

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2019. The results have been audited by the Auditor in accordance with International Standards on Auditing. In addition, the results have also been reviewed by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended December 31		
	2019	2018	Change
	(RMB'000)	(RMB'000)	%
Revenues	2,838,097	1,887,108	50.4
Gross profit	1,771,777	1,110,799	59.5
Profit for the year	513,429	352,721	45.6
Adjusted profit for the year*	572,048	355,136	61.1
Profit attributable to equity holders of the Company	346,563	285,028	21.6
Adjusted profit attributable to equity holders of the Company*	405,182	287,443	41.0

* To supplement our consolidated financial statement which are presented in according with IFRS, we also use adjusted profit for the year and adjusted profit attributable to equity holders of the Company as an additional financial measure to evaluate our financial performance by eliminating the impact of share-based payments and listing expenses. See “Non-IFRS Measures” for details.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our mission is to impact each and every gamer by promoting the spirit of craftsmanship.

We develop and operate quality games in China and Overseas. We also operate TapTap, a leading game community and platform in China. In 2019, we achieved substantial growth in both our game and TapTap businesses.

Our Games

We have a diverse portfolio of games across different genres. As of December 31, 2019, our game portfolio consisted of 38 online games and 11 premium games.

Our Online Games

We focus on developing, publishing and operating online games. Our online games consist of mobile games and web games. Since 2012, we began to shift our business focus to mobile games. In 2019, 96.6% of online games operating revenue was derived from mobile games. As one of the pioneers of China-based game developers and operators that entered the overseas markets, we committed ourselves to introducing excellent games to more people across different countries and regions. In 2019, we have launched 11 new online games, such as LifeAfter (明日之後) in South Korea and Europe, Langrisser (夢幻模擬戰) in South Korea and Ulala (不休的烏拉拉) in China and more than 50 overseas countries and regions. In 2019, we also brought our existing games to more countries and regions, for example, Ragnarok M (仙境傳說) was successfully launched in North America, South America and Oceania in January 2019, in Japan in June 2019 and in Europe in October 2019. In terms of revenue contribution, Ragnarok M (仙境傳說), Ulala (不休的烏拉拉), Langrisser (夢幻模擬戰), Girls' Frontline (少女前線) and Heng Sao Qian Jun (橫掃千軍) were our top five games in 2019.

We have invested and will continue to invest substantial resources in our in-house development capabilities. In 2019, our game Ragnarok M, which was jointly developed by GRAVITY CO., Ltd., The Dream Network Technology Co., Ltd. and us had achieved great success globally, which demonstrated our strong R&D capabilities. As of December 31, 2019, we had seven game development studios supported by a game development team of 620 employees, accounting for 50.2% of our total number of employees. In 2019, we invested more research and development resources in studying and developing new games and technologies, as well as the ongoing development, optimization and version updates of launched games. As of December 31, 2019, we had eight online game projects under development stage. We believe those new game projects are crucial to our future success.

Our Premium Games

Our premium games usually adopt pay-to-play mode, which means that gamers need to pay initial fees to purchase access to such games. We believe premium games further enrich our game portfolio and enhance our brand recognition among core gamers. Our premium games, such as ICEY (艾希) and Muse Dash (喵斯快跑), support various types of devices, including but not limited to mobile, PC and Switch, and enjoy international recognition and awards. As of December 31, 2019, we had sold over 3.0 million copies of ICEY (艾希) and over 1.4 million copies of Muse Dash (喵斯快跑) across all platforms globally.

TapTap

TapTap is a leading game community and platform in China. “TapTap” mobile app is available on both iOS and Android system, with the latter being the main gateway of TapTap’s user traffic. Gamers can also visit www.taptap.com on PC.

Gamers and Activities

TapTap provides gamers with a vast and diverse library of mobile game resources, such as game information, game recommendation and downloadable games. It also offers gamers various social and community functions such as game review and rating and community forum. For the year ended December 31, 2019, TapTap mobile app had on average 17.9 million MAUs, increased by 19.6% on a year-on-year basis.

Gamers search and download games from TapTap. For the year ended December 31, 2019, games on TapTap had been downloaded 352.0 million times, increased by 36.8% on a year-on-year basis.

Gamers post reviews and ratings of games on TapTap, and share their game experience in TapTap’s forum. The numbers of game reviews and forum posts increased from 7.3 million and 3.0 million, respectively, as of December 31, 2018 to 11.6 million and 6.5 million, respectively, as of December 31, 2019.

To strengthen our bond with gamers from online to offline, we held the first TapTap Carnival in Shanghai in April 2019.

