STOCK CODE: 1337

ANNUAL REPORT 2021

RAZER INC.

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Mr. TAN Chong Neng

Non-executive Director

Mr. LIM Kaling

Independent Non-executive Directors

Mr. CHAU Kwok Fun Kevin
Mr. LEE Yong Sun
Mr. Gideon YU

Audit and Risk Management Committee
Mr. CHAU Kwok Fun Kevin (Chairman)
Mr. LEE Yong Sun
Mr. Gideon YU

Remuneration Committee
Mr. Gideon YU (Chairman)
Mr. CHAU Kwok Fun Kevin
Mr. Min-Liang TAN

Nomination Committee
Mr. LEE Yong Sun (Chairman)
Mr. CHAU Kwok Fun Kevin
Mr. LIM Kaling

Joint Company Secretaries
Mr. CHOO Wei Pin
Ms. CHAN Wai Ling

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

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

Corporate Headquarters
9 Pasteur, Suite 100, Irvine, CA 92618,
United States

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

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

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

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

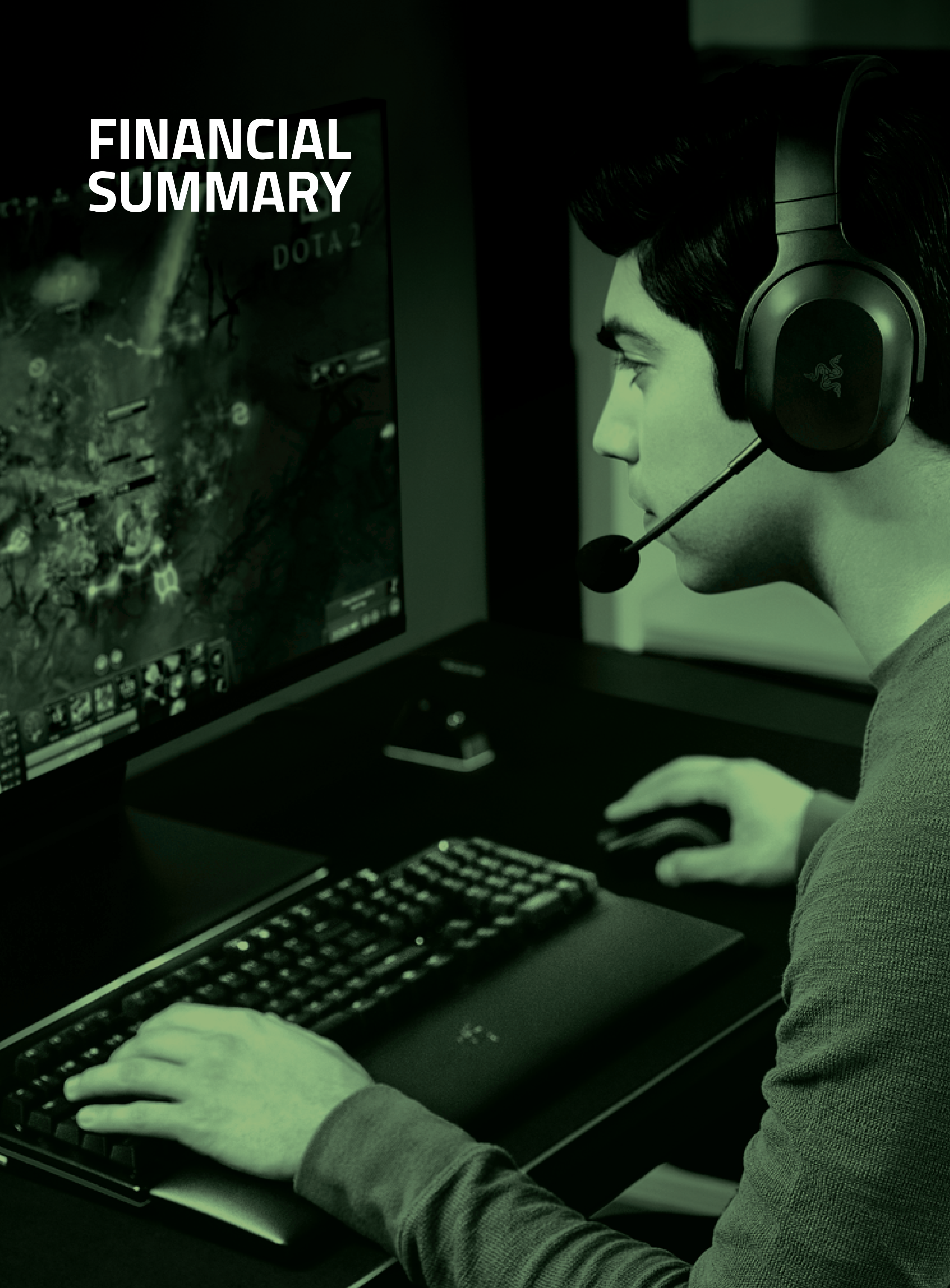
Investor Relations Contact
Email: ir@razer.com

Corporate Website
www.razer.com

STOCK CODE: 1337


THIS IS ESPORTS
MIAMI SUNSET
MIAMI

FINANCIAL SUMMARY



Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,				
	2017 US$'000	2018 US$'000	2019 US$'000	2020 US$'000	**2021** **US$'000**
Revenue	517,937	712,439	820,795	1,214,570	**1,619,590**
Gross profit	151,025	170,078	168,063	271,008	**389,180**
Profit/(loss) before income tax	(164,585)	(89,547)	(77,816)	4,352	**52,263**
Profit/(loss) for the year	(165,839)	(97,908)	(83,470)	805	**43,389**
Total comprehensive income for the year	(164,877)	(103,308)	(83,252)	6,955	**40,305**
Profit/(loss) attributable to equity shareholders of the Company	(164,020)	(96,966)	(84,179)	5,626	**46,162**
Total comprehensive income attributable to equity shareholders of the Company	(163,058)	(102,453)	(81,755)	11,381	**43,425**

Condensed Consolidated Statements of Financial Position

	As at December 31,				
	2017 US$'000	2018 US$'000 (Restated)	2019 US$'000	2020 US$'000	**2021** **US$'000**
Non-current assets	93,429	144,576	146,879	200,273	**183,106**
Current assets	911,834	885,156	847,928	1,042,618	**1,045,568**
Total assets	1,005,263	1,029,732	994,807	1,242,891	**1,228,674**
Current liabilities	217,966	353,879	401,920	620,568	**643,263**
Net current assets	693,868	531,277	446,008	422,050	**402,305**
Non-current liabilities	3,921	13,911	18,099	15,099	**35,938**
Net assets	783,376	661,942	574,788	607,224	**549,473**
Total equity attributable to equity shareholders of the Company	781,608	659,810	568,275	581,921	**543,934**
Non-controlling interests	1,768	2,132	6,513	25,303	**5,539**
Total equity	783,376	661,942	574,788	607,224	**549,473**

CHAIRMAN'S STATEMENT

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.

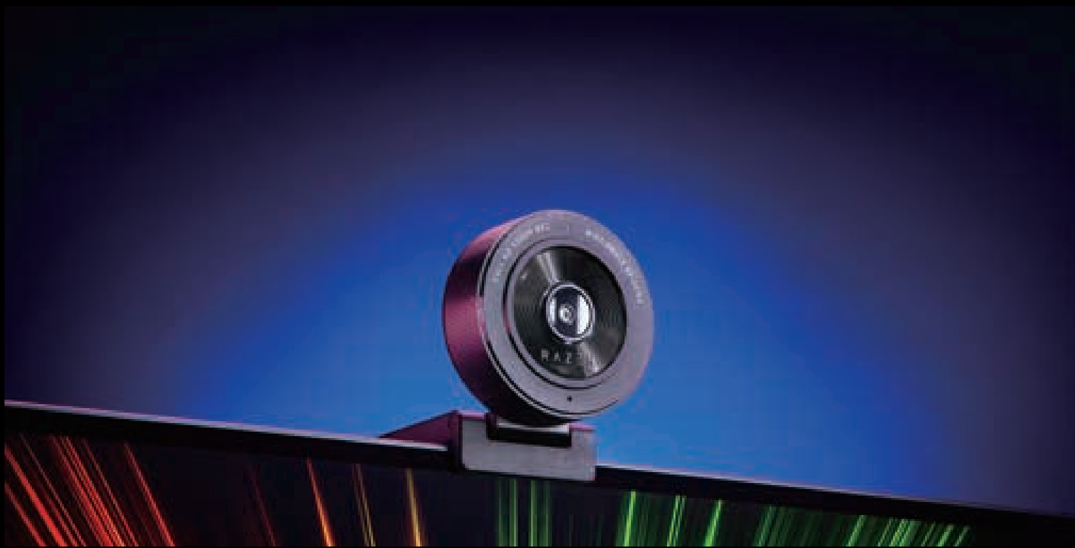
For Services, we further reinforced Razer Gold as the partner of choice for companies looking to monetize mobile games and lifestyle content. Leveraging our strong brand affinity and intensely sticky user base, we added titles such as Legends of Runeterra, Sausage Man, Ragnarok X: Next Generation and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

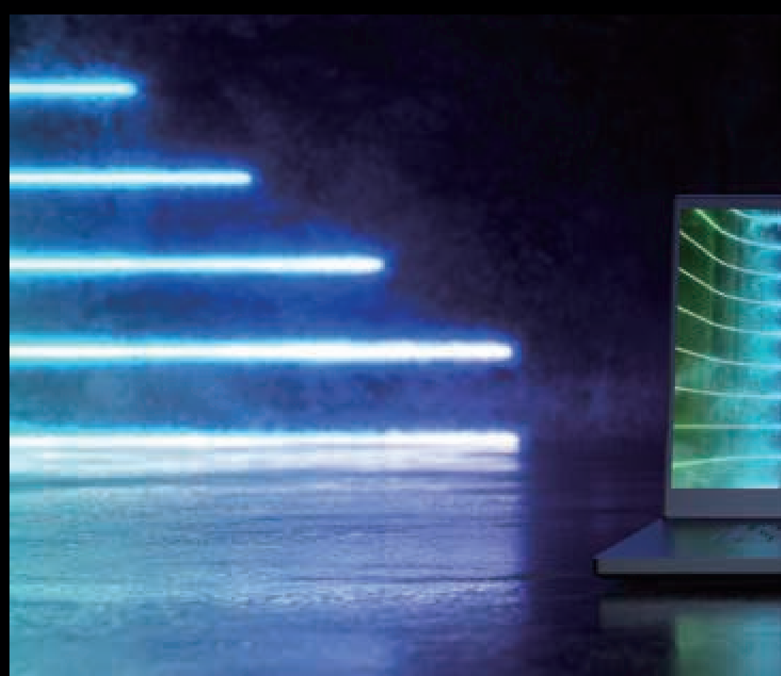
- BLAST Premier: Fall Groups 2021 for CS:GO (Ninjas in Pyjamas);
- DreamLeague Season 15 DPC Western Europe Upper Division for Dota2 (Alliance);
- LPL 2021 Summer Playoffs for League of Legends (Edward Gaming);
- Wild Rift Origin Series: Championship for Wild Rift (Team Queso);
- Brawl Stars Championship 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

MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended December 31,	
	2021 **US$'000**	2020 US$'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 US$'000	2020 US$'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 US$'000	2020 US$'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 US$'000	2020 US$'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 US$'000	2020 US$'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.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Min-Liang Tan

Aged 44, was designated as an executive Director and was appointed as the Chairman of the Board in June 2017. He is also a member of the Remuneration Committee of the Company. Mr. Tan is a co-founder of the Company and has served as the Chief Executive Officer since September 2006. He also served as the Creative Director since September 2006 and is responsible for directing and overseeing the design and development of all products of the Company.

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

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

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

Mr. Tan Chong Neng

Aged 48, was appointed as an executive Director in March 2020. Mr. Tan has served as the Chief Financial Officer since January 2020. Mr. Tan previously served as Senior Vice President, Corporate Controller from November 2017 to December 2019.

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

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

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

Non-executive Director

Mr. Lim Kaling

Aged 58, was designated as a non-executive Director in June 2017. He is also a member of the Nomination Committee of the Company. Mr. Lim has been the founding investor since May 2005 and has served as a member of the Board since November 2012.

Mr. Lim has over 33 years of experience in private equity and as a seed investor. Mr. Lim was a founding investor of Premisys Communications Inc., a company listed on NASDAQ and was subsequently acquired by Zhone Technologies Pte Ltd. Mr. Lim served as a director of Premisys Communications Inc. from 1990 to 1996. Mr. Lim was also the founding investor of Lucasfilm Animation Singapore Pte Ltd. and has served as a director since 2004. Mr. Lim was the chief executive officer and chairman of Slot Speaker Technologies, Inc. from June 2012, as a director from November 2002 and as an executive officer from November 2005, until December 2020. Currently, Mr. Lim is the chairman of his 100-year old family business, Lim Teck Lee Pte Ltd. Mr. Lim also sat on the board of directors of a joint venture company with Volvo and Singapore Electrical Steel Services Pte Ltd.

