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**RAZER INC.**

雷蛇\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1337)**

## **CONTINUING CONNECTED TRANSACTION – RENEWAL OF THE THX TECHNOLOGY LICENSE AGREEMENT AND THE THX CERTIFICATION AGREEMENT**

### **A. INTRODUCTION**

Reference is made to the announcements of the Company dated December 24, 2019, February 26, 2020 and November 4, 2020 regarding the THX Certification Agreement dated November 16, 2016 and the THX Technology License Agreement dated December 23, 2019.

As the terms of these agreements have expired on December 31, 2021, on January 1, 2022, RAP and THX have renewed the THX Technology License Agreement and the THX Certification Agreement for a new term commencing on January 1, 2022 and ending on December 31, 2024.

The Company has set annual caps on the maximum aggregate amount payable by the Group in respect of each of the THX Technology License Agreement and the THX Certification Agreement for the years ending December 31, 2022, 2023 and 2024.

As the highest of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the annual caps for the transactions contemplated under each of the THX Technology License Agreement and the THX Certification Agreement for each of the years ending December 31, 2022, 2023 and 2024 will, on an aggregated annual basis be more than 0.1% but less than 5%, the transactions contemplated under the Renewed THX Technology License Agreement and the Renewed THX Certification Agreement will constitute continuing connected transactions that are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

## **B. THE RENEWED THX TECHNOLOGY LICENSE AGREEMENT**

### **1. Background**

RAP (as the licensee) and THX (as the licensor) had, on December 23, 2019 entered into the THX Technology License Agreement, a software licensing agreement for the license of surround sound audio to RAP which would be integrated into Razer products or sold to end customers by RAP as a standalone product. The THX Technology License Agreement had a term of three (3) years from January 1, 2019 until December 31, 2021.

On January 1, 2022, RAP and THX have entered into the Renewed THX Technology License Agreement to renew the terms of the THX Technology License Agreement, the details of which are set out below. Save as described below, all other terms of the Renewed THX Technology License Agreement remain substantially the same as those in the THX Technology License Agreement.

### **2. Renewal of the THX Technology License Agreement**

RAP and THX have entered into the Renewed THX Technology License Agreement to extend the term of the Agreement.

### **3. Date and Term of the Renewed THX Technology License Agreement**

Date of the Agreement: January 1, 2022

Term of the Agreement: Effective period from January 1, 2022 to December 31, 2024.

### **4. Basis of Consideration**

The fees payable by RAP to THX under the Renewed THX Technology License Agreement are as follows:

- (a) a unit cost for each Razer audio hardware and systems product incorporating the Audio Software sold to end customers;
- (b) a percentage of the revenue for each Audio Software purchased as a standalone product by Razer's end customers; and
- (c) a unit cost for each instance of a Razer customer converting a lower-end software to the Audio Software licensed by THX.

The fees under the Renewed THX Technology License Agreement were determined after arm's length negotiations between the parties with reference to prices quoted by a third party for the licensing of similar surround sound audio software, prices previously paid by RAP for the licensing of similar software from a third party, the prices charged by THX for the licensing of such software to its other customers and the additional features offered by the Audio Software compared to similar surround sound audio software. In addition, the fees payable by RAP for the audio software purchased as a standalone product are based on share of revenue, which is a standard negotiated pricing structure for distributorship-type arrangements. THX has confirmed to RAP that the rates charged to RAP are not more than those charged by THX to other third parties.

## **5. Reasons for Renewal and Benefits of the THX Technology License Agreement**

The Audio Software licensed to RAP under the THX Technology License Agreement comes with additional features at an equivalent or lower price compared to similar surround sound audio software offered by third parties. As THX is a world renowned company and an established brand-name in the audio-visual and entertainment industry, the entry into the THX Technology License Agreement will allow the Group to leverage on THX's reputation and expertise in Razer audio and systems products. In addition, consolidating the Audio Software across product categories increases operational efficiency and a more cohesive user experience. It will also allow the Group to reduce licensing costs and royalty payments to third parties, while the sale of the Audio Software will further contribute to the Group's revenue.

## **6. Annual Caps for Transactions under the Renewed THX Technology License Agreement**

The annual caps for the transactions with THX under the THX Technology License Agreement for the years ending December 31, 2019, 2020 and 2021 previously approved by the Board were US\$2,000,000, US\$4,000,000 and US\$5,500,000 respectively.

