RAZER INC.

雷蛇*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1337)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2021. In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year ended December 31,		Year-on-year
	2021	2020	change
	US$'000	*US$'000*	
Revenue	**1,619,590**	1,214,570	33.3%
Gross profit	**389,180**	271,008	43.6%
Operating expenses	**337,326**	277,983	21.3%
Profit before income tax	**52,263**	4,352	1,100.9%
Profit for the year	**43,389**	805	5,289.9%
Profit attributable to equity shareholders of the Company	**46,162**	5,626	720.5%
Profit per share			
Basic	**US$0.005**	US$0.001	728.2%
Diluted	**US$0.005**	US$0.001	735.4%
Non-GAAP measures			
Adjusted profit before income tax	**68,413**	32,819	108.5%
Adjusted EBITDA	**96,115**	44,584	115.5%

KEY FINANCIAL RATIO

	Year ended December 31,		Year-on-year
	2021	2020	change
	(% of revenue)		
Gross profit	**24.0%**	22.3%	170 bps
Operating expenses	**20.8%**	22.9%	(210) bps
Profit for the year	**2.7%**	0.1%	260 bps

CHAIRMAN'S STATEMENT

For the full year of 2021, we recorded a revenue of US$1,619.6 million with 33.3% year-on-year growth, driven by demand in first half of 2021 due to the pandemic, market share increase for the Hardware business, and continued expansion of channels and content for the Services business.

Gross Profit Margin increased to 24.0% from 22.3% in the prior year, driven by ongoing expansion of Hardware margins, partially offset by the sudden spike in freight rates due to industry-wide supply chain and logistics challenges.

Adjusted EBITDA* (a non-GAAP measure) was US$96.1 million, an increase of 115.5% from US$44.6 million in the prior year.

Net Profit was US$43.4 million, compared to US$0.8 million in the prior year, driven by revenue growth, ongoing gross margin expansion and productivity improvement.

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

CORE SEGMENT

HARDWARE:
34.0% YEAR-ON-YEAR GROWTH TO US$1,452.4 MILLION

In 2021, our Hardware business achieved 34.0% year-on-year growth to US$1,452.4 million, driven by the growth of our Peripherals and Systems businesses.

Our Peripherals business maintained its market-leading position in gaming peripherals across the U.S., Europe and Asia-Pacific[1] regions, fueled by the market launch of multiple products across our flagship keyboard and mouse families. Core launches, such as the Basilisk V3 and Huntsman V2 & V2 TKL as well as the BlackWidow V3 Mini HyperSpeed and DeathAdder V2 X HyperSpeed, spearheaded this effort and provided our expanding user base with product versatility. In addition, Razer launched the latest updates to one of the most well-known PC gaming headset lines with the Kraken V3, Kraken V3 HyperSense and Kraken V3 Pro. These new headsets feature refreshed designs, such as our immersive HyperSense haptic technology, and reaffirms Razer's commitment to providing our customers with cutting-edge, immersive technology.

With Blade 14, 15 and 17 in the line-up and featuring the best-in-class graphic and processing power available, our Systems business has also maintained its market leading position in the U.S. premium gaming laptop segment while growing its market share in new markets outside of the U.S.[2] The Blade 14 marks a milestone for Razer's System business, as we expand into offering AMD processing options in a portable chassis size without sacrificing premium performance.

In 2021, we made further inroads to expand our growth categories, particularly gaming chairs, console and broadcaster products.

SOFTWARE:
44.1% YEAR-ON-YEAR GROWTH TO APPROXIMATELY 177.7 MILLION TOTAL USER ACCOUNTS WITH OVER 30.0% GROWTH IN MONTHLY ACTIVE USERS

Our Software platform saw approximately 44.1% year-on-year increase in total user accounts to approximately 177.7 million, as of December 31, 2021. Monthly active users surged by over 30.0% year-on-year, as of December 31, 2021. The increase was attributable to strong growth across our Software offerings, boosted by increases in gaming, rewarded play and livestreaming activities.

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

In 2021, Razer Cortex for PC continued to see a strong increase in user engagement, fueled by more users playing more games. Cortex ended 2021 with a 66.0% year-on-year increase in monthly active users. Focusing on engagement events like Squad Rewards hosted inside Cortex, we saw an average of 200,000 users signing up for each competition. During each two-week competition, users logged an average of 3.7 million hours of PC game time, up 74.1% year-on-year. The combined increase in active users and focus on engagement events drove year-on-year growth of 121.5% in PC game sessions using popular evergreen features like Cortex Game Booster.

SERVICES:
26.6% YEAR-ON-YEAR GROWTH IN REVENUE TO US$162.5 MILLION

Razer offers payment services for youth, millennials and Generation Z. Our Services business, comprising of Razer Gold and Razer Fintech, grew 26.6% year-on-year to US$162.5 million for the full year 2021. Gross margin was 38.5% and contributed 16.1% of the Group's gross profit.

RAZER GOLD

Razer Gold, a global gaming and digital entertainment payment service, recorded a 56.3% year-on-year increase in total payment volume ("TPV"), primarily driven by the increase in number of transactions conducted through the Razer Gold platform. In terms of geography, Southeast Asia, Europe, the Middle East, Africa and Latin America were the key TPV growth contributors for the full year of 2021.

As of December 31, 2021, Razer Gold recorded approximately 33.1 million registered users, representing 24.0% year-on-year growth.

In 2021, we further expanded our footprint and added more channel touchpoints in places such as Southeast Asia and Europe, the Middle East and Africa. Users from more than 130 countries can now purchase Razer Gold from over 5.62 million channel touchpoints.