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

Independent Non-executive Directors

Mr. Chau Kwok Fun Kevin

Aged 61, was appointed as an independent non-executive Director with effect from October 2017. Mr. Chau is also the chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee and the Nomination Committee of the Company.

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

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

Mr. Lee Yong Sun

Aged 77, was appointed as an independent non-executive Director with effect from October 2017. Mr. Lee is also the chairman of the Nomination Committee and a member of the Audit and Risk Management Committee of the Company.

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

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

Mr. Gideon Yu

Aged 50, has served as an independent Director of the Company since September 2014 and designated as an independent non-executive Director in October 2017. Mr. Yu is also the chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee of the Company.

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

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

Currently, Mr. Yu is the co-owner of the San Francisco 49ers football team, a professional football team in the National Football League, where he previously served as its president from 2012 to 2014 and as chief strategy officer from 2011 to 2012.

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

Senior Management

Mr. Min-Liang Tan

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

Mr. Tan Chong Neng

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

Ms. Liu Siew Lan Patricia

Aged 57, is the Chief of Staff of Razer since February 2018, and is responsible for the Company's strategic plans, has helmed the eCommerce, HR, and IT functions, and currently oversees global customer operations, corporate management, general management of 18 international offices, and the Company's sustainability office.

Ms. Liu was the Chief Customer Officer of Razer from August 2016 to January 2018 and a consultant in Razer (Asia-Pacific) Pte. Ltd., a wholly-owned subsidiary of the Company, from 2012 to 2013. Ms. Liu was an executive Director from March 2019 to March 2021.

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

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

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

Mr. Khaw Kheng Joo

Aged 73, is the Chief Operating Officer of the Company since June 2012. From October 2009 to November 2009, Mr. Khaw served as the interim Chief Executive Officer, from February 2011 to May 2012, Mr. Khaw served as the consultant and interim Chief Operating Officer and from June 2017 to March 2019, Mr. Khaw was an executive Director.

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

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

Mr. Choo Wei Pin

Aged 50, is the Chief Legal and Compliance Officer of Razer and is responsible for Razer's global legal and regulatory compliance activities including intellectual property, corporate secretarial matters and regulatory compliance. He has been Company Secretary of the Company since July 2015.

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

A corporate lawyer by training, Mr. Choo has been named as a leading legal professional by various bodies. He was admitted as an advocate and solicitor of the Supreme Court of the Republic of Singapore in May 1998 and has more than 20 years of experience as a lawyer. Prior to joining Razer, from 2012 to 2013, he was Senior Vice President, Company Secretary and Head of Legal and Secretariat of CapitaMalls Asia Limited (a company previously listed on both Singapore Exchange Limited (Stock Code: JS8) and the Stock Exchange (Stock Code: 6813)), following which Mr. Choo served as Senior Vice President, Legal of CapitaLand Limited until 2014. He was previously a Partner at a leading law firm in Singapore.

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

Mr. Lee Li Meng

Aged 44, is the Chief Strategy Officer since March 2018, and is responsible for the development and execution of Razer's ongoing corporate strategy, driving Razer's strategic initiatives, including partnerships and further penetration into broader entertainment segments, to advance buildout of Razer's ecosystem of hardware, software and services. He is also the CEO of Razer Fintech since January 2020 and is responsible for driving our Razer Fintech business and expanding the Razer brand in the greater sphere of the youth and millennials.

Mr. Lee serves as a director in certain subsidiaries of the Company, namely Razer Fintech Holdings Pte. Ltd., Razer Fintech (SG) Pte. Ltd., Razer Fintech (M) Sdn. Bhd., RMS Reloads Sdn. Bhd., Razer Merchant Services (SG) Pte. Ltd., Razer Merchant Services Sdn. Bhd., Razer Merchant Services (Taiwan) Corp (台灣雷蛇商家服務股份有限公司), Razer Wallet Services Sdn. Bhd., Razer Pay Wallet (M) Sdn. Bhd., Crystal Shine Holding Ltd, Razer Shohoj Digital Ltd., Razer Merchant Services (Myanmar) Ltd[1], Razer Merchant Services Co., Ltd. and RMS Reloads (Philippines) Inc. Mr. Lee is currently serving on the Board of Advisors for the Merchant Risk Council, Asia Pacific, which is a global membership organisation that encompasses of over 500 companies including 350+ merchants all focused on fraud prevention, payments optimization, and risk management.

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

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

Changes in Information of Directors: There have been changes in the information of some of the Directors since the date of the Company's last interim report. Details of the changes as reported to the Company and as required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out below:
Mr. Min-Liang Tan: Ceased as a director of OUYA Global Pte. Ltd. as OUYA Global Pte. Ltd. has been struck off from the Register of Companies, Singapore on October 4, 2021
Relationships between Directors and Senior Management: None of the Directors or members of senior management is related to any other Director or member of senior management.

1 With reference to the annual report of the Company dated April 16, 2021 (the "Report"), the Company would like to clarify that there was an inadvertent error in relation to the appointment of Mr. Min-Liang Tan as director of Razer Merchant Services (Myanmar) Ltd on November 26, 2020. The appointment was incorrectly stated to be of Mr. Min-Liang Tan, instead of Mr. Lee Li Meng as disclosed above. For avoidance of doubt, Mr. Lee Li Meng was appointed as director of Razer Merchant Services (Myanmar) Ltd on November 26, 2020. This clarification does not affect the other information in the Report.


RAZER

REPORT OF THE DIRECTORS

REPORT OF THE DIRECTORS

The Board is pleased to present its 2021 annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2021 (the "Financial Statements").

Principal Activities

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

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

Business Review

A fair review of the business of the Group for the year ended December 31, 2021, including analysis of the Group's performance during the year and indication of likely future development in the business of the Group, is set out in the sections headed "Chairman's Statement" on pages 8 to 13 and "Management Discussion and Analysis" on pages 16 to 21 of this annual report.

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

Principal Risks and Uncertainties

Details of the Group's principal risks and uncertainties that may adversely impact the Company's performance and the execution of its strategies are disclosed within the "Risk Management and Internal Controls" section of the Corporate Governance Report on pages 54 to 58 of this annual report.

Summary Financial Information

A summary of the financial information for the last five financial years, as extracted from the audited financial statements, is set out in the section headed "Financial Summary" on page 5 in this annual report.

Bank Borrowings and Other Borrowings

The Group had no bank borrowings and other borrowings as at December 31, 2021.

Donations

The Group made charitable and other donations of US$144,605 during the year ended December 31, 2021.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the year ended December 31, 2021 are set out in note 13 to the Financial Statements.

Charge on Assets

As at December 31, 2021, no property, plant and equipment was pledged to banks as loan security.

Share Capital

As of December 31, 2021, the authorised share capital of the Company was US$150,000,000 divided into 15,000,000,000 Shares, among which 8,759,755,691 Shares were issued and fully paid.

Details of movements in the Company's share capital during the year ended December 31, 2021 are set out in note 27 to the Financial Statements.

Subsidiaries

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

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

During the year ended December 31, 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 HK$	Purchase price per share Lowest HK$	Aggregate consideration 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.

Results and Dividends

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 67 to 68 of this annual report.

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

Reserves

As at December 31, 2021, the reserves of the Company available for distribution amounted to US$226,453,000.

Details of the movements in the respective reserves of the Group and the Company during the year ended December 31, 2021 are set out in the consolidated statement of changes in equity and note 27 to the Financial Statements.

Annual General Meeting and Closure of Register of Members of Shares

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

Major Customers and Suppliers

During the year ended December 31, 2021, approximately 63.1% of the Group's total purchases were attributable to the Group's five largest suppliers and approximately 22.9% of the Group's total purchases were attributable to the largest supplier. During the year ended December 31, 2021, approximately 36.3% of the Group's total revenues were attributable to the Group's five largest customers and approximately 14.3% of the Group's total revenues were attributable to the largest customer.

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

Directors

The Directors during the year ended December 31, 2021 and up to the date of this annual report were as follows:–

Executive Directors

Mr. Min-Liang Tan (Chairman)
Mr. Tan Chong Neng

Non-executive Director

Mr. Lim Kaling

Independent Non-executive Directors

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

In accordance with article 16.18 of the Articles of Association, Mr. Tan Chong Neng and Mr. Gideon Yu will retire at the forthcoming AGM and being eligible, offer themselves for re-election thereat.

Directors and Senior Management

Biographical details of the Directors and the senior management of the Company and the changes in Board composition during the year ended December 31, 2021 are set out on pages 24 to 30 of this annual report.

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

Directors' Service Contracts

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

Directors' Interests in Transactions, Arrangements and Contracts of Significance

Save as disclosed in the "Continuing Connected Transaction(s)" and "Related Party Transaction(s)" sections in this report, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in the year was a Director or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year ended December 31, 2021 or as at December 31, 2021.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2021.

Directors' Interest in Competing Business

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

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

As at December 31, 2021, the interest and/or short positions of Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

(a) Long positions in the Shares of the Company

Name of Director	Capacity	Nature of interests	Number of Shares held	Approximate percentage of shareholding(1)
Min-Liang Tan ("Mr. Tan")	Beneficial owner	Personal interest	171,352,557(2)	1.96%
	Founder of a discretionary trust	Other interest	2,837,935,801(3)	32.40%
Tan Chong Neng	Beneficial owner	Personal interest	4,311,470(4)	0.05%
Lim Kaling ("Mr. Lim")	Beneficial owner	Personal interest	1,654,444(5)	0.02%
	Interest of controlled corporations	Corporate interest	2,053,174,085(6)	23.44%
Chau Kwok Fun Kevin	Beneficial owner	Personal interest	1,883,352(7)	0.02%
	Founder of a discretionary trust	Other interest	600,000(8)	0.01%
Lee Yong Sun	Beneficial owner	Personal interest	1,369,710(9)	0.02%
Gideon Yu	Beneficial owner	Personal interest	5,418,672(10)	0.06%

Notes:

(1) The percentage has been computed based on the total number of Shares of the Company in issue as at December 31, 2021 (i.e. 8,759,755,691 Shares).

(2) Mr. Tan had a beneficial interest in a total of 171,352,557 Shares which included beneficial interest in 90,514,708 Shares underlying 90,514,708 restricted share units ("RSUs") which have been granted and have not yet vested as at December 31, 2021.

(3) 2,837,935,801 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of Chen Family Trust, which beneficially owns Chen Family (Global) Holdings Limited which in turn wholly owns Chen Family (Hivemind) Holdings Limited. Chen Family Trust was established by Mr. Tan as the settlor and the investment advisor. Mr. Tan and his family members are the beneficiaries of Chen Family Trust. Mr. Tan is also a director of Chen Family (Hivemind) Holdings Limited.

(4) Tan Chong Neng had a beneficial interest in a total of 4,311,470 Shares which included beneficial interest in 2,109,887 Shares underlying 2,109,887 RSUs which have been granted and have not yet vested as at December 31, 2021.

(5) Mr. Lim had a beneficial interest in a total of 1,654,444 Shares which included beneficial interest in 443,171 Shares underlying 443,171 RSUs which have been granted and have not yet vested as at December 31, 2021.

(6) 2,053,174,085 Shares were held through Mr. Lim's controlled corporations which consist of: (i) 1,342,446,474 Shares held by Voyager Equity Limited, which is directly wholly owned by Mr. Lim; (ii) 330,643,967 Shares held by Primerose Ventures Inc., which is directly wholly owned by Mr. Lim; (iii) 307,424,615 Shares held by Lim Teck Lee Land Pte Ltd, which is wholly owned by Lim Teck Lee (Pte) Ltd which is in turn 93.66% owned by Mr. Lim; (iv) 18,358,843 Shares held by Archview Capital Ltd, which is wholly owned by Immobillari Limited which is in turn wholly owned by Mr. Lim; (v) 54,300,186 Shares held by Sandalwood Associates Limited, which is wholly owned by Immobillari Limited which is in turn wholly owned by Mr. Lim. Mr. Lim is deemed by virtue of the SFO to be interested in the Shares held by Lim Teck Lee Land Pte Ltd, Archview Capital Ltd and Sandalwood Associates Limited.

(7) Chau Kwok Fun Kevin had a beneficial interest in a total of 1,883,352 Shares which included beneficial interest in 812,484 Shares underlying 812,484 RSUs which have been granted and have not yet vested as at December 31, 2021.

(8) 600,000 Shares were held by Nottinghill Holdings Limited, a discretionary, irrevocable trust of which Chau Kwok Fun Kevin is the settlor.

