1,154
Total contractual cash flows	**53,675**	12,417
Less: Imputed interest on lease liabilities	**(24,277)**	(1,648)
Carrying amount	**29,398**	10,769

18 SHARE-BASED COMPENSATION EXPENSE

The Group has the following share-based payment arrangements:

Restricted Stock Units ("RSUs")

On August 23, 2016, the Company's shareholders approved the 2016 Equity Incentive Plan, which is a share-based incentive plan designed to reward, retain and motivate the Group's employees. RSUs were granted to certain employees, consultants and the Company's directors. Each RSU will entitle the holder to one ordinary share of the Company.

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

Share-based compensation expense relating to awards granted to employees is recognised on a graded acceleration vesting amortisation method over the four tranches. Share-based compensation expense relating to awards granted to consultants are recognised on a straight-line basis over the four tranches.

For grants awarded prior to the IPO, the grant date fair value is based on the price of recent investments in the Company by third party investors. For grants awarded after the IPO, the grant date fair value is based on the closing price of the Company's shares as of the grant date. The number of RSUs granted during the six months ended June 30, 2021 was 4,234,854 (six months ended June 30, 2020: 123,371,065 RSUs). The weighted average grant date fair value of RSUs granted during the six months ended June 30, 2021 was US$0.33 per share (six months ended June 30, 2020: US$0.14 per share). During the six months ended June 30, 2021, share-based compensation expenses of US$6,612,000 (six months ended June 30, 2020: US$7,475,000) was recognised.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

18 SHARE-BASED COMPENSATION EXPENSE (CONTINUED)

Restricted Stock Units (Continued)

In October 2017, the board of directors and the shareholders of the Company approved the grant to a director of (a) 105,104,724 RSUs (the "Initial Grant") and (b) an aggregate of 265,890,627 RSUs in three tranches over the financial years of 2017 to 2019 (the "Subsequent Grant"). While the Initial Grant vested immediately following the execution of a definitive RSU agreement, the Subsequent Grant is 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 the grant date was not established, and subject to the Remuneration Committee fixing the vesting conditions, approving the grants, and a definitive RSU agreement being executed.

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

During the six months ended June 30, 2021 and 2020, US$3,003,000 and US$4,050,000 of share-based compensation expense were respectively recognised in the consolidated statement of profit or loss and other comprehensive income in respect of these RSUs.

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

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

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

	Quoted prices in active markets for identical assets (Level 1) US$'000	Significant other inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
June 30, 2021				
Financial assets				
Money market funds	**–**	**12,869**	**–**	**12,869**
Other investments (quoted)	**3,395**	**156,510**	**–**	**159,905**
Other investments (unquoted)	**–**	**–**	**7,186**	**7,186**
	3,395	**169,379**	**7,186**	**179,960**
December 31, 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

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

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

The fair value for the quoted equity investments is determined using quoted prices obtained for those investments as at reporting date. For unquoted equity investments, fair value is determined using valuation techniques. Such valuation techniques include recent arm's length market transactions.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

During the six months ended June 30, 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3.

The following table presents the change in level 3 instruments:

	2021 US$'000	2020 US$'000
Financial assets		
At January 1	**4,087**	1,297
Additions	**2,992**	1,462
Net unrealised loss recognised in other comprehensive income	**(31)**	–
Net unrealised gain recognised in profit or loss	**138**	–
At June 30	**7,186**	2,759
Financial liabilities		
At January 1	**–**	7,044
Additions	**–**	–
Net unrealised foreign exchange loss recognised in profit or loss	**–**	(309)
Unwinding of discount	**–**	627
At June 30	**–**	7,362

The Group does not have any other financial instruments that are measured using fair values as at June 30, 2021 and December 31, 2020.

20 MATERIAL RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

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

	Six months ended June 30,	
	2021 US$'000	2020 US$'000
Short-term employee benefits	**1,507**	1,082
Share-based compensation benefits	**3,401**	4,595
	4,908	5,677

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

Leases

On December 21, 2018, the Group entered into an Agreement for Lease in respect of a lease of the specific premises located in Singapore, for a term of 15 years, with a related party. The Group has been granted rights to access the leased premises from May 2021 onwards and account for the lease in accordance to IFRS 16 *Leases*.

During the period ended June 30, 2021, the amount recognised in the consolidated statement of profit or loss and other comprehensive income are as follow:

	Six months ended June 30,	
	2021 US$'000	2020 US$'000
Interest on lease liabilities	**471**	–
Depreciation on right-of-use assets	**222**	–

The amount of lease liabilities outstanding in respect of the lease of the specific premises located in Singapore as of June 30, 2021 is US$26,404,000 (December 31, 2020: nil).