Razer Gold has further reinforced its position as the partner of choice for content partners, supporting more than 45,000 digital entertainment titles. During the year, we added popular new games, such as Battlefield 2042, Valorant, Legends of Runeterra, Sausage Man, FIFA 22 and Perfect World Mobile, as well as games from the Epic Games Store, including Fortnite and Rocket League.

In addition, we implemented a number of longer-term initiatives designed to position Razer Gold for the next level of growth. These include:

- Further increasing Razer Gold's penetration in the rest of Southeast Asia, South Asia, Latin America and the Middle East, as mobile adoption in these regions continues to surge. We anticipate further room for Razer Gold to grow as user spending power continues to accelerate; and

- Strengthening team structure to optimize the ramp-up of content acquisition and expansion of payment channels, stemming from expected policy changes from mobile app stores. We expect an influx of content providers to integrate with Razer Gold.

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.

Razer Merchant Services, our B2B payment processing business, has made significant progress in the full year of 2021 in the following areas:

- **TPV:**

    - 63.5% year-on-year growth to US$7.0 billion in the full year of 2021, driven mainly by e-commerce marketplace purchases, food deliveries and e-wallet top-ups.

- **Merchant adoption:**

    - 5.0% year-on-year growth to 52,500 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, including:

        - Go live with Visa & Mastercard as direct acquirer in Malaysia for e-commerce and physical terminal card processing;

- In Singapore, we are among the first batch of approval from Monetary Authority of Singapore (MAS) as Major Payment Institute (MPI) license holder;

- In Taiwan, Razer Fintech started to acquire merchants as the first and only overseas payment provider for cross-border payments through a partnership with E.Sun Commercial Bank; and

- In the Philippines, Razer Fintech started to acquire merchants to operate merchant acquisition and payment facilitating services; and the domestic and cross border e-money transfer.

GROWTH INITIATIVES

MOBILE

During the year, 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 receive rave reviews from the market.

For Software, the Razer Cortex Games mobile app continued its growth surge with 154.8% year-on-year growth, as total accounts increased to 26.3 million, as of December 31, 2021. User engagement continued to trend upwards, driven by various Silver Rewards programs that encourage users to install and play games to earn Razer Silver loyalty points for prize redemption. This focus on offering additional features for rewarded game play resulted in users collecting over 600 million Razer Silver within Cortex Games, marking 372.2% year-on-year growth.

For Services, we further reinforced Razer Gold as the partner of choice for companies looking to monetize mobile games and lifestyle content. Leveraging our strong brand affinity and intensely sticky user base, we added titles such as Legends of Runeterra, Sausage Man, Ragnarok X: Next Generation and Perfect World Mobile.

ESPORTS

Razer continued its successful run of the Razer Invitational Season 2021. Following the debut of the Razer North America Invitational earlier in the year, the tournament launched with amazing fanfare in the Middle East as the second season continued in Latin America and Europe.

Razer supported many key events, including:

- BLAST Titans, the largest Apex Legends event in Europe;
- Nerd Street Gamers Summer Championships for Valorant;
- Super Girl Gamer Pro Series, supporting and empowering women to be esports players; and
- Wild Rift Conquest in Brazil.

Team Razer has done tremendously well in the competitive scene this year, coming in first place for major tournaments, such as:

- BLAST Premier: Fall Groups 2021 for CS:GO (Ninjas in Pyjamas);
- DreamLeague Season 15 DPC Western Europe Upper Division for Dota2 (Alliance);
- LPL 2021 Summer Playoffs for League of Legends (Edward Gaming);
- Wild Rift Origin Series: Championship for Wild Rift (Team Queso);
- Brawl Stars Championship 2021: March NA & LATAM-N Finals (Tribe Gaming); and
- LEC 2021 Summer Champions for League of Legends (MAD Lions).

Meanwhile, Razer continues to look beyond the hype and glamour of the esports industry in effort to raise awareness for the hard work required of professional esports players. The Company has also worked on promoting education and greater awareness on what amateur players should expect when working to get into the professional scene.

ESG

Razer is making sustainability key to gaming and reinforced this commitment in 2021 when it introduced its ten-year sustainability plan to protect and preserve the environment through #GoGreenWithRazer. Since then, the Company has seen significant progress in achieving its ESG goals, including:

- Upgraded its upcoming sustainability report to GRI Core standards, one of the world's leading sustainability reporting standards;
- Made its first disclosure under the Carbon Disclosure Project ("CDP"), ensuring transparency through disclosure of environmental data;
- Joined the Science Based Targets Initiative with a commitment to set decarbonization targets by keeping to a less than 1.5°C climate scenario and achieving net carbon neutrality by 2030; and
- Included climate-related risks in Razer's enterprise risk management process by proactively recognizing and mitigating potential impact from climate-related risks.

At RazerCon 2021 in October, the Company announced its partnership with UL, a global leader in eco product testing and certification. Under this partnership, Razer and UL kickstarted an industry-level effort to identify key indicators of environmental impact that should be measured by all manufacturers when seeking Environmental Product Declaration ("EPD") for gaming products. This will encourage more robust solutions, allowing manufacturers to integrate sustainable practices into each step of the production process. The introduction of the Type III EPD ecolabel onto Razer products will allow consumers to make more informed choices and provides an assurance that Razer gaming products are not just for winning on the gaming battlefield and in life, but also a win for the environment. This is in line with Razer's commitment to sharing and communicating the environmental impact of its new products by 2022.