(9) Lee Yong Sun had a beneficial interest in a total of 1,369,710 Shares which included beneficial interest in 590,894 Shares underlying 590,894 RSUs which have been granted and have not yet vested as at December 31, 2021.

(10) Gideon Yu had a beneficial interest in a total of 5,418,672 Shares which included beneficial interest in 590,894 Shares underlying 590,894 RSUs which have been granted and have not yet vested as at December 31, 2021.

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

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

Notes:

(1) The percentage has been computed based on the total number of common stock of THX Ltd. in issue as at December 31, 2021 (i.e. 17,100,000 common stock).

(2) Mr. Tan had a beneficial interest in a total of 900,000 common stock underlying 900,000 THX RSUs which have been granted and have not yet vested as at December 31, 2021.

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

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

As at December 31, 2021, so far as is known to the Directors, the persons or entities, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of total number of Shares of the Company in issue were as follows:

Long positions in the Shares of the Company

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate percentage of shareholding[(1)]
Julius Baer Group Ltd	Interest of controlled corporations	2,837,935,801[(2)]	32.40%
Julius Baer Trust Company (Channel Islands) Limited	Trustee	2,837,935,801[(2)]	32.40%
Chen Family (Global) Holdings Limited	Interest of controlled corporations	2,837,935,801[(2)]	32.40%
Chen Family (Hivemind) Holdings Limited	Beneficial owner	2,837,935,801[(2)]	32.40%
Voyager Equity Limited	Beneficial owner	1,342,446,474[(3)]	15.33%

Notes:

(1) The percentage has been computed based on the total number of Shares of the Company in issue as at December 31, 2021 (i.e. 8,759,755,691 Shares).

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

(3) 1,342,446,474 Shares were held by Voyager Equity Limited, which is directly wholly owned by Mr. Lim.

Save as disclosed above, as at December 31, 2021, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Permitted Indemnity

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

Remuneration Policy

The Directors, senior management and employees receive compensation in the form of salaries, allowances, bonuses, share-based awards and other benefits-in-kind. Their salaries are determined based on their qualification, position and seniority, while the variable components of their compensation are determined based on the performance of the Group and the individual concerned. The Group had 1,576 employees as of December 31, 2021. The Group also uses independent contractors to provide the Group more flexibility over overall workforce numbers.

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

During the years ended December 31, 2021 and 2020, no amount was paid to the Directors or the five highest paid individuals, as inducement to join or upon joining the Company. In addition, no compensation was paid to the Directors or past Directors for the same period in connection with the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. Further, there was no other arrangement under which a Director waived or agreed to waive any remuneration during the same period.

Details of the remuneration to Directors and chief executive, senior management and the five highest paid individuals are set out in note 9, note 28 and note 10 respectively to the Financial Statements.

2016 Equity Incentive Plan

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

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

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

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

To facilitate the administration of the 2016 Equity Incentive Plan, an aggregate of 708,104,004 Shares, 150,000,000 Shares and 66,472,658 Shares were issued to the Computershare Hong Kong Trustees Limited, as trustee, on November 13, 2017, November 1, 2019 and March 25, 2021 respectively issued at nominal value credited as fully paid. As at December 31, 2021, an aggregate of 54,506,771 Shares were still held in trust by Computershare Hong Kong Trustees Limited, of which 32,422,834 Shares were held in trust for the purpose of satisfying grants made to connected persons, and 22,083,937 Shares were held in trust for the purpose of satisfying grants made to non-connected persons. As at December 31, 2021, the number of shares underlying the RSUs which remains available under the Scheme Limit to be granted was 495,257,149 Shares. The grant and vesting of the RSUs granted pursuant to the 2016 Equity Incentive Plan are in compliance with Rule 10.08 of the Listing Rules.

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

Name of grantees of RSUs	Number of Shares underlying RSUs outstanding at December 31, 2020	RSUs granted during the period from January 1, 2021 to December 31, 2021	RSUs vested during the period from January 1, 2021 to December 31, 2021	RSUs cancelled during the period from January 1, 2021 to December 31, 2021	Number of Shares underlying RSUs outstanding at December 31, 2021
Directors of the Company					
Min-Liang Tan	156,173,578	1,388,921	(67,047,791)	–	90,514,708
Tan Chong Neng	2,133,844	787,552	(811,509)	–	2,109,887
Lim Kaling	531,154	195,382	(283,365)	–	443,171
Chau Kwok Fun Kevin	925,122	358,200	(470,838)	–	812,484
Lee Yong Sun	672,814	260,509	(342,429)	–	590,894
Gideon Yu	708,206	260,509	(377,821)	–	590,894
Subtotal	**161,144,718**	**3,251,073**	**(69,333,753)**	**–**	**95,062,038**
Other employees[1]	98,080,253	30,914,211	(33,011,518)	(11,663,121)	84,319,825
TOTAL OF ALL GRANTEES	**259,224,971**	**34,165,284**	**(102,345,271)**	**(11,663,121)**	**179,381,863**

Notes:

(1) Comprises 994 and 890 other employees as of January 1, 2021 and as of December 31, 2021.

THX Equity Incentive Plan

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

Unless otherwise approved by the shareholders of THX, the total number of THX Shares underlying THX RSUs to be granted under the THX EIP shall not exceed 2,900,000 THX Shares (being 14.5% of the issued share capital of THX as at December 31, 2021). As of December 31, 2021, 900,000 THX RSUs underlying 900,000 THX Shares were granted to Mr. Min-Liang Tan, who is the chief executive officer of THX, and were outstanding.

Razer Fintech Equity Incentive Plan

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

Unless otherwise approved by the shareholders of Razer Fintech, the total number of RF Shares underlying RF RSUs to be granted under the Razer Fintech EIP shall not exceed such number of RF Shares as shall constitute 10% of the fully-diluted share capital of Razer Fintech from time to time, where such fully-diluted share capital shall take into account the RF Shares which may be issued pursuant to awards granted under the Razer Fintech EIP and any other securities and instruments convertible into RF Shares. The adoption of the Razer Fintech EIP did not constitute a discloseable transaction under Chapter 14 of the Listing Rules. As of December 31, 2021, no awards had been granted under the Razer Fintech EIP.

Directors' Rights to Acquire Shares or Debentures

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

Equity-Linked Agreements

Save as disclosed in the section headed "2016 Equity Incentive Plan" in this report, no equity-linked agreements subsisted at December 31, 2021.

Sufficiency of Public Float

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

Pre-Emptive Rights

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

Continuing Connected Transactions

On December 23, 2019, Razer (Asia-Pacific) Pte. Ltd. ("RAP") and THX (a subsidiary of the Company) entered into (i) the THX Technology License Agreement for the license of surround sound audio software to RAP which would be integrated into Razer products or sold to end customers by RAP as a standalone product, which had an effective period running from January 1, 2019 to December 31, 2021, and (ii) the THX Certification Amendment Agreement for the testing, certification and provision of technical assistance by THX in relation to Razer products, to amend the THX Certification Agreement, which had an effective period running from November 16, 2016 to December 31, 2020.

The THX Technology License Agreement and the THX Certification Agreement were amended on November 3, 2020 and amended and renewed January 1, 2022. All transactions under the THX Technology License Agreement and the THX Certification Agreement, (as amended and renewed) are in the ordinary and usual course of the Group's business and are on normal commercial terms and followed the relevant pricing policies set out in the announcements dated November 4, 2020 and January 3, 2022.

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

The aggregate of the amounts payable by RAP to THX in respect of the transactions under the THX Technology License Agreement and the THX Certification Agreement for the year ended 31 December 2021, is subject to the following annual caps:

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

The aggregate of the amounts payable by RAP to THX in respect of the transactions under the renewed THX Technology License Agreement and the renewed THX Certification Agreement for the year ending 31 December 2022, 2023 and 2024, is subject to the following annual caps:

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

For the financial year ended December 31, 2021, the actual aggregate transaction amount with THX under the THX Technology License Agreement was US$3,886,810 (2020: US$3,083,743) and the actual aggregate transaction amount with THX under the THX Technology Certification Agreement was US$106,814 (2020: US$127,069).

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

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

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

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

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

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year ended December 31, 2021.

Related Party Transactions

A summary of all material related parties' transactions entered into by the Group during the year ended December 31, 2021 is contained in note 29 to the Financial Statements. None of the related party transactions as described in note 28 are connected transactions which are subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Contract of Significance

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

Use of Proceeds from The Initial Public Offering

On November 13, 2017, the Shares were listed on the Main Board of the Stock Exchange. Net proceeds from the initial public offering were approximately US$596 million. As of December 31, 2021, the Group had:

- Used approximately US$147 million (of approximately US$149 million as set out in the Prospectus) to finance acquisitions that will continue the expansion of the Razer ecosystem. The Group expects to fully utilise the remaining net proceeds by end of 2022;
- Deployed approximately US$60 million for general working capital purposes, including share buyback activities. The Group has fully utilised the net proceeds as set out in the Prospectus;
- Used approximately US$42 million (of approximately US$149 million as set out in the Prospectus) to develop new verticals such as Fintech business, audiovisual technology, livestreaming and broadcasting technology and other digital transaction-related services. The Group expects to fully utilise the remaining net proceeds by end of 2024;
- Used approximately US$38 million (of approximately US$119 million as set out in the Prospectus) to expand Razer's research and development capabilities including engineers and designers to develop and innovate new products and services that optimize performance, design and other attributes desired by gamers. The Group expects to fully utilise the remaining net proceeds by end of 2024; and
- Spent approximately US$76 million (of approximately US$119 million as set out in the Prospectus) to continue implementing Razer's sales and marketing initiatives to expand the appeal of the Razer brand and increase user awareness of Razer's new products and services across the Razer ecosystem. Some of Razer's sales and marketing initiatives includes branding agreements and sponsorships, direct engagement with users through social media and viral marketing campaigns and opening more Razer Stores. The Group expects to fully utilise the remaining net proceeds by end of 2023.

The remaining balance of the net proceeds of US$233 million was placed with banks and financial institutions. The Group will apply the remaining net proceeds in the manner set out in the Prospectus.

Compliance with The CG Code

The Company has adopted and applied the principles and code provisions as set out in the CG code contained in Appendix 14 to the Listing Rules. During the year ended December 31, 2021, the Company has complied with the applicable code provisions as set out in the CG Code, save for the 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). Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" on pages 46 to 59 of this annual report

Compliance with The Model Code

The Board has adopted the Model Code as the code of conduct regulating Directors' dealings in securities of the Company. Having made specific enquiry to the Directors, all the Directors confirmed that they have complied with the standards as set out in the Model Code for the year ended December 31, 2021.

Compliance with Laws and Regulations

During the year ended December 31, 2021, the Group is not aware of any non-compliance with laws and regulations that have a significant impact on the Group.

Environmental Policies and Performance

Information on the Company's environmental policies and performance for the year ended December 31, 2021, please refer to the Environmental, Social and Governance Report which can be viewed or downloaded from the websites of the Company at https://investor.razer.com/ and the Stock Exchange.

Significant Legal Proceedings

For the year ended December 31, 2021, the Group was not engaged in any material litigation or arbitration and no material litigation or claim is known to the Directors to be pending or threatened against the Group.

Relationship with Stakeholders

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

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

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

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

Audit and Risk Management Committee

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

Auditors

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

On behalf of the Board
Min-Liang TAN
Chairman
Singapore, March 17, 2022

CORPORATE GOVERNANCE REPORT


RAZER
VOLUME

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

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

The Board is of the view that for the financial year ended December 31, 2021 (the "reporting period"), the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision A.2.1 (which has been re-numbered as code provision C.2.1 since 1 January 2022) described in the paragraph headed "Board of Directors – Chairman and Chief Executive Officer", and code provision E.1.5 (which has been re-numbered as code provision F.1.1 since 1 January 2022).

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. On March 24, 2021, the Company adopted a dividend policy as described in the paragraph headed "Dividend Policy".

The Company currently has a single gender Board. The Board and Nomination Committee will identify suitable candidates of a different gender with the relevant skills, experience, and knowledge of our business, with a view to appoint at least one director of a different gender onto the Board no later than December 31, 2024 in compliance with Listing Rule 13.92.

Model Code for Securities Transactions

The Board has adopted the Model Code as the code of conduct regulating Directors' dealings in securities of the Company. Having made specific enquiry to the Directors, all Directors have confirmed that they have complied with the Model Code throughout the reporting period. No incident of non-compliance of the Employee Dealing Policy by the employees was noted by the Company.

Board of Directors

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

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

During the reporting period, the Board held six board meetings. The Chairman also held an annual meeting in August 2021 with the Independent Non-executive Directors.

Board Composition

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

The composition of the Board is as follows:

Executive Directors
Mr. Min-Liang Tan *(Chairman)*
Mr. Tan Chong Neng

Non-executive Director
Mr. Lim Kaling

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

The biographical information of the Directors is set out in the section headed “Directors and Senior Management” on pages 24 to 30 of this annual report.