For the years ended December 31, 2019 and 2020 and the year-to-date period ended November 30, 2021, the amounts paid by RAP to THX under the THX Technology License Agreement were approximately US\$1,437,880, US\$3,038,743 and US\$3,523,346, respectively.

In view of (i) increases in demand for Razer products sold with the licensed Audio Software, (ii) the increases in the historical sales volumes of the relevant Razer products and the Audio Software under the THX Technology License Agreement for the years ended December 31, 2019 and 2020 and the year-to-date period, and (iii) the expansion of products to be covered within the scope of the Renewed THX Technology License Agreement which are targeted for launch from 2022, the Board has approved the annual caps on the aggregate annual amounts payable by RAP to THX pursuant to the Renewed THX Technology License Agreement for the years ending December 31, 2022, 2023 and 2024 to US\$5,600,000, US\$7,850,000 and US\$11,000,000 respectively. Such aggregate annual amount has been determined by reference to the additional products and historical and projected sales volumes of the relevant Razer products and the Audio Software under the THX Technology License Agreement, taking into account the uncertainty and limitations of forecasting sales volumes based on end consumer demand.

## **C. THE RENEWED THX CERTIFICATION AGREEMENT**

### **1. Background**

The THX Certification Agreement was entered into between RAP and THX on November 16, 2016 (and amended on March 1, 2017, September 1, 2017, December 23, 2019 and November 3, 2020) for the testing, certification and provision of technical assistance by THX in relation to Razer products.

On January 1, 2022, RAP and THX have entered into the Renewed THX Certification Agreement to renew the terms of the THX Certification Agreement, the details of which are set out below. Save as described below, all other terms of the Renewed THX Certification Agreement remain substantially the same as those in the THX Certification Agreement.

### **2. Renewal of the THX Certification Agreement**

RAP and THX have entered into the Renewed THX Certification Agreement to extend the term of the agreement. The Renewed THX Certification Agreement also includes an additional new product category.

### **3. Date and Term of the Renewed THX Certification Agreement**

Date of the Agreement: January 1, 2022

Term of the Agreement: Effective period from January 1, 2022 to December 31, 2024.

### **4. Basis of Consideration**

The fees payable by RAP to THX under the Renewed THX Certification Agreement are as follows:

- (a) an initial product category designation fee, which varies based on the nature of the product, applicable to new product categories;
- (b) product testing fees, which are determined based on the amount of work required; and
- (c) royalties based on the volume of products sold.

The fees under the Renewed THX Certification Agreement were determined after arm's length negotiations between the parties with reference to market rates charged for similar certification services and the prices charged by THX for such services to its other customers. THX has confirmed to RAP that the rates charged to RAP are not more than those charged by THX to other third parties.

## **5. Reasons for Renewal and Benefits of the THX Certification Agreement**

THX certification is a globally recognized assurance of audio-visual quality, consistency and performance. The entry into the Renewed THX Certification Agreement will allow the Company to continue to obtain certification and testing services from THX, including for an additional product category, allowing it to leverage THX's reputation and expertise on Razer products and to reduce certification and testing costs and royalty payments to third parties. RAP would also benefit from the economies of scale that would arise from expanding the existing working relationship instead of entering into a new arrangement with a third-party service provider.

## **6. Annual Caps for Transactions under the Renewed THX Certification Agreement**

The annual caps for the transactions with THX under the THX Certification Agreement for the years ending December 31, 2019, 2020 and 2021 previously approved by the Board were US\$250,000, US\$360,000 and US\$1,250,000 respectively.

For the years ended December 31, 2019 and 2020 and the year-to-date period ended November 30, 2021, the amounts paid by RAP to THX under the THX Certification Agreement were approximately US\$94,072, US\$127,069 and US\$101,801, respectively.

In view of increases in demand for Razer products which have attained certification by THX, increased needs for additional testing to permit products to attain certification, as well as the broadening of product categories covered within the scope of the Renewed THX Certification Agreement which are targeted for launch from 2022, the Board has approved the annual caps on the aggregate annual amounts payable by RAP to THX pursuant to the Renewed THX Certification Agreement for the years ending December 31, 2022, 2023 and 2024 to US\$300,000, US\$400,000 and US\$500,000 respectively. Such aggregate annual amount has been determined by reference to historical and projected sales volumes of the relevant Razer products under the THX Certification Agreement and the expansion of product categories covered by the THX Certification Agreement, taking into account the uncertainty and limitations of forecasting sales volumes based on end consumer demand.

