



RAZER INC.

雷蛇*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1337)

**Terms of Reference for the
Audit and Risk Management Committee of
Razer Inc.
(the “Company”)**

* For identification purpose only

Definitions

1. For the purposes of these terms of reference (these “Terms”):

Audit and Risk Management Committee means the audit and risk management committee established by the resolution of the Board in accordance with clause 2 of these Terms;

Board means the board of directors of the Company;

Chief Financial Officer means the senior officer of the Company responsible for financial management as appointed by the Board from time to time;

Company Secretary means any one of the joint company secretaries of the Company;

Directors means the members of the Board;

Group means the Company and its subsidiaries and associated companies at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries and associated companies, the present subsidiaries and associated companies of the Company or the businesses operated by its present subsidiaries and associated companies or (as the case may be) its predecessor;

Listing Rules mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);

Senior Management means (where applicable) the chief executive officer, chief financial officer, chief operating officer, chief customer officer, senior vice presidents and any other officers of the Group as may be appointed by the Board from time to time; and any other employees of the Group as may be determined by the Company’s Remuneration Committee to be part of the senior management of the Company;

Shareholders means the shareholders of the Company; and

Stock Exchange means The Stock Exchange of Hong Kong Limited.

Constitution

2. The Audit and Risk Management Committee was established by the resolution of the Board dated October 25, 2017.

Membership

3. The chairman and members of the Audit and Risk Management Committee shall be appointed by the Board from time to time from among the non-executive Directors only and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors and at least one of whom shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. The quorum of the Audit and Risk Management Committee meeting shall be any two members of the Audit and Risk Management Committee, one of whom must be an independent non-executive Director.

LR3.21

4. A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit and Risk Management Committee for a period of two years from the date of the person ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm, whichever is the later.
5. The chairman of the Audit and Risk Management Committee shall be an independent non-executive Director. C.3.2
LR3.21
6. No member of the Audit and Risk Management Committee shall receive, either directly or indirectly, any remuneration other than Directors' fees from the Company for any advisory or consultancy role or otherwise.
7. The term of office of a member of the Audit and Risk Management Committee shall correspond to that of a Director. During the term of office, any member of the Audit and Risk Management Committee who ceases to hold office as a Director will automatically be disqualified as a member of the Audit and Risk Management Committee and the Board shall appoint a replacement in accordance with clause 3 of these Terms.

Attendance at meetings

8. The Chief Financial Officer, the head of internal audit or equivalent (including external service providers) of the Company and a representative of the external auditors shall normally attend meetings of the Audit and Risk Management Committee. However, the Audit and Risk Management Committee shall meet with the external and internal auditors without the executive Directors and the management of the Company present at least twice a year.

Frequency and procedure of meetings

9. Unless otherwise stated herein, the meetings of the Audit and Risk Management Committee are governed by the relevant provisions contained in the Company's articles of association for regulating the meeting and proceedings of Directors.
10. Meetings of the Audit and Risk Management Committee shall be held at least twice a year. The external auditors may request a meeting if they consider that one is necessary. The meeting shall be chaired by the chairman of the Audit and Risk Management Committee. In the absence of the chairman of the Audit and Risk Management Committee, the other members present shall elect one of them to chair the meeting.
11. The Company Secretary shall be the secretary of the Audit and Risk Management Committee.
12. An agenda and accompanying Board papers should be sent in full to all Directors in a timely manner at least three days before the intended date of a meeting of the Audit and Risk Management Committee (or such other period as agreed by the Board). A.7.1
13. The Senior Management is obliged to supply the Board and the Audit and Risk Management Committee with adequate information, in a timely manner, to facilitate the making of informed decision. The information supplied must be complete and reliable. Where a Director requires more information than information provided voluntarily by the Senior Management, the relevant Director should make additional necessary enquiries to the Senior Management. The Board, the Audit and Risk Management Committee and each Director shall have separate and independent access to the Senior Management. A.7.2

Annual General Meeting

14. The chairman of the Audit and Risk Management Committee shall attend the Company's annual general meeting and be prepared to respond to any Shareholders' questions on the Audit and Risk Management Committee's activities. E.1.2
15. If the chairman of the Audit and Risk Management Committee is unable to attend an Annual General Meeting of the Company, he shall arrange for another member of the Audit and Risk Management Committee, or failing this, his duly appointed delegate, to attend in his place. Such person shall be prepared to respond to any Shareholders' questions on the Audit and Risk Management Committee's activities. E.1.2

Authority

16. The Audit and Risk Management Committee is authorized by the Board to investigate any activity within these Terms. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit and Risk Management Committee.
17. The Audit and Risk Management Committee is authorized by the Board to obtain external independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, at the Company's expense, if it considers it necessary. The Audit and Risk Management Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external auditors who advises the Audit and Risk Management Committee.