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

Ms. Liu Siew Lan Patricia resigned from the Board on March 24, 2021. Save as disclosed above, there has been no change to the composition of the Board or Board Committees during the reporting period.

Chairman and Chief Executive Officer

Code provision A.2.1 (which has been re-numbered as code provision C.2.1 since 1 January 2022) of the CG Code stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

The roles of the Chairman and Chief Executive Officer are held by Mr. Min-Liang Tan. Mr. Tan, a co-founder and an executive Director, has served as the Chief Executive Officer since September 2006 and was appointed the Chairman of the Board in June 2017.

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

Independent Non-executive Directors

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

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

Appointment and Re-election of Directors

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

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

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

Responsibilities of the Directors

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

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

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

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

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

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

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

Board Committees

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

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

Audit and Risk Management Committee

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

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

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

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

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

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

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

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

(f) reviewing the continuing connected transactions; and

(g) discussing the audit plan and strategy with the external auditor for the year ended December 31, 2021.

Remuneration Committee

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

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

During the reporting period, the Remuneration Committee held two meetings and, amongst other things, the following matters were reviewed and approved at the meetings:

(a) 2021 performance goals and proposed short-term and long-term compensation for all employees;

(b) proposed compensation for key management for 2021;

(c) proposed directors' fees for the financial year ended December 31, 2021; and

(d) proposed grants of RSUs to employees.

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

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

In Hong Kong dollars ("HKD")	**2021**	2020
1,000,001 – 1,500,000	**–**	1
3,500,002 – 4,000,000	**–**	1
4,000,001 – 4,500,000	**2**	2
5,500,002 – 6,000,000	**3**	2
13,000,001 – 13,500,000	**–**	1
47,500,001 – 48,500,000	**1**	–

Nomination Committee

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

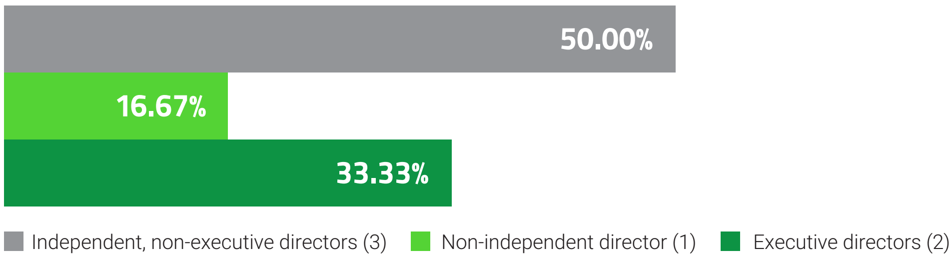
The terms of reference of the Nomination Committee are no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making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

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

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

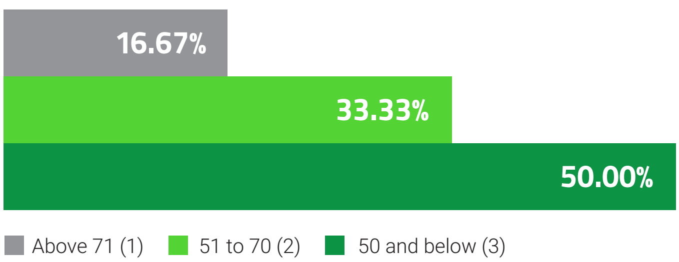
Set out below is a breakdown of the composition of the Board based on diversity principles:

Independence

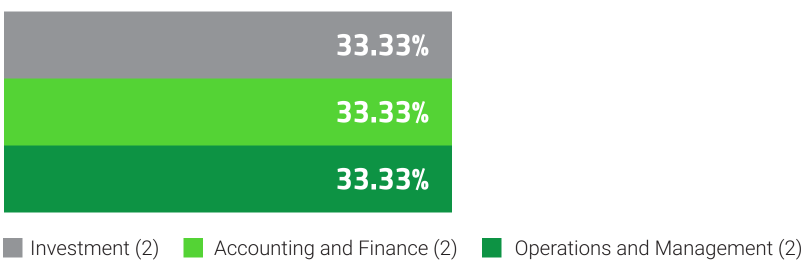


Gender

Age



Skills and Experience



The Nomination Committee has reviewed the composition of the Board for the year 2021 against the measurable objectives of the board diversity policy, and has noted the progress of the Company, as set out below:

No.	Category	Objective	Progress
1.	Independence	The Board should have a strong element of independence, and independent directors should be of sufficient stature and calibre.	The Board currently comprises 2 executive directors, 1 non-independent executive director, and 3 independent non-executive directors (50.0%).
2.	Gender	Selection of potential candidates for appointment as directors shall not be subject to discrimination on the basis of gender. The Board shall endeavor to identify and appoint female directors who possess suitable expertise, experience and qualifications. Pursuant to Rule 13.92 of the Listing Rules, the Company shall appoint at least 1 female director by 31 December 2024.	On 24 March 2021, Ms. Patricia Liu, a female director has resigned from the Board. Following her resignation, in searching for a replacement director the Company intends to identify female candidates with suitable expertise, experience and qualifications. The Company has not yet identified an appropriate candidate.
3.	Age	The Board should comprise directors of different age ranges, reducing succession risk.	The age ranges of the directors were: • 50 and below: 3 (50.0%) • 51-70: 2 (33.33%) • Above 71: 1 (16.67%)
4.	Skills and experience	The Board should comprise directors with different professional and business backgrounds, with a wide range of skillsets and experiences, and varied areas of expertise.	The Board comprised directors with the following areas of expertise: • Operations and management: 2 (33.33%) • Accounting and finance: 2 (33.33%) • Investment: 2 (33.33%)

Having reviewed the Board composition, the Board recognises the importance and benefits of gender diversity at the Board level. The Company intends to identify a female candidate with suitable expertise, experience and qualifications to be appointed as a director of the Company by 31 December 2024.

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

(a) reviewing of nomination policy;

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

(c) for the purpose of re-election of the retiring Directors at the 2021 annual general meeting of the Company, the Nomination Committee had evaluated and confirmed the contribution of each of the retiring Directors who offered themselves for re-election and recommended to the Board to propose the re-election of each of the retiring Directors who offered themselves for re-election at the 2021 annual general meeting of the Company; and

(d) after review of the structure, size, composition and diversity of the Board and Board committees, it was agreed that the Board and Board committees have an independent element and balanced composition of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business, save for the need to appoint a female representative to the Board.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 (which has been re-numbered as code provision A.2.1 since 1 January 2022) of the CG Code.

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

Attendance Records of Directors

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

	Number of Meetings Attended/Number of Meetings held for the reporting period				
Name of Directors	**Board meeting**	**Audit and Risk Management Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**	**Annual General Meeting**
Executive Directors					
Mr. Min-Liang Tan	6/6	–	2/2	–	1/1
Mr. Tan Chong Neng	6/6	–	–	–	1/1
Ms. Liu Siew Lan Patricia(1)	1/1	–	–	–	–
Non-executive Director					
Mr. Lim Kaling	6/6	–	–	1/1	1/1
Independent Non-executive Directors					
Mr. Chau Kwok Fun Kevin	6/6	3/3	2/2	1/1	1/1
Mr. Lee Yong Sun	6/6	3/3	–	1/1	1/1
Mr. Gideon Yu	6/6	3/3	2/2	–	1/1

Note:

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

During the reporting period, an annual general meeting of shareholders was held virtually via videoconference on June 2, 2021 in Singapore.

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

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

Continuous Professional Development of Directors

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

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

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

Name of Directors	Training[Note]
Executive Directors	
Mr. Min-Liang Tan	√
Mr. Tan Chong Neng	√
Non-executive Director	
Mr. Lim Kaling	√
Independent Non-executive Directors	
Mr. Chau Kwok Fun Kevin	√
Mr. Lee Yong Sun	√
Mr. Gideon Yu	√

Note: During the reporting period, all Directors received training and training materials, including from the Company's external advisors in relation to regulatory updates for 2021. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs.

Dividend Policy

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

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

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

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

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

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

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

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

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

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

Risk Management and Internal Controls

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

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

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

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

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

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

The Board has, through the management and the Audit and Risk Management Committee, conducted a review of the effectiveness of risk management and internal control systems of the Group for the year ended December 31, 2021. Based on the internal controls established and maintained by the Group and the reviews performed by the management and the Audit and Risk Management Committee, the Board, with the concurrence of the Audit and Risk Management Committee, is of the opinion that the internal controls and risk management systems were adequate and effective to address financial, operational, compliance and information technology controls risks which the Group considers material and relevant to its operations.

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

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

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

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

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

Significant Risks of the Group

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

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

1. Competitive Landscape

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

In order to mitigate these risks, the Group continues to focus on user experience by keeping track of the development of new technologies in a timely manner, capturing changes in user experience, and continuously developing new products and services to meet the expectations of the market.

The Group has also believes that sustainability initiatives provide it with a competitive advantage. To this end, the Group has implemented programmes such as a partnership with a leading inspection and certification company to develop product category rules for all gaming products. With the introduction of this Type III Environmental Product Declaration ("EPD") ecolabel, consumers will be able to make more informed choices about the environmental impact of their purchases. The Group encourages its employees to innovate and allocates considerable resources (including hiring personnel) to the research and development of new technologies and the optimisation of features as well as enhancement of user experience of products. The Group continues to actively monitor its competitive environment and market trends.

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

The COVID-19 situation continues to evolve, with uncertainties about the extent and duration of the outbreak. The Group continues to closely monitor the uncertainties surrounding the COVID-19 situation globally, for example, its impact on global supply chain.

2. Ecosystem Strategy risk

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

In order to ensure that the Group delivers quality and high-performance products and services to the market, the Group maintains oversight on quality of incoming raw materials to the manufacturing process, executes quality and reliability testing programs, as well as conducts site audit checks on third party manufacturers to ensure compliance with product specifications and requirements. The Group also embarked on design-for Sustainability Program where environmental targets are incorporated into our design and manufacturing processes from raw material sourcing to product end-of-life and introduced sustainable packaging.

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

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

3. Information Security risk

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

The Group is obliged to protect sensitive user information and as such, the Group strives to provide the highest level of protection to such data. The Group has formulated policies and control measures to protect user data. Information security is ensured through a layered information security framework that includes endpoint security, firewalls, vulnerability scanning, multi-factor authentication, encryption, access restrictions and process protocols.

The Information Security Council, established in 2020, continues to provide guidance on Group level policies and procedures relating to risk-management governance, procedures and controls, implementation of information security programs as well as cybersecurity awareness training. The Group, through the Information Security function, continues to invest in enhancing its security posture with identification of areas where security policies and processes can be further strengthened.

4. Intellectual Property risk

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

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

5. Legal and Compliance risk

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

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

6. Acquisition and Investment Management risk

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

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

7. People risk

The Group's success is dependent upon its ability to attract, mobilise and retain the right talent and skills, as well as ensuring a strong succession and leadership pipeline. These factors are instrumental for the Group to remain as an organisation that is agile and adaptable to change as the Group grows and enhances its performance and reputation. The Group's success also substantially depends on the leadership continuity to foster behaviours that are aligned to Razer's corporate values across its people practices. In order to mitigate these risks, the Group proactively seeks to enhance HR systems, capabilities and processes to collect, understand and organise people data. The Group actively looks out for talented and experienced personnel to join the Group and has also established a succession plan for key personnel and senior management. Razer Academy has been established to set the framework for learning and development and provide access to mandatory courses. The Group continues to invest in talent, manager and leadership development programs to build talent capability and accelerate the internal movement of top talent.

8. Disease outbreak risk

An outbreak of an epidemic such as COVID-19 could potentially disrupt our operations or impact our results. While there has been some progress toward transition to normalcy, the situation is continually evolving, with new waves, new virus variants as well as lockdowns.

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

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

Such an outbreak could also lead to a decrease in the level of economic activity in affected areas, or legal restrictions on activity and movement, which could adversely affect our business and operating results. In addition, a pandemic may affect supply chain and distribution channels which the Group relies on, which would also have a negative effect on the Group's performance and ability to meet demand. The Group continues to closely monitor the uncertainties surrounding the COVID-19 situation globally.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 61 to 66.

Auditors' Remuneration

An analysis of the remuneration paid to the external auditors of the Company, Messrs. KPMG, in respect of audit services and non-audit services for the year ended December 31, 2021 is set out below:

Service Category	**Fees Paid/Payable** (US$)
Audit Services	1,409,000
Non-audit Services	258,000
Total	1,667,000

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

Joint Company Secretaries

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

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

Mr. Choo and Ms. Chan have each taken no less than 15 hours of relevant professional training during the year ended December 31, 2021 in compliance with Rule 3.29 of the Listing Rules.