Lastly, as part of our effort to galvanize the community to contribute and support our sustainability initiatives, we partnered with Conservation International in October 2020 and introduced our Sneki Snek campaign. We rallied the Razer community by releasing limited-edition Sneki Snek eco-merchandise for every 100,000 trees saved with select proceeds from the sale of each Sneki Snek product directed towards supporting Conservation International's efforts to save more trees. As of January 2022, we are proud to announce that Razer has saved more than 900,000 trees and just marked the occasion with the release of the Sneki Snek Keycap. We look forward to achieving our goal of saving one million trees very soon.

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

OUTLOOK

As we navigate the uncertainties and challenges attributable to geopolitical tensions, macro environment as well as the ongoing COVID-19 pandemic, we expect the lingering industry-wide supply chain shocks to continue to have an ongoing impact on our business, with freight and logistics to remain a challenge through the year. Meanwhile, on the demand front, we saw a deceleration in the growth momentum for our products and services since the second half of 2021 compared to exceptional growth in the prior year, and we expect this trend to continue through 2022 as a result of the high base effect seen in 2021.

In addition, we have continuously been evaluating and investing into new growth areas and to build out Razer's unique gaming ecosystem. Many of these new growth areas require significant investments and time to prove out the business case.

Recent efforts include extending our Hardware offerings to gaming chairs and lifestyle categories will require investments and time to build up logistics and distribution capabilities as these are different from the typical peripherals or systems logistics partners.

With regard to our Services business, as outlined in our interim report for the six months ended June 30, 2021, we intend to expand into regions internationally for Razer Gold. For Razer Fintech, we seek to scale TPV aggressively and expand geographically across the Southeast Asia region. These geographical expansions require investments to build up in country partners and teams to be able to drive growth.

In addition, we intend to explore areas such as decentralized finance and investments in the metaverse which require significant investments.

However, before we start to see the fruits, these growth areas will take time to fully realise, will require additional spending in our operating expenses and may affect the short- to medium-term business performance.

For Gamers. By Gamers.

Min-Liang Tan
Co-Founder, Chairman and CEO

[1,2] Internal sources and market research

MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended December 31, 2021	2020
	US$'000	*US$'000*
Revenue	**1,619,590**	1,214,570
Cost of sales	**(1,230,410)**	(943,562)
Gross profit	**389,180**	271,008
Selling and marketing expenses	**(183,218)**	(135,501)
Research and development expenses	**(61,073)**	(53,999)
General and administrative expenses	**(93,035)**	(77,653)
Impairment of goodwill and other assets	**–**	(10,830)
Profit/(loss) from operations	**51,854**	(6,975)
Other non-operating (expense)/income	**(1,753)**	3,880
Finance income	**5,013**	8,581
Finance costs	**(2,851)**	(1,134)
Profit before income tax	**52,263**	4,352
Income tax expense	**(8,874)**	(3,547)
Profit for the year	**43,389**	805
Profit attributable to:		
Equity shareholders of the Company	**46,162**	5,626
Non-controlling interests	**(2,773)**	(4,821)
Profit for the year	**43,389**	805
Unaudited non-GAAP measures		
Adjusted profit before income tax	**68,413**	32,819
Adjusted EBITDA	**96,115**	44,584

Revenue

Our revenue increased by 33.3% from US$1,214.6 million in 2020 to US$1,619.6 million in 2021, due to an increase in revenue from both our (i) Hardware and (ii) Software and Services businesses.

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

	Year ended December 31,			
	2021		2020	
	US$'000	*%*	*US$'000*	*%*
Segment Revenue				
Hardware				
Peripherals	**1,084,267**	**67.0**	773,226	63.7
Systems	**368,153**	**22.7**	310,483	25.5
Software and Services	**162,533**	**10.0**	128,388	10.6
Others	**4,637**	**0.3**	2,473	0.2
	1,619,590	**100.0**	1,214,570	100.0

Our *Hardware* business consists primarily of sales of Peripherals and Systems, which grew 34.0% from US$1,083.7 million in 2020 to US$1,452.4 million in 2021 on the back of strong consumer demand for our hardware products due to increased gaming activities and continued remote working trends. Revenue from the Peripherals segment increased by 40.2% from US$773.2 million in 2020 to US$1,084.3 million in 2021, primarily due to an overall increase in sales of our mice, keyboards and audio devices. Revenue from the Systems segment increased by 18.6% from US$310.5 million in 2020 to US$368.2 million in 2021, primarily due to sales from the new product lines.

Software and Services. Revenue from the Software and Services segment increased by 26.6% from US$128.4 million in 2020 to US$162.5 million in 2021. The increase was primarily driven by (i) stronger performance of contents and (ii) continual expansion of channels and contents.

Others. Revenue from the Others segment increased by 84.0% from US$2.5 million in 2020 to US$4.6 million in 2021 primarily due to increase in THX certification services and Respawn products.

For further discussion on revenue recognition policies, please refer to note 3 to the Financial Statements.

Cost of sales and gross profit

Cost of sales increased by 30.4% from US$943.6 million in 2020 to US$1,230.4 million in 2021. Gross profit increased by 43.6% from US$271.0 million in 2020 to US$389.2 million in 2021, and gross margin increased from 22.3% for 2020 to 24.0% for 2021.

Peripherals. Segment cost for Peripherals increased by 39.8% from US$565.1 million in 2020 to US$790.1 million in 2021, which was generally in line with the increase in our Peripherals revenue. Gross margin for our Peripherals segment increased slightly from 26.9% for 2020 to 27.1% for 2021.