Developers

TapTap serves as an open and convenient distribution platform for game developers. The number of registered developers increased from 7,662 as of December 31, 2018 to 11,006 as of December 31, 2019.

To extend and deep on our connection with game developers, we cooperate with them in offering game related merchandise on TapTap. For example, TapTap released the game-related merchandise in its collaboration with Arknights in September 2019.

Outlook

We believe the strong synergy between our games and TapTap not only brings us an unique advantage, but also empowers us with the key for our long-term success. Our diverse game portfolio has attracted a growing user base for TapTap who are passionate about discussing games and sharing gameplay experiences, while TapTap's game community allows us to better understand and meet gamers' needs for high-quality games and effectively follow market trends.

In 2020, our strategic focus is on enhancing our game development capabilities, further enriching our game portfolio and increasing active user base and engagement of TapTap.

Our Games

In 2020, we will continually improve our in-house development capabilities through increasing investment in information technology infrastructure, recruiting experienced and talented development personnel, and enhancing our expertise in visual designs and sound effects. We believe the substantial progress will be made in a number of our self-developed online game currently under development, for examples, Fantasy World (創想世界), a simulation game, Torchlight: Infinite (火炬之光：無限), an ARPG game, together with an innovative MMORPG game are expected to enter into beta-testing stage in the second half of 2020. Meanwhile, we are committed to make version updates for our existing games. For example, we plan to release an important updated version of Ragnarok M in the second half of 2020, in which we will significantly improve picture quality and add new game contents.

We have launched and will launch a number of new online games this year. For examples, we launched Lan Yan Qing Meng (藍顏清夢) in Hong Kong, Macau and Taiwan in January 2020, and will launch Arknights (明日方舟) in the same regions in the second or the third quarter of 2020.

Sausage Man (香腸派對), a battle arena game which we launched in China in April 2018 and started to monetize in February 2019, was experienced significant increases in both MAUs and revenue in the first quarter of 2020. We believe this game is still in the growth stage of its life cycle.

TapTap

In 2020, we intend to continually attract both gamers and developers to join the community of TapTap and further improve its engagement through the following measures:

- improving and upgrading the content recommendation algorithm of TapTap to more effectively capture and serve gamers' needs,
- enhancing the search function of TapTap to help gamers locate useful resources efficiently,
- strengthening its community function, such as adding more sub-forums, and implementing both online and offline marketing strategies to increase gamer engagement,
- providing more advanced developer tools on TapTap that facilitate game developers to better interact with gamers to improve their game experience,
- improving overseas version of TapTap with localized features to serve gamers and game developers globally, and
- seeking strategic investments in, and acquisitions of, business in China and overseas that can be synergistic to TapTap, including game studios, game publishers, game communities and distribution platforms.

FINANCIAL REVIEW

Revenue

Our revenue is mainly derived from (i) games, principally operating business where we generate revenue primarily from sales of in-game virtual items in online games and sales of premium games through third-party and our proprietary distribution platforms, and (ii) information services where we generate revenue primarily from providing online marketing services on TapTap. The following table sets forth our revenues by line of business for the years ended 31 December 2019 and 2018.

	For the year ended December 31			
	2019	% of	2018	% of
	Amount	revenues	Amount	revenues
	<i>(RMB in thousands, except for percentages)</i>			
Games	2,378,516	83.8	1,592,347	84.4
Game operating	2,375,307	83.7	1,588,115	84.2
Online games	2,319,643	81.7	1,544,485	81.8
Premium games	55,664	2.0	43,630	2.3
Others	3,209	0.1	4,232	0.2
Information services	459,581	16.2	294,761	15.6
Total revenues	2,838,097	100.0	1,887,108	100.0

Games

Our revenue from game business increased by 49.4% to RMB2,378.5 million for the year ended 31 December 2019 on a year-on-year basis. In particular,

- Our revenue from online games increased by 50.2% to RMB2,319.6 million for the year ended 31 December 2019 on a year-on-year basis, primarily due to solid performance of our popular existing games add newly launched games, such as (i) successive launches of Ragnarok M in Southeast Asia in October 2018, in North America, South America and Oceania in January 2019, in Japan in June 2019 and in Europe in October 2019, (ii) Ulala (不休的烏拉拉) launched in Hong Kong, Taiwan and Macau in May 2019, in more than 50 overseas countries and regions in September 2019, and in PRC in October 2019, and (iii) Langrissier (夢幻模擬戰) launched in South Korea in June 2019; and

- Our revenue from premium games increased by 27.6% to RMB55.7 million for the year ended 31 December 2019 on a year-on-year basis, primarily due to solid performance of Muse Dash (喵斯快跑) launched in China and overseas since June 2018.