Shareholders' Rights

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

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

Convening and Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

Shareholders may send written enquiries to the Board by email to ir@razer.com or by mail to 1 one-north Crescent, #02-01 Razer SEA HQ, Singapore 138538 for the attention of the Director of Investor Relations.

Investor Relations

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

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

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Razer Inc. ("the Company") and its subsidiaries ("the Group") set out on pages 67 to 130, which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

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

Key Audit Matters

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

Assessment of Potential Impairment of Intangible Assets and Goodwill

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

The Key Audit Matter

The carrying values of the Group's intangible assets and goodwill as at December 31, 2021 amounted to US$21,946,000 and US$67,681,000 respectively. Management allocates intangible assets and goodwill to separately identifiable cash generating units ("CGUs") and assesses if there are any indicators of impairment of these CGUs.

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

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

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

How the matter was addressed in our audit

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

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

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

Revenue Recognition from the Sale of Goods and Service Income

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

The Key Audit Matter

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

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

Management's estimations of sales returns are based on the terms and conditions in the sales arrangements as well as historical experience and expectation of future conditions.

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

The recognition of revenue from sales of goods has been identified as a key audit matter because the inherent level of complex and subjective management judgement required in assessing the assumptions in the estimation of product returns, which could be subject to management bias in their selection.

How the matter was addressed in our audit

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

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

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

Revenue Recognition from the Sale of Goods and Service Income

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

The Key Audit Matter

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

How the matter was addressed in our audit

- assessing, on a sample basis, whether specific revenue transactions recorded around the end of the financial reporting period have been recognised in the appropriate financial period by inspecting the trade terms agreed with the individual customers and the delivery status of the relevant products;

- inspecting the sales ledger subsequent to the financial reporting period and making enquiries of management to identify significant credit notes issued and sales returns and inspecting relevant underlying documentation to assess if the related revenue had been accounted for in the appropriate financial period in accordance with the requirements of the prevailing accounting standards;

- evaluating the key assumptions adopted by management in estimating the product returns by, on a sample basis, inspecting the trade terms agreed with the individual customers and comparing the assumptions to contract terms and the Group's relevant experience in the sales returns; and

- comparing, on a sample basis, actual credit notes issued subsequent to the reporting date with the provision for product returns at the reporting date to assess whether there were any significant under/over-provision.

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

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

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

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Certified Public Accountants

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

March 17, 2022

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	5	**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	14	**–**	(10,830)
Profit/(loss) from operations		**51,854**	(6,975)
Other non-operating (expense)/income		**(1,753)**	3,880
Finance income	7	**5,013**	8,581
Finance costs	7	**(2,851)**	(1,134)
Profit before income tax	8	**52,263**	4,352
Income tax expense	11(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
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

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

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

	Note	**2021 US$'000**	2020 US$'000
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	12		
Basic		**US$0.005**	US$0.001
Diluted		**US$0.005**	US$0.001

The notes on pages 75 to 130 form part of these financial statements.

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	13	**58,740**	30,058
Intangible assets and goodwill	14	**89,627**	90,985
Other investments	20	**14,511**	61,305
Deferred tax assets	17	**12,729**	12,614
Restricted cash	21	**1,132**	1,396
Prepayments		**87**	223
Other receivables	19	**6,280**	3,692
		183,106	200,273
Current assets			
Inventories	18	**186,414**	124,858
Trade and other receivables	19	**275,164**	267,707
Prepayments		**12,637**	8,254
Current tax receivables		**2,030**	1,754
Restricted cash	21	**1,721**	18,234
Cash and bank balances	22	**567,602**	621,811
		1,045,568	1,042,618
Total assets		**1,228,674**	1,242,891
Current liabilities			
Trade and other payables	23	**600,470**	584,212
Contract liabilities		**4,149**	2,995
Customer funds	24	**24,959**	20,147
Lease liabilities	25	**4,898**	4,049
Current tax payables		**5,445**	5,701
Other tax liabilities	16	**3,342**	3,464
		643,263	620,568
Net current assets		**402,305**	422,050
Total assets less current liabilities		**585,411**	622,323
Non-current liabilities			
Deferred tax liabilities	17	**2,337**	2,366
Contract liabilities		**1,964**	1,436
Net defined benefit retirement obligation		**539**	589
Other payables	23	**2,560**	1,712
Other tax liabilities	16	**1,809**	2,276
Lease liabilities	25	**26,729**	6,720
		35,938	15,099
NET ASSETS		**549,473**	607,224

Consolidated Statement of Financial Position (Continued)

at December 31, 2021 (Expressed in United States dollars)

	Note	**December 31, 2021 US$'000**	December 31, 2020 US$'000
Capital and reserves			
Share capital	27(b)	**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

Approved and authorised for issue by the board of directors on March 17, 2022.

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

The notes on pages 75 to 130 form part of these financial statements.

Consolidated Statement of Changes in Equity

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

		Attributable to equity shareholders of the Company											
	Note	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve (non-recycling) US$'000	Reserve for treasury shares *(Note)* US$'000	Share-based payments reserve US$'000	Put option written on non-controlling interests US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at January 1, 2020		89,482	683,847	(4,000)	(2,648)	437	(24,328)	94,536	(3,570)	(265,481)	568,275	6,513	574,788
Changes in equity for 2020:													
Profit for the year		–	–	–	–	–	–	–	–	5,626	5,626	(4,821)	805
Other comprehensive income		–	–	–	1,947	3,764	–	–	–	44	5,755	395	6,150
Total comprehensive income		–	–	–	1,947	3,764	–	–	–	5,670	11,381	(4,426)	6,955
Issuance of vested shares, net of tax	26	–	–	–	–	–	23,424	(43,124)	–	19,700	–	–	–
Share-based compensation expense	26	–	–	–	–	–	–	15,684	–	–	15,684	–	15,684
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(349)	(349)
Reversals of shares issuances expenses		–	1,850	–	–	–	–	–	–	–	1,850	–	1,850
Issuance of ordinary shares to non-controlling interests		–	–	–	–	–	–	–	–	–	–	24,700	24,700
Remeasurement of put option written on non-controlling interests	29(e)	–	–	–	–	–	–	–	(627)	–	(627)	–	(627)
Acquisition of non-controlling interests of a subsidiary without a change in control		–	–	–	–	–	–	–	4,197	(5,429)	(1,232)	(1,135)	(2,367)
Repurchase and cancellation of own ordinary shares	27(c)	(720)	(13,171)	–	–	–	–	–	–	481	(13,410)	–	(13,410)
Balance at December 31, 2020		88,762	672,526	(4,000)	(701)	4,201	(904)	67,096	–	(245,059)	581,921	25,303	607,224

Consolidated Statement of Changes in Equity (Continued)

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

		Attributable to equity shareholders of the Company											
	Note	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve (non-recycling) US$'000	Reserve for treasury shares (Note) US$'000	Share-based payments reserve US$'000	Put option written on non-controlling interests US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at January 1, 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	26	-	-	-	-	-	1,023	(19,723)	-	18,700	-	-	-
Share-based compensation expense	26	-	-	-	-	-	-	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	27(c)	(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 26). Shares issued to the RSU holders are recognised on a first-in-first-out basis.

Consolidated Cash Flow Statement

for the year ended December 31, 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	13(a)	**19,034**	15,655
Amortisation of intangible assets	14	**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	14(b)	**–**	10,830
(Reversal of)/impairment loss on trade receivables	29(b)	**(1,968)**	3,591
Write-down of inventories	18	**8,212**	18,055
Finance income	7	**(5,013)**	(8,581)
Finance costs	7	**2,851**	1,134
Share-based compensation expense		**12,228**	15,782
Income tax expense	11(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	22	**113,161**	(113,161)
Proceeds from disposal of financial assets and equity securities		**193,029**	105,536
Acquisition of business	30	**(8,541)**	–
Net cash generated from/(used in) investing activities		**134,416**	(170,911)

Consolidated Cash Flow Statement (Continued)

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

	Note	**2021 US$'000**	2020 US$'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	22	**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	22	**567,602**	508,650

The notes on pages 75 to 130 form part of these financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Razer Inc. (“the Company”) is a company incorporated in the Cayman Islands with limited liability. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The dual global headquarters and principal places of business of the Company are located at 9 Pasteur, Suite 100, Irvine, CA 92618, the United States of America and 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. The principal activities of the subsidiaries are set out in note 15 to the financial statements.

2 BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

(i) Subsidiaries

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

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

(ii) Business combinations

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(iii) Non-controlling interests

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

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

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

(iv) Transactions eliminated on consolidation

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

(b) Foreign currencies

(i) Foreign currency transactions

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

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

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies (continued)

(ii) Foreign operations

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

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

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(iii) Depreciation

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

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

The estimated useful lives are as follows:

Building	20 years
Office equipment	3 to 5 years
Computer software and equipment	3 years
Leasehold improvements	Shorter of lease term and 5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Retail fixtures	Shorter of lease term and 3 years
Tooling assets	1 to 3 years
Building improvements	15 years

(d) Intangible assets and goodwill

(i) Goodwill

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

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

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

(ii) Trademarks

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets and goodwill (continued)

(iii) Development cost

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

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

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

(iv) Other intangible assets

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

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

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

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

(e) Inventories

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

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

(i) Non-derivative financial assets

Recognition and initial measurement

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

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

Classification and subsequent measurement

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Trade and other receivables

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

Receivables are recognised initially at fair value plus any directly attributable transaction costs, less allowance for sales rebates and returns (collectively "allowance for trade receivables"). Trade receivable that do not contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. Subsequent to the initial recognition, all receivables are stated at amortised cost using the effective interest method, less allowance for credit losses (note 3(h)(i)).

Cash and cash equivalents

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

Other investments

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

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

(ii) Non-derivative financial liabilities

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

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

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

Non-derivative financial liabilities comprise trade and other payables.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(iii) Offsetting

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

(g) Share capital

Ordinary shares

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

Preference share capital

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

Repurchase of share capital (treasury shares)

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

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

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

Measurement of ECLs

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments (continued)

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

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

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

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

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

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

(ii) Impairment of non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. A portion of the carrying amount of a corporate asset (for example, head office building, is allocated to an individual cash-generating unit of the allocation can be done on a reasonable and consistent basis, or to the smallest group of CGU if otherwise.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(i) Revenue from contracts with customers

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

(j) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined benefit retirement plan obligations

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

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

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

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

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

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

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

(iii) Equity-settled share-based compensation expense

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

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Provisions and contingent liabilities

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Product warranties

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

(l) Contract liabilities

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

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

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

(m) Leases

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

(i) As a lessee

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

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

(i) As a lessee (continued)

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

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

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

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

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

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (3(f)(i), 3(h)(i) and 3(n)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification" that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16, Leases. In such cases, the Group has taken the advantage of the practical expedient in not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concession occurred.

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

(i) As a lessee (continued)

Short-term leases and leases of low-value assets

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

(n) Finance income and finance costs

The Group's finance income and finance costs include:

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

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

(o) Income tax

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (continued)

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

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

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

(p) Fair value measurement

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

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

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

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

(q) Earnings per share

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

(r) Segment reporting

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

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Government grants

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

(t) Changes in accounting policies

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

- Amendments to IFRS 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 (see note 3(m)). 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.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) New accounting standards and interpretations not yet adopted

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended December 31, 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.