#### **D. AGGREGATE ANNUAL CAPS FOR TRANSACTIONS WITHIN THE THX GROUP**

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

	<b>Year ending December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
Annual cap for the aggregate amount payable to THX by RAP under the Renewed THX Technology License Agreement	US\$5,600,000	US\$7,850,000	US\$11,000,000
Annual cap for the aggregate amount payable to THX by RAP under the Renewed THX Certification Agreement	US\$300,000	US\$400,000	US\$500,000
Aggregated amount of the annual caps for the Renewed THX Technology License Agreement and the Renewed THX Certification Agreement	US\$5,900,000	US\$8,250,000	US\$11,500,000

#### **E. LISTING RULES IMPLICATIONS**

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

Pursuant to Rule 14A.81 of the Listing Rules, the transactions under the Renewed THX Technology License Agreement and the transactions under the Renewed THX Certification Agreement are required to be aggregated. As the highest of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the annual caps of each year for the transactions contemplated under the Renewed THX Technology License Agreement and the Renewed THX Certification Agreement will, on an aggregated annual basis, be more than 0.1% but less than 5%, the transactions contemplated under the Renewed THX Technology License Agreement and the Renewed THX Certification Agreement will constitute continuing connected transactions that are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including the independent financial advice) and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

## **F. INFORMATION ON THE GROUP AND THX**

Razer is the leading global lifestyle brand for gamers that offers an integrated portfolio of gaming hardware, software and services. The Razer ecosystem delivers gamers a competitive edge, immersive gaming experiences and access to a comprehensive catalogue of digital entertainment. The Razer ecosystem is one of the largest integrated ecosystems in the world for gamers, which consists of hardware, software and services designed and developed to integrate seamlessly and enhance personalised user experiences across different entertainment genres.

THX develops premium audio and visual set-ups relative to spatial design and operates an audiovisual certification business. THX certification is a globally recognised assurance of uncompromising audiovisual quality, consistency and performance.

## **G. DIRECTORS' CONFIRMATIONS**

The Directors (including the Independent Non-executive Directors) are of the view that each of the Renewed THX Technology License Agreement and the Renewed THX Certification Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company, and that the terms of the Renewed THX Technology License Agreement and the Renewed THX Certification Agreement are fair and reasonable and in the interests of the Company and the shareholders as a whole.

The Directors (including the Independent Non-executive Directors) are of the view that the annual caps for the years ending December 31, 2022, 2023 and 2024 in respect of the transactions with THX are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Due to Mr. Lim Kaling's interests in THX, Mr. Lim has abstained from voting on the relevant resolutions of the Board in respect of the Renewed THX Technology License Agreement and the Renewed THX Certification Agreement. Save as disclosed above, none of the Directors has a material interest in the Renewed THX Technology License Agreement and the Renewed THX Certification Agreement, the transactions contemplated thereunder or the THX Group, and therefore no other Director has abstained from voting on the relevant resolutions of the Board in respect of the Renewed THX Technology License Agreement and the Renewed THX Certification Agreement.

## H. DEFINITIONS

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

<b>“Audio Software”</b>	THX’s surround sound audio software and product components licensed to RAP under the THX Technology License Agreement
<b>“Board”</b>	the board of directors of the Company
<b>“Company” or “Razer”</b>	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)
<b>“connected person”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Directors”</b>	the directors of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“RAP”</b>	Razer (Asia-Pacific) Pte. Ltd., a wholly-owned subsidiary of the Company
<b>“Renewed THX Certification Agreement”</b>	the renewed THX Certification Agreement entered into between RAP and THX on January 1, 2022, the details of which are set out in the section headed “ <i>The Renewed THX Certification Agreement</i> ” in this announcement
<b>“Renewed THX Technology License Agreement”</b>	the renewed THX Technology License Agreement entered into between RAP and THX on January 1, 2022, the details of which are set out in the section headed “ <i>The Renewed THX Technology License Agreement</i> ” in this announcement
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited



“THX”	THX Ltd., an 80%-owned subsidiary of the Company
“THX Certification Agreement”	the certification agreement entered into between RAP and THX on November 16, 2016 (as amended on March 1, 2017, September 1, 2017, December 23, 2019, November 3, 2020 and renewed on January 1, 2022)
“THX Technology License Agreement”	the software license agreement entered into between RAP and THX on December 23, 2019 (as amended on November 3, 2020 and renewed on January 1, 2022)

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

Singapore, January 3, 2022

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