Systems. Segment cost for Systems increased by 12.8% from US$300.1 million in 2020 to US$338.6 million in 2021, which was generally in line with the increase in our Systems revenue. Gross margin for our Systems segment increased from 3.3% for 2020 to 8.0% for 2021.

Software and Services. Segment cost for Software and Services increased by 38.7% from US$72.1 million in 2020 to US$100.0 million in 2021, which was in line with our increase in sales. Gross margin for our Software and Services segment decreased from 43.8% for 2020 to 38.5% for 2021, primarily due to higher service costs.

Others. Segment cost for Others decreased by 73.0% from US$6.3 million in 2020 to US$1.7 million in 2021. Gross margin for our Others segment increased from (153.7)% for 2020 to 63.0% for 2021 primarily due to higher provision recognised for slow moving stocks in 2020.

Selling and marketing expenses

Selling and marketing expenses increased by 35.2% from US$135.5 million in 2020 to US$183.2 million in 2021. The increase was primarily due to (i) an overall increase in sales and marketing spending of US$47.3 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 13.1% from US$54.0 million in 2020 to US$61.1 million in 2021. The increase was primarily due to increase in personnel costs.

General and administrative expenses

General and administrative expenses increased by 19.7% from US$77.7 million in 2020 to US$93.0 million in 2021. The increase was primarily due to an increase in storage charges as we continue to ramp up our inventories to meet the rising demands in our products.

Impairment of goodwill and other assets

There is no impairment of goodwill and other assets recognised in 2021.

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

Other non-operating (expense)/income

Other non-operating (expense)/income decreased from an income of US$3.9 million in 2020 to an expense of US$1.8 million in 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$7.4 million in 2020 to US$2.2 million in 2021, primarily due to a reduction in the interest rates on fixed deposits.

Profit before income tax

As a result of the foregoing, our profit before income tax improved from US$4.4 million in 2020 to US$52.3 million in 2021.

Income tax expense

Our income tax expense for 2021 was US$8.9 million at an effective tax rate of 17% compared to income tax expense of US$3.5 million at an effective tax rate of 82% for 2020. The reduction in effective tax rate are primarily due to (1) impairment of THX's goodwill and other assets in 2020 and (2) more earnings realised in tax jurisdictions that have lower statutory tax rates during 2021.

Profit for the year

As a result of the foregoing, our profit for the year improved from US$0.8 million in 2020 to US$43.4 million in 2021.

Non-GAAP Measures

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

Adjusted profit before income tax

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

	Year ended December 31,	
	2021	2020
	US$'000	US$'000
Profit for the year	**43,389**	805
Add: Income tax expense	**8,874**	3,547
Profit before income tax	**52,263**	4,352
Add:		
Share-based compensation expense	**12,228**	15,782
Restructuring expense	**2,900**	1,333
Impairment of goodwill and other assets	**–**	10,830
Merger and acquisition expense	**1,022**	522
Adjusted profit before income tax	**68,413**	32,819

Adjusted EBITDA

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

	Year ended December 31,	
	2021	2020
	US$'000	*US$'000*
Profit/(loss) from operations	**51,854**	(6,975)
Add:		
Depreciation and amortisation	**28,111**	23,092
Share-based compensation expense	**12,228**	15,782
Restructuring expense	**2,900**	1,333
Impairment of goodwill and other assets	**–**	10,830
Merger and acquisition expense	**1,022**	522
Adjusted EBITDA	**96,115**	44,584

LIQUIDITY AND CAPITAL RESOURCES

Our cash and bank balances (comprising of cash at bank and in hand, fixed deposits, money market funds and short-term fixed deposits) as at December 31, 2021 and 2020 were as follows:

	2021	2020
	US$'000	*US$'000*
Cash at bank and in hand	**197,132**	211,032
Fixed deposits and money market funds	**370,470**	297,618
Cash and cash equivalents in the consolidated cash flow statement	**567,602**	508,650
Short-term fixed deposits	**–**	113,161
Cash and bank balances in the consolidated statement of financial position	**567,602**	621,811

As at December 31, 2021, our cash and bank balances were US$567.6 million. The decrease was mainly due to repurchase of ordinary shares of US$57.2 million and acquisition of non-controlling interests in a subsidiary of US$53.6 million. This was partly offset by the net cash generated from operating activities of US$43.5 million.

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

OTHER FINANCIAL INFORMATION

Capital Expenditures

	Year ended December 31,	
	2021	2020
	US$'000	*US$'000*
Capital Expenditures		
Acquisition of property, plant and equipment	**22,389**	14,804
Acquisition of intangible assets	**1,920**	3,208
Total	**24,309**	18,012

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

Treasury Policy

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

Foreign Exchange Risk

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

Bank Loans and Other Borrowings

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

Contingent Liabilities

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

Dividends

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

FINANCIAL INFORMATION

Consolidated statement of profit or loss and other comprehensive income
for the year ended December 31, 2021
(Expressed in United States dollars)

	Note	**2021** *US$'000*	2020 *US$'000*
Revenue	*3*	**1,619,590**	1,214,570
Cost of sales		**(1,230,410)**	(943,562)
Gross profit		**389,180**	271,008
Selling and marketing expenses		**(183,218)**	(135,501)
Research and development expenses		**(61,073)**	(53,999)
General and administrative expenses		**(93,035)**	(77,653)
Impairment of goodwill and other assets		**–**	(10,830)
Profit/(loss) from operations		**51,854**	(6,975)
Other non-operating (expense)/income		**(1,753)**	3,880
Finance income		**5,013**	8,581
Finance costs		**(2,851)**	(1,134)
Profit before income tax	*5*	**52,263**	4,352
Income tax expense	*6(a)*	**(8,874)**	(3,547)
Profit for the year		**43,389**	805
Other comprehensive income for the year, net of nil tax unless specified			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**(5,516)**	2,342
Remeasurement of net defined benefit liability		**63**	44
		(5,453)	2,386