4 SIGNIFICANT ACCOUNT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Estimates & assumptions

(a) CGU definition

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

Notes to the Consolidated Financial Statements (Continued)

4 SIGNIFICANT ACCOUNT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) Deferred tax

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

(c) Net realisable value of inventories

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

5 REVENUE

(a) Disaggregation of revenue from contracts with customers

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

	2021 **US$'000**	2020 US$'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

Notes to the Consolidated Financial Statements (Continued)

5 REVENUE (CONTINUED)

(b) Performance obligations and revenue recognition policies

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

(i) Sales of goods

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

Notes to the Consolidated Financial Statements (Continued)

5 REVENUE (CONTINUED)

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

(ii) Services income

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

(iii) Royalty income

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

Notes to the Consolidated Financial Statements (Continued)

6 SEGMENT INFORMATION

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

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

- *Peripherals* primarily consists of gaming mice, keyboards, audio devices and mouse mats developed, marketed and sold;
- *Systems* consists of laptops developed, marketed and sold;
- *Software and Services* primarily consists of provision of software over the Razer Software Platform, virtual credits and payment related services; and
- *Others* primarily consists of new products and services including 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 **US$'000**	2020 US$'000
Customer A	**230,936**	191,613

Notes to the Consolidated Financial Statements (Continued)

6 SEGMENT INFORMATION (CONTINUED)

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

Revenue by regions were as follows:

	2021 US$'000	2020 US$'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 US$'000	2020 US$'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.*

Notes to the Consolidated Financial Statements (Continued)

7 FINANCE INCOME AND FINANCE COSTS

	2021 US$'000	2020 US$'000
Finance income		
Interest income on fixed deposits and money market funds	**2,802**	5,755
Income from sub-leases	**100**	–
Gain on financial assets	**2,111**	2,826
	5,013	8,581
Finance costs		
Bank charges	**133**	195
Interest on lease liabilities	**2,217**	836
Loss on financial assets	**343**	–
Others	**158**	103
	2,851	1,134

8 PROFIT BEFORE INCOME TAX

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

	2021 US$'000	2020 US$'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.

Notes to the Consolidated Financial Statements (Continued)

9 DIRECTORS REMUNERATION

Details of directors' remuneration for the year ended December 31, 2021 and 2020 are as follows:

	Directors' Fees US$'000	**Salaries, allowance and benefits' in kind[1] US$'000**	**Retirement scheme contribution US$'000**	**Discretionary bonuses US$'000**	**Share-based compensation[2] US$'000**	**2021 Total US$'000**
Directors						
Gideon Yu	**40**	**–**	**–**	**–**	**83**	**123**
Lim Kaling	**30**	**–**	**–**	**–**	**63**	**93**
Tan Min-Liang	**60**	**590**	**13**	**182**	**5,112**	**5,957**
Lee Yong Sun	**40**	**–**	**–**	**–**	**83**	**123**
Chau Kwok Fun Kevin	**55**	**–**	**–**	**–**	**114**	**169**
Tan Chong Neng[4]	**25**	**293**	**13**	**114**	**213**	**658**
	250	**883**	**26**	**296**	**5,668**	**7,123**

	Directors' Fees US$'000	Salaries, allowance and benefits' in kind[1] US$'000	Retirement scheme contribution US$'000	Discretionary bonuses US$'000	Share-based compensation[2] US$'000	2020 Total US$'000
Directors						
Gideon Yu	37	–	–	–	77	114
Lim Kaling	28	–	–	–	58	86
Tan Min-Liang	56	479	13	38	9,871	10,457
Chan Thiong Joo Edwin[3]	6	169	8	–	88	271
Lee Yong Sun	37	–	–	–	73	110
Chau Kwok Fun Kevin	51	–	–	–	100	151
Liu Siew Lan Patricia[5]	23	252	9	21	185	490
Tan Chong Neng[4]	17	251	12	21	177	478
	255	1,151	42	80	10,629	12,157

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

Save as disclosed above, no emoluments were paid to other directors during the years ended December 31, 2021 and 2020.

Notes to the Consolidated Financial Statements (Continued)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2020: one) were directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2021 US$'000	2020 US$'000
Salaries, allowances, benefits in kind and retirement scheme contributions	**1,659**	1,509
Share-based compensation[1]	**378**	854
	2,037	2,363

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

The emoluments of three (2020: four) individuals with the highest emoluments other than the two (2020: one) directors as disclosed in note 9 are within the following bands:

	2021	2020
in Hong Kong dollars ("HKD")		
4,000,001 – 4,500,000	**–**	3
4,500,001 – 5,000,000	**2**	–
5,000,001 – 5,500,000	**–**	1
6,000,001 – 6,500,000	**1**	–

11 INCOME TAX EXPENSE

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

	2021 US$'000	2020 US$'000
Current tax expense		
Current year	**10,173**	11,228
Deferred tax expense		
Origination and reversal of temporary differences *(Note 17(a))*	**(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.

Notes to the Consolidated Financial Statements (Continued)

11 INCOME TAX EXPENSE (CONTINUED)

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

	2021 US$'000	2020 US$'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.

Notes to the Consolidated Financial Statements (Continued)

12 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

Notes to the Consolidated Financial Statements (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Building US$'000	Office equipment US$'000	Computer software and equipment US$'000	Leasehold improvements US$'000	Furniture and fittings US$'000	Motor vehicles US$'000	Retail fixtures US$'000	Tooling assets US$'000	Building improvements US$'000	Right-of-use assets US$'000	Construction in progress US$'000	Total US$'000
Cost:												
At January 1, 2020	898	3,781	10,079	6,534	1,797	321	3,847	46,785	–	17,851	380	92,273
Additions	–	187	875	212	79	–	–	7,285	–	939	6,166	15,743
Disposals	–	(244)	(626)	(338)	(282)	–	(208)	–	–	(1,000)	–	(2,698)
Transfer	–	180	72	35	23	–	–	4,579	–	–	(4,889)	–
Effect of movement in exchange rate	(15)	17	34	62	(2)	9	–	–	–	209	–	314
At December 31, 2020	883	3,921	10,434	6,505	1,615	330	3,639	58,649	–	17,999	1,657	105,632
At January 1, 2021	**883**	**3,921**	**10,434**	**6,505**	**1,615**	**330**	**3,639**	**58,649**	**-**	**17,999**	**1,657**	**105,632**
Additions	**-**	**1,952**	**802**	**7,560**	**706**	**3**	**5**	**7,684**	**1,279**	**25,874**	**4,100**	**49,965**
Acquisition through business combination *(note 30)*	**-**	**33**	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49**
Disposals	**-**	**(464)**	**(2,987)**	**(2,745)**	**(435)**	**(102)**	**(114)**	**(888)**	**-**	**(5,402)**	**(48)**	**(13,185)**
Transfer	**-**	**-**	**-**	**579**	**-**	**-**	**1,725**	**2,549**	**-**	**-**	**(4,853)**	**-**
Effect of movement in exchange rate	**(74)**	**(11)**	**(87)**	**(1)**	**(5)**	**5**	**-**	**-**	**-**	**9**	**-**	**(164)**
At December 31, 2021	**809**	**5,431**	**8,178**	**11,898**	**1,881**	**236**	**5,255**	**67,994**	**1,279**	**38,480**	**856**	**142,297**
Accumulated depreciation:												
At January 1, 2020	122	2,788	8,036	4,342	1,318	78	3,436	37,668	–	4,503	–	62,291
Depreciation for the year	58	688	1,449	661	208	56	154	7,711	–	4,670	–	15,655
Disposals	–	(236)	(626)	(327)	(282)	–	(189)	–	–	(903)	–	(2,563)
Effect of movement in exchange rate	–	15	27	36	–	4	–	–	–	109	–	191
At December 31, 2020	180	3,255	8,886	4,712	1,244	138	3,401	45,379	–	8,379	–	75,574
At January 1, 2021	**180**	**3,255**	**8,886**	**4,712**	**1,244**	**138**	**3,401**	**45,379**	**-**	**8,379**	**-**	**75,574**
Depreciation for the year	**58**	**415**	**1,123**	**1,128**	**169**	**56**	**440**	**10,564**	**57**	**5,024**	**-**	**19,034**
Disposals	**-**	**(434)**	**(2,976)**	**(2,743)**	**(434)**	**(102)**	**(22)**	**(888)**	**-**	**(3,332)**	**-**	**(10,931)**
Effect of movement in exchange rate	**(34)**	**(10)**	**(66)**	**9**	**(1)**	**6**	**-**	**-**	**-**	**(24)**	**-**	**(120)**
At December 31, 2021	**204**	**3,226**	**6,967**	**3,106**	**978**	**98**	**3,819**	**55,055**	**57**	**10,047**	**-**	**83,557**
Net book value:												
At December 31, 2021	**605**	**2,205**	**1,211**	**8,792**	**903**	**138**	**1,436**	**12,939**	**1,222**	**28,433**	**856**	**58,740**
At December 31, 2020	703	666	1,548	1,793	371	192	238	13,270	–	9,620	1,657	30,058

Notes to the Consolidated Financial Statements (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of use assets

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

	2021 US$'000	2020 US$'000
Motor vehicles	**150**	232
Office equipment	**67**	141
Office space	**28,216**	9,247
Total	**28,433**	9,620

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

	2021 US$'000	2020 US$'000
Leases under IFRS 16		
Interest on lease liabilities	**2,217**	836
Expenses relating to short-term leases	**829**	1,550
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**15**	–
COVID-19-related rent concessions received	**–**	32

(iii) Amount recognised in consolidated cash flow statement:

	2021 US$'000	2020 US$'000
Total cash outflow for leases	**9,460**	7,592

Notes to the Consolidated Financial Statements (Continued)

14 INTANGIBLE ASSETS AND GOODWILL

	Development cost US$'000	Purchased technology assets US$'000	Patents US$'000	Trademarks US$'000	Distribution contracts US$'000	Customer relationships US$'000	Goodwill US$'000	Total US$'000
Cost:								
At January 1, 2020	19,476	13,510	18,698	2,736	17,357	407	75,720	147,904
Additions	–	3,208	–	–	–	–	–	3,208
Transfer	(4,005)	4,005	–	–	–	–	–	–
Disposals	–	(65)	–	–	–	–	–	(65)
Effect of movement in exchange rate	–	67	52	–	298	–	1,110	1,527
At December 31, 2020	15,471	20,725	18,750	2,736	17,655	407	76,830	152,574
At January 1, 2021	**15,471**	**20,725**	**18,750**	**2,736**	**17,655**	**407**	**76,830**	**152,574**
Additions	**–**	**2,697**	**–**	**–**	**–**	**–**	**–**	**2,697**
Acquisition through business combination *(note 30)*	**–**	**–**	**–**	**–**	**4,405**	**–**	**4,489**	**8,894**
Disposals	**–**	**(2,814)**	**–**	**–**	**–**	**–**	**–**	**(2,814)**
Effect of movement in exchange rate	**–**	**(144)**	**(239)**	**–**	**(619)**	**–**	**(2,295)**	**(3,297)**
At December 31, 2021	**15,471**	**20,464**	**18,511**	**2,736**	**21,441**	**407**	**79,024**	**158,054**
Accumulated depreciation and impairment losses:								
At January 1, 2020	15,471	9,503	11,006	–	5,241	65	1,723	43,009
Amortisation for the year	–	3,572	789	–	3,056	20	–	7,437
Impairment	–	–	1,210	–	–	–	9,620	10,830
Effect of movement in exchange rate	–	75	7	–	231	–	–	313
At December 31, 2020	15,471	13,150	13,012	–	8,528	85	11,343	61,589
At January 1, 2021	**15,471**	**13,150**	**13,012**	**–**	**8,528**	**85**	**11,343**	**61,589**
Amortisation for the year	**–**	**3,759**	**660**	**–**	**4,638**	**20**	**–**	**9,077**
Disposals	**–**	**(1,687)**	**–**	**–**	**–**	**–**	**–**	**(1,687)**
Effect of movement in exchange rate	**–**	**(97)**	**(126)**	**–**	**(329)**	**–**	**–**	**(552)**
At December 31, 2021	**15,471**	**15,125**	**13,546**	**–**	**12,837**	**105**	**11,343**	**68,427**
Net book value:								
At December 31, 2021	**–**	**5,339**	**4,965**	**2,736**	**8,604**	**302**	**67,681**	**89,627**
At December 31, 2020	–	7,575	5,738	2,736	9,127	322	65,487	90,985

Notes to the Consolidated Financial Statements (Continued)

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(a) Amortisation charge

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

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

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

	2021		2020	
	Goodwill US$'000	**Trademarks US$'000**	Goodwill US$'000	Trademarks US$'000
CGU A within the "Others" segment	**–**	**2,736**	–	2,736
CGU B within the "Software and Services" segment	**22,000**	**–**	22,800	–
CGU C within the "Software and Services" segment	**41,192**	**–**	42,687	–
CGU D within the "Peripherals" segment	**4,489**	**–**	–	–
	67,681	**2,736**	65,487	2,736

(i) CGU A

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

	2021	2020
Post-tax discount rate	**20%**	20%
Terminal value growth rate	**3%**	3%
Budgeted revenue growth rate (average of financial forecasts period)	**15%**	15%

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

During the year ended December 31, 2020, due to pandemic situation, CGU A has underperformed as compared to management's expectations. The management performed an impairment assessment and the recoverable amount of the CGU A (including goodwill) based on the estimated value-in-use calculations was US$689,000, and was lower than its carrying amount at December 31, 2020. Accordingly, the Company recognised an impairment loss of US$10,830,000 during 2020. The impairment loss allocated to goodwill and patents was US$9,620,000 and US$1,270,000, respectively and included in impairment of goodwill and other assets.

The recoverable amount of the CGU A based on the estimated value-in-use calculations was higher than its carrying amount at December 31, 2021. Accordingly, no provision for impairment loss for Trademarks is considered necessary. Any reasonable possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2021.

Notes to the Consolidated Financial Statements (Continued)

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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

(ii) CGU B

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

	2021	2020
Post-tax discount rate	**15%**	13%
Terminal value growth rate	**2%**	2%
Budgeted revenue growth rate (average of financial forecasts period)	**17%**	26%

Post-tax discount rate represents the current market assessment of the risks specific to CGU B, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its WACC. The WACC takes into account both debt and equity.