Building improvements

In relation to the lease arrangement above, the Group has contracted the same related party to provide certain building improvement services. The Group has made a full payment and capitalised the amount of US$1,325,000 as building improvements, which will be amortised over an estimated useful lives of 15 years. During the period ended June 30, 2021, the amount of depreciation expense recognised in the Group's consolidated statement of profit or loss is US$15,000.

21 CAPITAL AND DIVIDENDS

(a) Repurchase of own ordinary shares

During the six months ended June 30, 2021, the Company repurchased 168,789,000 (six months ended June 30, 2020: 9,675,000) of its own ordinary shares at prices ranging from HK$2.09 to HK$2.84 on The Stock Exchange of Hong Kong at a total consideration of approximately US$54,504,000.

(b) Dividends

No dividends have been paid or declared by the Company during the six months ended June 30, 2021 and 2020.

22 BUSINESS COMBINATION

On January 22, 2021, Razer USA Ltd. ("Razer USA"), an indirect wholly-owned subsidiary of the Company, entered into an asset purchase agreement (the "APA") with Marketing Instincts, Inc. to acquire the business and assets of the Controller Gear ("CG") business unit. The acquisition was completed on March 26, 2021. The consideration for the acquisition is 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 financial years 2021 and 2022). A provisional goodwill of US$5,404,000 was recognised on the acquisition based on the difference between the consideration and the provisional fair value of the identifiable assets and liabilities at the date of the acquisition subject to completion of the Purchase Price Allocation exercise ("PPA").

Taking control of the CG business unit which specialises in creating licensed peripherals and merchandise will enable the Group to further strengthen its position in the fast-growing premium console market.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

22 BUSINESS COMBINATION (CONTINUED)

Identifiable assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of CG as at the acquisition date were as follows:

	US$'000
Property, plant and equipment	64
Inventories	2,159
Prepayments	454
Trade and other receivables	2,344
Trade and other payables	(1,904)
Lease liabilities	(21)
Total net identifiable assets at fair value	3,096
Provisional goodwill arising from acquisition	5,404
Total consideration	8,500
Less: consideration payable	(850)
Cash outflow on acquisition	7,650

Fair value of the assets acquired, and liabilities assumed is measured on a provisional basis pursuant to IFRS 3, *Business Combinations*. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Impact of the acquisition on profit or loss statement

For the six months ended June 30, 2021, CG contributed revenue of US$2,382,000 and a net loss after tax of US$788,000.

If the acquisition had occurred on January 1, 2021, management estimates that the contribution to the consolidated revenue would have been US$4,765,000 and the contribution to net profit after tax would have been a net loss of US$1,576,000 for the six months ended June 30, 2021.

In determining these amounts, management had assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2021.

Transaction costs

Transaction costs of US$458,000 related to the acquisition have been recognised under “General and administration expenses” in the Group’s consolidated statement of profit or loss for the six months ended June 30, 2021.

Definitions and Glossary of Technical Terms

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

"2016 Equity Incentive Plan"	the 2016 Equity Incentive Plan approved by the Board on July 25, 2016 and the Company's shareholders on August 23, 2016 (and subsequently amended by the Board and the Company's shareholders on October 25, 2017 and further amended by the Board on March 8, 2019) for the grant of, among others, RSUs to eligible participants
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China"	the People's Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company" or "Razer"	Razer Inc., an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1337)
"Director(s)"	director(s) of the Company
"EBITDA"	Earnings before interest, tax, depreciation and amortisation
"GAAP"	Generally Accepted Accounting Principles
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	the International Financial Reporting Standard
"initial public offering" or "IPO"	The initial public offering of the shares of Company, further details of which are set out in the Prospectus
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Definitions and Glossary of Technical Terms (Continued)

“Prospectus”	the prospectus of the Company dated November 1, 2017
“RSUs”	restricted stock units, being contingent rights to receive shares of the Company which are granted pursuant to the 2016 Equity Incentive Plan
“Shares”	ordinary shares of US$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SGD”	Singapore dollars, the lawful currency of Singapore
“THX”	THX Ltd. (formerly known as Razer Tone, Inc.), a company incorporated in Delaware, the United States on August 19, 2016 and our 80%-owned subsidiary
“U.S.”	the United States of America
“US$”	United States Dollars, the lawful currency of the United States
“%”	per cent

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

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