	Note	2021 US$'000	2020 US$'000
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**2,369**	3,764
		2,369	3,764
Other comprehensive income for the year		**(3,084)**	6,150
Total comprehensive income for the year		**40,305**	6,955
Profit attributable to:			
Equity shareholders of the Company		**46,162**	5,626
Non-controlling interests		**(2,773)**	(4,821)
Profit for the year		**43,389**	805
Total comprehensive income attributable to:			
Equity shareholders of the Company		**43,425**	11,381
Non-controlling interests		**(3,120)**	(4,426)
Total comprehensive income for the year		**40,305**	6,955
Profit per share	*7*		
Basic		**US$0.005**	US$0.001
Diluted		**US$0.005**	US$0.001

Consolidated statement of financial position
at December 31, 2021
(Expressed in United States dollars)

	Note	December 31, 2021 US$'000	December 31, 2020 US$'000
Non-current assets			
Property, plant and equipment		**58,740**	30,058
Intangible assets and goodwill		**89,627**	90,985
Other investments		**14,511**	61,305
Deferred tax assets		**12,729**	12,614
Restricted cash		**1,132**	1,396
Prepayments		**87**	223
Other receivables	8	**6,280**	3,692
		183,106	200,273
Current assets			
Inventories		**186,414**	124,858
Trade and other receivables	8	**275,164**	267,707
Prepayments		**12,637**	8,254
Current tax receivables		**2,030**	1,754
Restricted cash		**1,721**	18,234
Cash and bank balances	9	**567,602**	621,811
		1,045,568	1,042,618
Total assets		**1,228,674**	1,242,891
Current liabilities			
Trade and other payables	10	**600,470**	584,212
Contract liabilities		**4,149**	2,995
Customer funds		**24,959**	20,147
Lease liabilities		**4,898**	4,049
Current tax payables		**5,445**	5,701
Other tax liabilities		**3,342**	3,464
		643,263	620,568
Net current assets		**402,305**	422,050
Total assets less current liabilities		**585,411**	622,323

	Note	**December 31, 2021** *US$'000*	December 31, 2020 *US$'000*
Non-current liabilities			
Deferred tax liabilities		**2,337**	2,366
Contract liabilities		**1,964**	1,436
Net defined benefit retirement obligation		**539**	589
Other payables	*10*	**2,560**	1,712
Other tax liabilities		**1,809**	2,276
Lease liabilities		**26,729**	6,720
		35,938	15,099
NET ASSETS		**549,473**	607,224
Capital and reserves			
Share capital	*12*	**87,598**	88,762
Share premium		**615,825**	672,526
Reserves		**(159,489)**	(179,367)
Total equity attributable to equity shareholders of the Company		**543,934**	581,921
Non-controlling interests		**5,539**	25,303
TOTAL EQUITY		**549,473**	607,224

Consolidated statement of changes in equity

for the year ended December 31, 2021
(Expressed in United States dollars)

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

		Attributable to equity shareholders of the Company											
	Note	Share capital *US$'000*	Share premium *US$'000*	Merger reserve *US$'000*	Foreign currency translation reserve *US$'000*	Fair value reserve (non-recycling) *US$'000*	Reserve for treasury shares (Note) *US$'000*	Share-based payments reserve *US$'000*	Put option written on non-controlling interests *US$'000*	Accumulated losses *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total equity *US$'000*
Balance at January 1, 2021		88,762	672,526	(4,000)	(701)	4,201	(904)	67,096	-	(245,059)	581,921	25,303	607,224
Changes in equity for 2021:													
Profit for the year		-	-	-	-	-	-	-	-	46,162	46,162	(2,773)	43,389
Other comprehensive income		-	-	-	(5,169)	2,369	-	-	-	63	(2,737)	(347)	(3,084)
Total comprehensive income		-	-	-	(5,169)	2,369	-	-	-	46,225	43,425	(3,120)	40,305
Issuance of vested shares, net of tax	*11*	-	-	-	-	-	1,023	(19,723)	-	18,700	-	-	-
Share-based compensation expense	*11*	-	-	-	-	-	-	11,882	-	-	11,882	-	11,882
Issuance of treasury shares		665	-	-	-	-	(665)	-	-	-	-	-	-
Issuance of ordinary shares to non-controlling interests		-	-	-	-	-	-	-	-	-	-	31	31
Acquisition of non-controlling interests of a subsidiary		-	-	-	-	-	-	-	-	(36,893)	(36,893)	(16,675)	(53,568)
Repurchase of own ordinary shares		(1,829)	(56,701)	-	-	-	-	-	-	2,129	(56,401)	-	(56,401)
Balance at December 31, 2021		87,598	615,825	(4,000)	(5,870)	6,570	(546)	59,255	-	(214,898)	543,934	5,539	549,473

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

Consolidated cash flow statement
for the year ended December 31, 2021
(Expressed in United States dollars)