The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

The recoverable amount of the CGU B (including goodwill) based on the estimated value-in-use calculations was higher than its carrying amount at December 31, 2021 and 2020. Accordingly, no provision for impairment loss for goodwill is considered necessary. Any reasonable possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2021 and 2020.

Notes to the Consolidated Financial Statements (Continued)

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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

(iii) CGU C

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

	2021	2020
Post-tax discount rate	**15%**	13%
Terminal value growth rate	**2%**	2%
Budgeted revenue growth rate (average of financial forecasts period)	**14%**	24%

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

The recoverable amount of the CGU C (including goodwill) based on the estimated value-in-use calculations was higher than its carrying amount at December 31, 2021 and 2020. Accordingly, no provision for impairment loss for goodwill is considered necessary. Any reasonable possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2021 and 2020.

Notes to the Consolidated Financial Statements (Continued)

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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

(iv) CGU D

CGU D is part of the business operations within the "Peripherals" segment. The recoverable amount of CGU D was based on its value-in-use calculations. These calculations use cash flows projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the aforementioned financial forecasts period are extrapolated using estimated growth rate stated below.

Cash flows for the stabilised years are equal to or lower than the cash flows of the fourth year of the business plan. The key assumptions used in the estimation of the recoverable amount are set out below.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2021	2020
Post-tax discount rate	**9%**	–
Terminal value growth rate	**2%**	–
Budgeted revenue growth rate (average of financial forecasts period)	**15%**	–

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

The recoverable amount of the CGU D (including goodwill) based on the estimated value-in-use calculations was higher than its carrying amount at December 31, 2021. Accordingly, no provision for impairment loss for goodwill is considered necessary. Any reasonable possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2021.

Notes to the Consolidated Financial Statements (Continued)

15 INVESTMENTS IN SUBSIDIARIES

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

Name of subsidiary	Principal activities	Place of incorporation and business	Particulars of issued and paid-up capital	Attributable equity interest held by the Group	
				Direct %	Indirect %
Razer (Asia-Pacific) Pte. Ltd.	Design, manufacture, distribution, research and development of computer peripherals, systems and accessories	Singapore	Issued and paid-up capital of Singapore dollars ("SGD") 432,011,933.36 consisting of 402,103,605 ordinary shares	100	–
Razer USA Ltd.	Trading of computer peripherals, systems and accessories	Place of incorporation is State of Delaware, U.S. Place of business in Irvine and San Francisco, California, U.S.	Issued and paid-up capital of US$0.10 consisting of 10 shares of common stock of US$0.01 each	–	100
Razer (Europe) GmbH	Trading of computer peripherals and accessories	Hamburg, Germany	Paid-up capital of EUR25,000.00	–	100
Razer Online Pte. Ltd	Providing software and virtual credit service	Singapore	Issued and paid-up capital of US$1.00 consisting of 1 ordinary share	–	100
MOL AccessPortal Sdn. Bhd.	Internet media, e-commerce utilizing internet-connected physical outlets as e-distribution and e-payment centers and provision of e-solution services	Malaysia	Issued and paid-up capital of Malaysian Ringgit ("MYR") 23,182,909.00 consisting of 108,574,700 ordinary shares	–	100
Razer Merchant Services Sdn. Bhd.	Provision of establishment, maintenance and operation of payment, clearing and settlement system and other related activities	Malaysia	Issued and paid-up capital of MYR5,549,972.00 consisting of 5,100,000 ordinary shares	–	81 *(Note)*
RMS Reloads Sdn. Bhd.	Providing distribution of airtime electronic pins for all major mobile prepaid services, reload prepaid credit services and bill payment services through distribution channel networks comprising terminals located in retail stores operated by chain operators	Malaysia	Issued and paid-up capital of MYR29,255,409.00 consisting of 29,255,409 ordinary shares	–	81 *(Note)*
MOL Payment Co., Ltd.	Processing data and financial transactions payment	Thailand	Issued and paid-up capital of THB200,000,000.00 consisting of 2,000,000 ordinary shares of THB100 each	–	100
e-Innovations Systems & Networks Thai Co., Ltd	Provision of online retail platform to sell game cards over Point-of-Sales (POS) or e-commerce for game users who can access games provided by third-party game developers	Thailand	Issued and paid-up capital of THB5,000,000.00 consisting of 50,000 ordinary shares of THB100 each	–	100
Sihirli Kule Bilgi Sistemleri Ltd. (Cyprus)	Sale of electronic pins for online games and other related products	Cyprus	Issued and paid-up capital of EUR24,000.00 consisting of 2,400 ordinary shares of EUR10 each	–	100
RMS Reloads (Philippines) Inc. (formerly known as Uniwiz Trade Sales, Inc)	Distribution solution provider for prepaid services in the Philippines	Philippines	Issued and paid-up capital of PHP11,000,000.00 consisting of 11,000,000 common shares of PHP1 each	–	81 *(Note)*

Note: *During the year ended December 31, 2021, the Group acquired 30% equity interest in Razer Fintech Holdings Pte. Ltd. ("Razer Fintech") from Berjaya Corporation Berhad, the non-controlling interest, for a cash consideration of US$53,568,000. After the transaction, the Group's equity interest in Razer Fintech Holdings and its wholly owned subsidiaries increased from 51% to 81%.*

Notes to the Consolidated Financial Statements (Continued)

16 OTHER TAX LIABILITIES

Recognised income tax positions are measured at the best estimate of the tax amounts to be paid. Changes in recognition or measurement are reflected in the year in which the change in judgment occurs. As at December 31, 2021, the Group recognised tax effect of uncertain income tax positions of US$5,151,000 (2020: US$5,740,000).

17 DEFERRED TAX ASSETS AND LIABILITIES

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

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

	At January 1, 2020 US$'000	Recognised in/ (credited to) profit or loss (note 11) US$'000	Recognised in equity US$'000	At December 31, 2020 US$'000	Recognised in/ (credited to) profit or loss (note 11) US$'000	Recognised in equity US$'000	Acquisition through business combination (note 30) US$'000	**At December 31, 2021 US$'000**
Assets								
Unutilised research credits	1,332	(362)	–	970	(727)	–	–	**243**
Loss allowance for trade receivables	1,060	1,052	–	2,112	(440)	–	–	**1,672**
Share-based compensation	1,699	(1,328)	185	556	(75)	4	–	**485**
Other provisions	3,473	46	49	3,568	(430)	(2)	–	**3,136**
Tax losses	–	4,905	–	4,905	787	–	–	**5,692**
Lease liabilities	–	1,325	–	1,325	(435)	–	–	**890**
Other items	894	80	–	974	880	(86)	–	**1,768**
	8,458	5,718	234	14,410	(440)	(84)	–	**13,886**
Liabilities								
Property, plant and equipment	(3,115)	1,259	–	(1,856)	604	–	–	**(1,252)**
Intangible assets	(2,961)	705	(50)	(2,306)	1,135	118	(1,189)	**(2,242)**
Net deferred tax assets	2,382	7,682	184	10,248	1,299	34	(1,189)	**10,392**

During the years ended December 31, 2021 and 2020, the Group granted restricted stock units and the corresponding share-based compensation expense is recognised in the respective subsidiaries. Under current U.S. tax law, such share-based compensation expense is not deductible for U.S. tax purposes until such restricted stock units vest. Therefore, deferred tax assets have been recognised in relation to the temporary timing difference arising from these share-based compensation expenses in relation to the Group's U.S. subsidiary. Deferred tax assets have been recognised because it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Notes to the Consolidated Financial Statements (Continued)

17 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

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

	2021 US$'000	2020 US$'000
Deferred tax assets	**12,729**	12,614
Deferred tax liabilities	**(2,337)**	(2,366)
	10,392	10,248

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

(b) Unrecognised deferred tax assets

	2021 US$'000	2020 US$'000
Deductible temporary differences	**27,890**	22,056
Tax losses	**324,767**	323,169

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

(c) Unrecognised tax losses

As at December 31, 2021, the Group has tax losses of US$324,767,000 (2020: US$323,169,000), that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. As at December 31, 2021, cumulative tax loss of US$324,767,000 (2020: US$323,169,000) can be carried forward indefinitely.

18 INVENTORIES

	2021 US$'000	2020 US$'000
Raw materials	**8,243**	3,412
Finished goods	**178,171**	121,446
	186,414	124,858

Raw materials and changes in finished goods recognised in cost of sales amounted to US$1,230,410,000 (2020: US$943,561,000) including write-down to net realisable value amounting to US$8,212,000 (2020: US$15,359,000) for the Group. A write-down to net realisable value amounting to US$NIL (2020: US$2,696,000) is recognised in selling and marketing expenses.

Notes to the Consolidated Financial Statements (Continued)

19 TRADE AND OTHER RECEIVABLES

	2021 US$'000	2020 US$'000
Trade receivables	**324,113**	311,730
Less: Allowance for trade receivables	**(88,757)**	(84,254)
Less: Loss allowance	**(2,087)**	(4,083)
	233,269	223,393
Deposits	**4,010**	3,514
Other receivables[1]	**44,165**	44,492
Trade and other receivables	**281,444**	271,399
Non-current	**6,280**	3,692
Current	**275,164**	267,707
	281,444	271,399

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

Ageing analysis

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

	2021 US$'000	2020 US$'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

The Group usually grants credit terms ranging from 2 days to 60 days (2020: 2 days to 60 days) from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 29(b).

Notes to the Consolidated Financial Statements (Continued)

20 OTHER INVESTMENTS

	2021 US$'000	2020 US$'000
Equity securities designated at FVOCI (non-recycling)		
Equity security (quoted) – non-current	**346**	3,887
Equity security (unquoted) – non-current	**8,802**	1,565
	9,148	5,452
Financial assets designated at FVPL		
Financial assets (quoted) – non-current	**–**	53,331
Financial assets (unquoted) – non-current	**5,363**	2,522
	5,363	55,853
	14,511	61,305

As of the end of the reporting period, the total amount of capital commitment made by the Group, are as follow:

	2021 US$'000	2020 US$'000
Capital commitment	**14,500**	10,500

The Group's exposures to credit and market risks, and fair value measurement are disclosed in note 29.

21 RESTRICTED CASH

As at December 31, 2021, the restricted cash balance is US$2,853,000 (2020: US$19,630,000), of which US$837,000 (2020: US$1,186,000) relates to the unutilised virtual credits, Razer Gold, and mobile wallet (collectively "e-money liabilities") balance. The restricted cash is required to be kept at least at 1.02 times of the total e-money liabilities as per the Guideline on Electronic Money issued by Bank Negara of Malaysia. Currently, the money is held in trust by a trustee and maintained at 1.02 times of the total e-money liabilities.

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

Notes to the Consolidated Financial Statements (Continued)

22 CASH AND BANK BALANCES

	2021 US$'000	2020 US$'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.

23 TRADE AND OTHER PAYABLES

	2021 US$'000	2020 US$'000
Trade payables	**454,402**	469,826
Accrued operating expenses	**105,101**	77,153
Provision for warranty expenses	**20,419**	19,336
Accrued liabilities for materials	**3,763**	1,115
Deposits received	**2,209**	2,359
Other payables[1]	**17,136**	16,135
	603,030	585,924
Non-current	**2,560**	1,712
Current	**600,470**	584,212
	603,030	585,924

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

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

	2021 US$'000	2020 US$'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

Notes to the Consolidated Financial Statements (Continued)

23 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2021 US$'000	2020 US$'000
At January 1	–	7,044
Revision to estimated exercise price	–	627
Exercise of options	–	(7,574)
Exchange differences	–	(97)
At December 31	–	–

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

	2021 US$'000	2020 US$'000
At January 1	**19,336**	12,958
Provision made during the year	**23,685**	28,552
Provision utilised during the year	**(22,602)**	(22,174)
At December 31	**20,419**	19,336

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

The Group's exposures to currency and liquidity risks related to trade and other payables are disclosed in note 29.

24 CUSTOMER FUNDS

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

Notes to the Consolidated Financial Statements (Continued)

25 LEASE LIABILITIES

As at December 31, 2021 and 2020, the contractual maturities of the lease liabilities are as follows:

	2021 US$'000	2020 US$'000
Less than one year	**7,770**	4,676
Between one and five years	**20,036**	6,587
More than five years	**27,033**	1,154
Total contractual cash flows	**54,839**	12,417
Less: Imputed interest on lease liabilities	**(23,212)**	(1,648)
Carrying amount	**31,627**	10,769

26 SHARE-BASED COMPENSATION EXPENSE

The Group has the following share-based payment arrangements:

Restricted Stock Units

On August 23, 2016, the Company's shareholders approved the 2016 Equity Incentive Plan, which is a share-based incentive plan designed to reward, retain and motivate the Group's employees. The 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).