Duties

18. The duties of the Audit and Risk Management Committee shall include:

Relationship with the Company's auditors

- (a) being primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor; C.3.3(a)
- (b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; C.3.3(b)
- (c) developing and implementing policy on the engagement of an external auditor to supply non-audit services and report to the Board, identifying and making recommendations on any matters in respect of which it considers that action or improvement is needed; C.3.3(c)
- (d) when the external auditor renders a substantial volume of non-audit services to the Group, reviewing the nature and extent of such services, and ensuring that the provision by the external auditor of non-audit services does not impair the external auditor's independence or objectivity; C.3.3 Note 3
- (e) discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved; C.3.3(b)

- (f) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of the Senior Management where necessary);

Review of financial information of the Company

- (g) monitoring integrity of financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit and Risk Management Committee shall focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with any requirements from the Stock Exchange and any legal requirements in relation to financial reporting;
- (h) in regard to (g) above, members of the Audit and Risk Management Committee should:
 - (i) liaise with the Board, Senior Management and the person appointed as the Company's qualified accountant;
 - (ii) meet, at least twice a year, with the Company's auditors; and
 - (iii) consider any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, the Company's qualified accountant, compliance officer or auditors;

Oversight of the Company's financial reporting system

- (i) reviewing the Company's financial controls and the Company's risk management and internal control systems;
- (j) where an internal audit function exists, ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- (k) reviewing the Group's financial and accounting policies and practices;
- (l) reviewing the external auditor's management letter, any material queries raised by the auditor to the Senior Management about accounting records, financial accounts or systems of control and Senior Management's response;

- (m) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter; C.3.3(l)
- (n) reporting to the Board on the matters set out in these Terms; C.3.3(m)
- (o) reviewing arrangements that employees of the Company can use, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; C.3.7(a)
- (p) acting as the key representative body for overseeing the Company's relations with the external auditor; C.3.7(b)
- (q) establishing a whistleblowing policy and system for employees of the Company and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit and Risk Management Committee about possible improprieties in any matter related to the Company; C.3.8
- (r) considering any other topics, as defined by the Board; C.3.3(n)

Oversight of the Company's risk management and internal control systems

- (s) reviewing the Company's risk management and internal control systems; C.2;
- (t) evaluating and determining the nature and extent of the risks the Company is willing to take in achieving its strategic objectives and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems;
- (u) overseeing management on an ongoing basis in the design, implementation and monitoring of the risk management and internal control systems which should cover all material controls so as to deal with relevant risks faced by the Company; C.2.1; C.2.4(a)
- (v) overseeing risk management framework to identify, evaluate and deal with the financial, business, operational, legal, regulatory, strategic and other relevant risks faced by the Company;
- (w) reviewing regulatory updates on risk management related issues and considering their material implications to the Company's risk profiles;
- (x) reviewing the Company's risk management system and policies pertaining to significant risk areas, and assessing the effectiveness of the Company's risk control tools, including the risk management system, the internal audit function relating to risk management and the Company's contingency plans; C.2.1; C.3.3(f)
- (y) discussing the risk management and internal control systems with the Senior Management to ensure that the Senior Management has performed its duties in establishing and maintaining an effective risk management system, including adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting and risk management function; C.2.2; C.3.3(g)

- (z) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the Senior Management's response to those findings; C.3.3(h)
- (aa) reviewing the Senior Management's periodic risk reports on risk exposure, risk portfolio and risk management activities;
- (bb) overseeing the implementation of risk management policies and the compliance with respective laws and regulations; C.2
- (cc) considering and advising the Board on risk-related matters that may have impact on the Company's operations or financial performance; and

Annual review of the Company's risk management and internal control systems

- (dd) ensuring a review of the effectiveness of the Company's risk management and internal control systems has been conducted at least annually, and report to the Shareholders in the Company's corporate governance report. In the annual review, the Audit and Risk Management Committee should, in particular: C.2.1
 - (i) ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting and risk management functions; C.2.2
 - (ii) consider the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; C.2.3
 - (iii) consider the scope and quality of management's ongoing monitoring of risks;
 - (iv) consider the extent and frequency of communication of monitoring results to the Audit and Risk Management Committee which enables it to assess control of the Company and the effectiveness of risk management;
 - (v) consider significant control failings or weaknesses that have been identified during the period, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition;
 - (vi) consider the effectiveness of the Company's processes for risk management and internal control; and
 - (vii) request and review a confirmation from the Senior Management on the effectiveness of the Company's risk management and internal control systems. C.2.6

Failure to reach an agreement regarding external auditors

- 19. Where the Board has taken a different view from the Audit and Risk Management Committee regarding the selection, appointment, resignation or dismissal of the external auditors, the Audit and Risk Management Committee shall submit a statement to the Company explaining its recommendation, which statement shall be disclosed by the Company in the Corporate Governance Report in accordance with the Listing Rules. C.3.5

Reporting procedures

20. Full minutes of the Audit and Risk Management Committee's meetings shall be kept by the Company Secretary or a representative appointed by the Company Secretary. The minutes shall be made available for inspection at any reasonable time on reasonable notice by any Director. A.1.4
C.3.1
21. Minutes of meetings of the Audit and Risk Management Committee shall record in sufficient detail the matters considered by the Audit and Risk Management Committee and decisions reached, including any concerns raised by the Directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Audit and Risk Management Committee for their comment and records respectively, in both cases within a reasonable time after such meetings. A.1.5
C.3.1
22. Without prejudice to the generality of the duties of the Audit and Risk Management Committee set out above, the Audit and Risk Management Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on it to do so. D.2.2
23. The Audit and Risk Management Committee shall ensure that the Board as a whole and Directors individually have proper access to reports and other materials related to the Audit and Risk Management Committee's work (having regard to the Listing Rules requirement for separate and independent access for the Board and Directors respectively to the Senior Management). It shall also ensure that such materials are of a form and quality sufficient to enable the Board to make informed decisions on matters placed before it, and that Directors will receive a prompt and full response, if possible, to their enquiries. A.7.3

Provision of these Terms

24. The Audit and Risk Management Committee shall make available these Terms on request and by inclusion on the Stock Exchange's website and the Company's website, thereby explaining its role and the authority delegated to it by the Board. C.3.4

Note: If there is any inconsistency between the English and Chinese versions of these Terms, the English version shall prevail.