	Note	**2021** **US$'000**	2020 US$'000
Cash flows from operating activities			
Profit for the year		**43,389**	805
Adjustments for:			
Depreciation of property, plant and equipment		**19,034**	15,655
Amortisation of intangible assets		**9,077**	7,437
Loss on disposals of property, plant and equipment		**87**	135
Loss on sub-lease asset		**360**	–
Loss on disposals of intangible assets		**–**	65
Impairment of goodwill and other assets		**–**	10,830
(Reversal of)/impairment loss on trade receivables		**(1,968)**	3,591
Write-down of inventories		**8,212**	18,055
Finance income		**(5,013)**	(8,581)
Finance costs		**2,851**	1,134
Share-based compensation expense		**12,228**	15,782
Income tax expense	*6(a)*	**8,874**	3,547
Changes in working capital:			
Increase in inventories		**(67,786)**	(68,092)
Increase in trade and other receivables		**(3,603)**	(58,219)
Increase in prepayments		**(3,796)**	(2,026)
Decrease/(increase) in restricted cash		**16,781**	(3,187)
Increase in trade and other payables		**8,655**	219,294
Increase in contract liabilities		**1,681**	1,777
Decrease in net defined benefit retirement obligation		**(48)**	(44)
Cash generated from operations		**49,015**	157,958
Income taxes paid		**(5,506)**	(5,076)
Net cash generated from operating activities		**43,509**	152,882
Cash flows from investing activities			
Interest received		**3,178**	7,433
Acquisition of property, plant and equipment		**(22,389)**	(14,804)
Acquisition of intangible assets		**(1,920)**	(3,208)
Investment in financial assets and equity securities		**(142,102)**	(152,707)
Decrease/(increase) in short-term fixed deposits	*9*	**113,161**	(113,161)
Proceeds from disposal of financial assets and equity securities		**193,029**	105,536
Acquisition of business		**(8,541)**	–
Net cash generated from/(used in) investing activities		**134,416**	(170,911)

	Note	**2021**	2020
		US$'000	*US$'000*
Cash flows from financing activities			
Interest paid		**(133)**	(207)
Proceeds from issuance of ordinary shares of a subsidiary to non-controlling interests		**31**	24,700
Repurchase of own ordinary shares		**(57,202)**	(13,410)
Repayment of principal of lease liabilities		**(5,278)**	(5,206)
Repayment of interest of lease liabilities		**(1,121)**	–
Acquisition of non-controlling interests of a subsidiary		**(53,568)**	(8,436)
Dividends paid to non-controlling interests		**–**	(349)
Net cash used in financing activities		**(117,271)**	(2,908)
Net increase/(decrease) in cash and cash equivalents		**60,654**	(20,937)
Cash and cash equivalents at January 1	*9*	**508,650**	528,330
Effect of exchange rate fluctuations on cash and cash equivalents		**(1,702)**	1,257
Cash and cash equivalents at December 31	*9*	**567,602**	508,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The consolidated results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended December 31, 2021, but are extracted from these consolidated financial statements.

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

(a) Changes in accounting policies

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

- Amendments to IFRS 16, *Covid-19-related rent concessions beyond June 30, 2021*

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform"). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to IFRS 16, *COVID-19-related rent concessions beyond June 30, 2021*

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from June 30, 2021 to June 30, 2022. The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at January 1, 2021.

(b) New accounting standards and interpretations not yet adopted

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended December 31, 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	January 1, 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	January 1, 2022
Annual Improvements to IFRSs Standards 2018-2020	January 1, 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	January 1, 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	January 1, 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	January 1, 2023

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

3 REVENUE

(a) Disaggregation of revenue from contracts with customers

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

	2021	2020
	US$'000	*US$'000*
Sales of goods	**1,434,660**	1,082,287
Services income	**180,789**	129,716
Royalty income	**4,141**	2,567
Total	**1,619,590**	1,214,570

(b) Performance obligations and revenue recognition policies

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

(i) Sales of goods

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

(ii) Services income

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

(iii) Royalty income

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

4 SEGMENT INFORMATION

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

The Chief Operating Decision Maker ("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 products.

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

	Peripherals *US$'000*	**Systems** *US$'000*	**Software and Services** *US$'000*	**Others** *US$'000*	**Total** *US$'000*
2021					
Revenue	**1,084,267**	**368,153**	**162,533**	**4,637**	**1,619,590**
Depreciation and amortisation	**(11,550)**	**(7,046)**	**(8,885)**	**(630)**	**(28,111)**
Gross profit	**294,199**	**29,537**	**62,495**	**2,949**	**389,180**
2020					
Revenue	773,226	310,483	128,388	2,473	1,214,570
Depreciation and amortisation	(8,112)	(4,611)	(9,109)	(1,260)	(23,092)
Impairment of goodwill and other assets	–	–	–	(10,830)	(10,830)
Gross profit/(loss)	208,170	10,362	56,278	(3,802)	271,008

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

	2021	2020
	US$'000	*US$'000*
Customer A	**230,936**	191,613

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

Revenue by regions were as follows:

	2021	2020
	US$'000	*US$'000*
Americas[1]	**721,854**	556,237
Europe, the Middle East and Africa ("EMEA")	**413,298**	287,254
Asia Pacific excluding China[2]	**299,962**	230,837
China	**184,476**	140,242
Total revenue	**1,619,590**	1,214,570

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

	2021	2020
	US$'000	*US$'000*
Americas[1]	**11,342**	12,154
EMEA	**3,187**	3,798
Asia Pacific excluding China[2]	**119,444**	89,480
China	**14,394**	15,611
Total non-current assets[3]	**148,367**	121,043

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

1 Revenue from Americas region includes revenue from the United States of America ("U.S.") of US$673,241,000 for the year ended December 31, 2021 (2020: US$515,203,000). Non-current assets at Americas region in 2021 and 2020 represent non-current assets in the U.S.