Notes to the Consolidated Financial Statements (Continued)

26 SHARE-BASED COMPENSATION EXPENSE (CONTINUED)

Restricted Stock Units (continued)

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

The board of directors considered 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 follow the accounting policy set out in 3(j)(iii). 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.

Notes to the Consolidated Financial Statements (Continued)

27 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital US$'000	Share premium US$'000	Reserve for treasury shares US$'000	Share-based payment reserve US$'000	Retained profits US$'000	Total US$'000
At January 1, 2020	89,482	683,847	(24,328)	94,328	125,403	968,732
Changes in equity for 2020:						
Profit for the year	–	–	–	–	3,146	3,146
Repurchase and cancellation of shares	(720)	(13,171)	–	–	481	(13,410)
Issuance of vested shares, net of tax	–	–	23,424	(43,124)	19,700	–
Share-based compensation expense	–	–	–	15,684	–	15,684
Reversal of shares issuance expenses	–	1,850	–	–	–	1,850
At December 31, 2020 and January 1, 2021	**88,762**	**672,526**	**(904)**	**66,888**	**148,730**	**976,002**
Changes in equity for 2021:						
Loss for the year	**–**	**–**	**–**	**–**	**(1,607)**	**(1,607)**
Repurchase and cancellation of shares	**(1,829)**	**(56,701)**	**–**	**–**	**2,129**	**(56,401)**
Issuance of vested shares, net of tax	**–**	**–**	**1,023**	**(19,723)**	**18,700**	**–**
Share-based compensation expense	**–**	**–**	**–**	**11,882**	**–**	**11,882**
Reversal of shares issuance expenses	**665**	**–**	**(665)**	**–**	**–**	**–**
At December 31, 2021	**87,598**	**615,825**	**(546)**	**59,047**	**167,952**	**929,876**

Notes to the Consolidated Financial Statements (Continued)

27 CAPITAL AND RESERVES (CONTINUED)

(b) Share capital

	2021 No. of shares	2021 Amount US$'000	2020 No. of shares	2020 Amount US$'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

(c) Ordinary shares

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares (excluding treasury shares) rank equally with regards to the Company's residual assets.

During the year ended December 31, 2021, the Group repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share** HKD	**Lowest price paid per share** HKD	**Aggregate price paid** US$'000
March 2021	**25,437,000**	**2.52**	**2.26**	**7,932**
April 2021	**45,594,000**	**2.84**	**2.64**	**16,221**
May 2021	**44,307,000**	**2.80**	**2.55**	**15,472**
June 2021	**53,451,000**	**2.19**	**2.09**	**14,665**
July 2021	**6,900,000**	**2.12**	**2.07**	**1,858**
				56,148

Notes to the Consolidated Financial Statements (Continued)

27 CAPITAL AND RESERVES (CONTINUED)

(d) Treasury shares

In 2021, 102,345,271 ordinary shares were issued for vested RSUs, of which no shares were withheld for withholding tax purpose.

In 2020, 213,226,192 ordinary shares were issued for vested RSUs, of which no shares were withheld for withholding tax purpose.

(e) Capital management

The Group defines "capital" as including all components of equity. The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future developments of the business. There were no changes in the Group's approach to capital management during the year. The Group is not subject to any externally imposed capital requirements.

(f) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

(g) Merger reserve

The merger reserve represents the excess of the purchase consideration over the book value of net assets of a subsidiary acquired in 2006. The acquisition was accounted as an acquisition under common control.

(h) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of RSUs granted to the directors, employees and consultants of the Company and its subsidiaries that has been recognised in accordance with the accounting policy adopted for shared-based payments in note 3(j)(iii).

Notes to the Consolidated Financial Statements (Continued)

28 MATERIAL RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2021 US$'000	2020 US$'000
Short-term employee benefits	**3,021**	2,328
Share-based compensation benefits	**5,810**	10,868
	8,831	13,196

Leases

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

During the year ended December 31, 2021, the amount recognised in the consolidated statement of profit or loss and other comprehensive income are as follow:

	2021 US$'000	2020 US$'000
Interest on lease liabilities	**1,431**	–
Depreciation on right-of-use assets	**872**	–
	2,303	–

The amount of lease liabilities outstanding in respect of the lease of the specific premises located in Singapore as of year ended December 31, 2021 is US$20,089,777 (December 31, 2020: nil).

Building improvements

In relation to the lease arrangement above, the Group has contracted the same related party to provide certain building improvement service during the year ended December 31, 2021. The Group has made a full payment and capitalised the amount of US$1,279,000 as building improvements, which will be amortised over an estimated useful live of 15 years. During the year ended December 31, 2021, the amount of depreciation expense recognised in the Group's consolidated statement of profit or loss is US$57,000.

Notes to the Consolidated Financial Statements (Continued)

29 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with a minimum credit rating of A assigned by Standard & Poor's, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 29% (2020: 36%) and 67% (2020: 71%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances due are requested to settle all outstanding balances before any further credit is granted.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Consolidated Financial Statements (Continued)

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2021:

	Expected loss rate	**Gross carrying amount US$'000**	**Loss allowance US$'000**
Current (not past due)	**0.1%**	**213,136**	**272**
Past due 1 – 30 days	**0.2%**	**15,621**	**35**
Past due 31 – 60 days	**8.0%**	**1,106**	**89**
Past due 61 – 90 days	**26.5%**	**1,476**	**391**
More than 90 days	**32.4%**	**4,017**	**1,300**
			2,087

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2020:

	Expected loss rate	Gross carrying amount US$'000	Loss allowance US$'000
Current (not past due)	0.8%	195,824	1,642
Past due 1 – 30 days	0.8%	26,939	214
Past due 31 – 60 days	8.7%	1,406	123
Past due 61 – 90 days	41.6%	1,195	497
More than 90 days	76.1%	2,112	1,607
			4,083

Expected loss rates are based on actual loss experience over the past one year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021 US$'000	2020 US$'000
At January 1	**4,083**	598
(Reversal of)/impairment loss recognised on trade receivables	**(1,968)**	3,591
Uncollectible amount written off	**(28)**	(106)
At December 31	**2,087**	4,083

Notes to the Consolidated Financial Statements (Continued)

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than US$, the Company's functional currency. The currencies giving rise to this risk are primarily EUR, HKD, MYR and SGD.

The Group also holds cash in bank denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in EUR, HKD, MYR and SGD.

The Group's exposures to foreign currency are as follows:

	2021			
	EUR US$'000	**HKD US$'000**	**MYR US$'000**	**SGD US$'000**
Trade and other receivables	**31,800**	**237**	**90,479**	**2,245**
Cash and bank balances	**14,887**	**1,666**	**86,445**	**26,963**
Trade and other payables	**(24,637)**	**(1,622)**	**(183,850)**	**(12,795)**
	22,050	**281**	**(6,926)**	**16,413**

	2020			
	EUR US$'000	HKD US$'000	MYR US$'000	SGD US$'000
Trade and other receivables	36,628	145	17,620	4,565
Cash and bank balances	5,052	3,214	15,406	5,952
Trade and other payables	(5,737)	(862)	(62,343)	(21,734)
	35,943	2,497	(29,317)	(11,217)

Sensitivity analysis

A 10% strengthening of US$ against the following currencies at the reporting date would increase/(decrease) profit by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant. In this respect, it is assumed that the pegged rate between US$ and HKD would be materially unaffected by any changes in movement in value of US$ against other currencies.

	2021 US$'000	2020 US$'000
EUR	**(2,205)**	(3,594)
MYR	**693**	2,932
SGD	**(1,641)**	1,122

A 10% weakening of US$ against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the Consolidated Financial Statements (Continued)

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

The Group's exposure to market risk for changes in interest rates primarily relates to the Group's fixed deposits as disclosed in note 22. As at the reporting date, the Group is not significantly exposed to interest rate risk.

(e) Fair values

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

Fair value hierarchy

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values (continued)

Fair value hierarchy (continued)

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical assets (Level 1) US$'000	Significant other inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
2021				
Financial assets				
Money market funds	**–**	**17,341**	**–**	**17,341**
Other investments (quoted)	**346**	**–**	**–**	**346**
Other investments (unquoted)	**–**	**–**	**14,165**	**14,165**
	346	**17,341**	**14,165**	**31,852**
2020				
Financial assets				
Money market funds	–	49,043	–	49,043
Other investments (quoted)	6,403	50,815	–	57,218
Other investments (unquoted)	–	–	4,087	4,087
	6,403	99,858	4,087	110,348

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

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

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Notes to the Consolidated Financial Statements (Continued)

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values (continued)

Fair value hierarchy (continued)

The following table presents the change in level 3 instruments:

	2021 **US$'000**	2020 US$'000
Financial assets		
At January 1	**4,087**	1,297
Additions	**7,176**	2,721
Net unrealised gain recognised in other comprehensive income	**2,902**	69
At December 31	**14,165**	4,087

	2021 **US$'000**	2020 US$'000
Financial liabilities		
At January 1	**–**	7,044
Net unrealised foreign exchange loss recognised in profit or loss	**–**	(97)
Unwinding of discount	**–**	627
Exercise of options with non-controlling interests	**–**	(7,574)
At December 31	**–**	–

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

(f) Liquidity risk

The Group monitors the overall liquidity risk by maintaining sufficient cash and cash equivalent levels and actively manages cash flow fluctuations to finance and support business operations. Operational cash flows are expected to be short-term in nature. All of the current trade and other payables are expected to be settled and recognised as income within one year or are repayable on demand. The effects of the Group's cash flows occurring beyond one year are expected to be immaterial.

30 BUSINESS COMBINATION

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

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

Notes to the Consolidated Financial Statements (Continued)

30 BUSINESS COMBINATION (CONTINUED)

Identifiable assets acquired and liabilities assumed

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

	2021 US$'000
Property, plant and equipment	49
Intangible assets	4,405
Inventories	1,980
Prepayments	454
Trade and other receivables	2,491
Trade and other payables	(1,872)
Lease liabilities	(21)
Deferred tax liabilities	(1,189)
Total net identifiable assets at fair value	**6,297**
Goodwill arising from acquisition	4,489
Total consideration	**10,786**
Less: consideration payable	(850)
Less: contingent consideration *(Note)*	(1,395)
Cash outflow on acquisition	**8,541**

Note: According to the APA, an aggregate earn-out amount to be determined in accordance with the APA if certain targets are met for the financial years 2021 and 2022 is to be paid. Such contingent consideration recognised is US$1,395,000. As at December 31, 2021, the contingent consideration is remeasured and US$714,000 is reversed and recognised under "Other non-operating income" in the Group's consolidated statement of profit or loss.

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

Impact of the acquisition on profit or loss statement

For the year ended December 31, 2021, CG contributed revenue of US$11,556,000 and a net loss after tax of US$1,363,000.

If the acquisition had occurred on January 1, 2021, management estimates that the contribution to the consolidated revenue would have been US$15,408,000 and the contribution to net loss after tax would have been a net loss of US$1,818,000 for the year ended December 31, 2021.

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

Transaction costs

Transaction costs of US$128,000 related to the acquisition have been recognised under "General and administration expenses" in the Group's consolidated statement of profit or loss for the year ended December 31, 2021.

Notes to the Consolidated Financial Statements (Continued)

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	December 31, 2021 US$'000	December 31, 2020 US$'000
Non-current assets		
Investments in a subsidiary	**645,299**	582,329
Other investments	**–**	53,331
Other receivables	**2,500**	2,500
Prepayments	**87**	135
	647,886	638,295
Current assets		
Other receivables	**70,802**	68,740
Prepayments	**85**	82
Cash and bank balances	**217,130**	271,154
	288,017	339,976
Current liability		
Trade and other payables	**6,027**	2,269
Net current assets	**281,990**	337,707
NET ASSETS	**929,876**	976,002
Capital and reserves		
Share capital	**87,598**	88,762
Share premium	**615,825**	672,526
Reserves	**226,453**	214,714
TOTAL EQUITY	**929,876**	976,002

Definitions and Glossary of Technical Terms

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

2016 Equity Incentive Plan	the 2016 Equity Incentive Plan approved by the Board on July 25, 2016 and the Company's shareholders on August 23, 2016 (and subsequently amended on October 25, 2017 and March 8, 2019) for the grant of, among others, RSUs to eligible participants
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 annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
Company or Razer	Razer Inc., an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1337)
Director(s)	director(s) of the Company
EBITDA	Earnings before interest, 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

Definitions and Glossary of Technical Terms (Continued)

SGD	Singapore dollars, the lawful currency of Singapore
Shares	ordinary shares of US$0.01 each in the issued share capital of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
THX	THX Ltd. (formerly known as Razer Tone, Inc.), a company incorporated in Delaware, the United States on August 19, 2016 and our 80%-owned subsidiary
U.S.	the United States of America
US$ or U.S. Dollar	United States dollars, the lawful currency of the United States
%	per cent

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

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

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