2 Revenue from Asia Pacific region includes revenue from Singapore of US$68,784,000 for the year ended December 31, 2021 (2020: US$64,392,000). Non-current assets at Asia Pacific region include non-current assets at Singapore and Malaysia of US$43,872,000 (2020: US$7,527,000) and US$72,694,000 (2020: US$80,871,000) as at December 31, 2021, respectively.

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

5 PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

	2021	2020
	US$'000	*US$'000*
Auditors' remuneration		
– Audit services	**1,481**	1,264
– Other services	**235**	165
Net exchange losses/(gains)	**3,171**	(4,063)
Staff costs		
– Salaries and other benefits[1]	**93,145**	78,582
– Contributions to defined contribution plans[2]	**8,022**	5,812
– Share-based compensation expense	**11,727**	15,285

1 In 2021, the Group recognised US$510,087 (2020:US$3,035,000) of funding support from the Jobs Support Scheme ("JSS"), set up by the Singapore Government. The JSS provides wage support to employers to help them retain their local employees during the period of economic uncertainty. The JSS payouts are intended to offset local employees' wages and help protect their jobs.

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

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

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

6 INCOME TAX EXPENSE

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

	2021	2020
	US$'000	*US$'000*
Current tax expense		
Current year	**10,173**	11,228
Deferred tax expense		
Origination and reversal of temporary differences	**(1,299)**	(7,681)
Total income tax expense	**8,874**	3,547

During the year ended December 31, 2021, a tax benefit of US$4,000 (2020: US$185,000) related to share-based compensation was recognised in equity.

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

	2021	2020
	US$'000	*US$'000*
Profit before income tax	**52,263**	4,352
Tax at the domestic rates applicable to profits in the country concerned	**11,221**	1,127
Non-taxable income	**(795)**	(2,221)
Non-deductible expenses	**1,728**	4,010
Current year losses for which no deferred tax asset was recognised	**(2,825)**	401
Tax incentives	**(2,860)**	(741)
Others	**2,405**	971
Total income tax expense	**8,874**	3,547

(c) Tax incentives

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

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

7 PROFIT PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share was based on the profit attributable to equity shareholders of the Company of US$46,162,000 (2020: US$5,626,000) divided by the weighted average of ordinary shares of 8,719,438,629 shares (2020: 8,801,217,110 shares) in issue during the year.

Weighted average number of ordinary shares:

	2021	2020
Issued ordinary shares at January 1	**8,876,211,033**	8,930,703,033
Effect of treasury shares	**(90,379,384)**	(303,605,576)
Effect of shares repurchased and cancelled	**(85,427,342)**	(11,040,389)
Effect of shares issued related to RSUs, net of shares withheld for withholding tax payment purpose	**19,034,322**	185,160,042
Weighted average number of ordinary shares at December 31	**8,719,438,629**	8,801,217,110

(b) Diluted earnings per share

The calculation of diluted earnings per share was based on the profit attributable to equity shareholders of the Company of US$46,162,000 (2020: US$5,626,000) divided by the diluted weighted average number of ordinary shares of 8,898,820,492 shares (2020: 9,060,442,081 shares) in issue during the year.

Weighted average number of ordinary shares (diluted):

	2021	2020
Weighted average number of ordinary shares at December 31	**8,719,438,629**	8,801,217,110
Effect of conversion of unvested RSUs	**179,381,863**	259,224,971
Weighted average number of ordinary shares at December 31 (diluted)	**8,898,820,492**	9,060,442,081

8 TRADE AND OTHER RECEIVABLES

The Group usually grants credit terms ranging from 2 days to 60 days (2020: 2 days to 60 days) from the date of billing.

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

	2021	2020
	US$'000	*US$'000*
Current (not past due)	**212,864**	194,182
Past due 1 – 30 days	**15,586**	26,725
Past due 31 – 60 days	**1,017**	1,283
Past due 61 – 90 days	**1,085**	698
More than 90 days	**2,717**	505
	233,269	223,393

9 CASH AND BANK BALANCES

	2021	2020
	US$'000	*US$'000*
Cash at bank and in hand	**197,132**	211,032
Fixed deposits and money market funds	**370,470**	297,618
Cash and cash equivalent in the consolidated cash flow statement	**567,602**	508,650
Short-term fixed deposits	**–**	113,161
Cash and bank balances in the consolidated statement of financial position	**567,602**	621,811

The weighted average effective interest rate of fixed deposits at the reporting date was 0.3% per annum (2020: 0.7%). Interest rates are repriced at monthly intervals.

10 TRADE AND OTHER PAYABLES

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

	2021	2020
	US$'000	*US$'000*
Up to 3 months	**447,356**	466,376
Over 3 months but within 6 months	**2,853**	1,253
Over 6 months but within 12 months	**1,434**	59
Over 12 months	**2,759**	2,138
	454,402	469,826

11 SHARE-BASED COMPENSATION EXPENSE

The Group has the following share-based payment arrangements:

Restricted Stock Units

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

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

Share-based compensation expense relating to awards granted to employees is recognised on a graded acceleration vesting amortisation method over 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 2021 was 34,165,284 (2020: 161,916,949). The weighted average grant date fair value of RSUs granted during 2021 was US$0.25 per share (2020: US$0.16 per share).

In October 2017, the board of directors and the shareholders of the Company approved the grant to a director of (a) 105,104,724 RSUs (the "Initial Grant") and (b) an aggregate of 265,890,627 RSUs in three tranches over the financial years of 2017 to 2019 (the "Subsequent Grant"). While the Initial Grant vested immediately following the execution of a definitive RSU agreement, the Subsequent Grant was subject to further consideration, review and approval by the Company's Remuneration Committee, compliance with applicable laws and regulations and the entering into of a definitive RSU agreement between the Company and that director.

The board of directors considered that the Remuneration Committee's discretion on the Subsequent Grant was 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.

Accordingly, the accounting treatment of these tranches of RSUs granted follows the Company's accounting policy on equity-settled shared-based compensation expense as set out in the consolidated financial statements. For the year ended 31 December, 2021 and 2020, US$4,953,000 and US$8,107,000 of share-based compensation expense respectively were recognised in the statements of profit or loss and other comprehensive income in respect of these RSUs respectively.

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

12 CAPITAL AND RESERVES

Share capital

	2021		2020	
	No. of shares	**Amount** *US$'000*	No. of shares	Amount *US$'000*
Ordinary shares, authorised:				
At January 1 and December 31	**15,000,000,000**	**150,000**	15,000,000,000	150,000
Ordinary shares, issued and fully paid				
At January 1	**8,876,211,033**	**88,762**	8,930,703,033	89,482
Shares repurchased and cancelled	**(182,928,000)**	**(1,829)**	(54,492,000)	(720)
Issuance of ordinary shares to RSU Trustee after IPO	**66,472,658**	**665**	–	–
At December 31	**8,759,755,691**	**87,598**	8,876,211,033	88,762

OTHER INFORMATION

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

During the year ended December 31, 2021, the Company repurchased 175,689,000 Shares on the Stock Exchange at an aggregate consideration of HK$435,983,127.63 excluding brokerage fee and other expenses. The repurchase was approved by the Board for the enhancement of shareholders' value for the long term. Details of the shares repurchased are as follows:

Month	Number of shares purchased	Purchase price per share Highest	Lowest	Aggregate consideration
		HK$	*HK$*	*HK$*
March	25,437,000	2.52	2.26	61,517,718.01
April	45,594,000	2.84	2.64	126,113,211.15
May	44,307,000	2.80	2.55	120,104,718.84
June	53,451,000	2.19	2.09	113,823,857.63
July	6,900,000	2.12	2.07	14,423,622.00

All 175,689,000 Shares repurchased were subsequently cancelled. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2021.

Compliance With the Corporate Governance Code

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

During the year ended December 31, 2021, the Company has complied with the applicable code provisions as set out in the CG Code, except for code provisions A.2.1 (which has been re-numbered as code provision C.2.1 since 1 January 2022) and E.1.5 (which has been re-numbered as code provision F.1.1 since 1 January 2022).

Mr. Min-Liang Tan is both the Chairman and the Chief Executive Officer of the Company. Mr. Min-Liang Tan, a co-founder and an executive Director of the Company, has served as the Chief Executive Officer since September 2006 and was appointed the Chairman of the Board in June 2017. This is a deviation from code provision A.2.1 (which has been re-numbered as code provision C.2.1 since 1 January 2022) which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board believes that Mr. Tan should continue to assume the responsibilities of the Chief Executive Officer of the Company and Chairman of the Board as this arrangement will enhance most effectively, the decision-making and execution processes of the Company. The Company has put in place a sound check-and-balance mechanism through the Board and the independent non-executive Directors. In light of the above, the Board considers that the deviation from code provision A.2.1 (which has been re-numbered as code provision C.2.1 since 1 January 2022) of the CG Code is appropriate in the circumstances of the Company.

Code provision E.1.5 (which has been re-numbered as code provision F.1.1 since 1 January 2022) provides that the Company should have a policy on the payment of dividends 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.

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

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

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

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

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

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

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

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

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

Audit and Risk Management Committee

The Audit and Risk Management Committee of the Company has met and reviewed the results and the consolidated financial statements of the Group for the year ended December 31, 2021 prior to recommending them to the Board for approval.

Auditor's Procedures Performed on this Results Announcement

The financial figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated cash flow statement and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

Dividends

The Board does not recommend the payment of any dividend for the year ended December 31, 2021.

Publication of Annual Results and Annual Report

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.razer.com. The annual report of the Group for the year ended December 31, 2021 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

"2016 Equity Incentive Plan"	the 2016 Equity Incentive Plan approved by the Board on July 25, 2016 and the Company's shareholders on August 23, 2016 (and subsequently amended on October 25, 2017 and March 8, 2019) for the grant of, among others, RSUs to eligible participants
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"China"	the People's Republic of China, which for the purpose of this announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company" or "Razer"	Razer Inc., an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1337)
"Director(s)"	director(s) of the Company
"EBITDA"	Earnings before interest, taxes, depreciation and amortisation
"EUR"	Euro, the lawful currency of the member states of the European Union.
"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 Standards
"initial public offering" or "IPO"	the initial public offering of the shares of the Company, further details of which are set out in the prospectus of the Company dated November 1, 2017

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MYR"	Malaysian Ringgit, the lawful currency of Malaysia
"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$0.01 each in the issued share capital of the Company
"SGD"	Singapore dollars, the lawful currency of Singapore
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"THX"	THX Ltd. (formerly known as Razer Tone, Inc.), a company incorporated in Delaware, the United States on August 19, 2016 and our 80%-owned subsidiary
"U.S."	the United States of America
"US$" or "U.S. Dollar"	United States dollars, the lawful currency of the United States
"%"	per cent

This glossary contains definitions of certain terms used in this 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

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

Hong Kong, March 17, 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.

* *For identification purposes only*