The following table sets forth a breakdown of our game operating revenue by revenue recognition method for the years ended 31 December 2018 and 2019.

	For the year ended December 31			
	2019		2018	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
Revenue recognized on a gross basis	1,450,502	61.1	1,100,627	69.3
Revenue recognized on a net basis	924,805	38.9	487,488	30.7
Total game operating revenues	<u>2,375,307</u>	<u>100.0</u>	<u>1,588,115</u>	<u>100.0</u>

During the years ended 31 December 2018 and 2019, as a percentage of the total game operating revenue, our game operating revenue recognized on a gross basis decreased and that recognized on a net basis increased, mainly as a results of the increased revenues from Ragnarok M in overseas markets, and Langrissler (夢幻模擬戰) in South Korea.

Information services

Our revenue from information service business increased by 55.9% to RMB459.6 million for the year ended 31 December 2019 on a year-on-year basis, primarily due to (i) TapTap mobile app had on average 17.9 million MAUs for the year ended 31 December 2019, increased by 19.6% on a year-on-year basis; and (ii) increased online marketing services to game developers after the suspension of the NAPP preapproval of domestic and foreign online games from April 2018 was lifted in December 2018.

Cost of Revenue

Our cost of revenue increased by 37.4% to RMB1,066.3 million for the year ended 31 December 2019 on a year-on-year basis. The following table sets forth our cost of revenues by line of business for the years ended 31 December 2019 and 2018.

	For the year ended December 31			
	2019		2018	
	Amount	% of segment revenues	Amount	% of segment revenues
	<i>(RMB in thousands, except for percentages)</i>			
Games	1,013,780	42.6	740,911	46.5
Information services	52,540	11.4	35,398	12.0
Total	<u>1,066,320</u>	<u>37.6</u>	<u>776,309</u>	<u>41.1</u>

Our cost of revenue for game business primarily consists of commissions charged by distribution platforms and payment channels and sharing of proceeds to game developers where we act as a principal, bandwidth and servers custody fee and employee benefits expenses. Our cost of revenue for information service business primarily consists of bandwidth and servers custody fee and employee benefits expenses. The following table sets forth our cost of revenue by nature for the years ended 31 December 2019 and 2018. The following table sets forth our cost of revenue by nature for the years ended 31 December 2019 and 2018.

	For the year ended December 31			
	2019		2018	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
Commissions charged by distribution platforms and payment channels	385,241	36.1	331,081	42.6
Sharing of proceeds to game developers	282,982	26.6	193,694	25.0
Bandwidth and servers custody fee	184,549	17.3	85,080	11.0
Amortization of intangible assets	58,974	5.5	42,540	5.4
Others	154,574	14.5	123,914	16.0
Total	<u>1,066,320</u>	<u>100.0</u>	<u>776,309</u>	<u>100.0</u>

Our cost of revenue for game business increased by 36.8% to RMB1,013.8 million on a year-on-year basis, primarily due to increases in (i) sharing of proceeds to game developers, which was mainly attributable to Ulala (不休的烏拉拉) and other licensed games newly launched in 2019, (ii) bandwidth and servers custody fee of RMB85.8 million, which was generally in line with our growth in game revenues, and (iii) commissions charged by distribution platforms and payment channels, which was generally in line with our growth in game revenues recognized on a gross basis.

Our cost of revenue for information service business increased by 48.4% to RMB52.5 million on a year-on-year basis, primarily due to an increase in bandwidth and servers custody fee of RMB13.7 million, which was generally in line with the growth in the average MAUs of TapTap mobile app, and the growth in gamers' activities in TapTap.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 59.5% to RMB1,771.8 million in the year ended 31 December 2019 on a year-on-year basis. Our gross margin increased to 62.4% in the year ended 31 December 2019 from 58.9% in the same period of 2018, primarily due to (i) increases in our gross margins of game business from 53.5% in the year ended 31 December 2018 to 57.4% in the same period of 2019, as a result of the increase in the contribution from game operating revenue recognized on a net basis to total game operating revenue from 30.7% in the year ended 31 December 2018 to 38.9% in the same period of 2019, mainly arising from the solid performances of Ragnarok M in overseas markets and Langrisser (夢幻模擬戰) in South Korea, (ii) an increase in gross margin of information service business from 88.0% in the year ended 31 December 2018 to 88.6% in the same period of 2019, as our cost of operations remained relatively stable as our information service business expanded, and (iii) an increase in the contribution of revenue from our information service business to total revenue from 15.6% in the year ended 31 December 2018 to 16.2% in the same period of 2019, which in general enjoys a higher gross margin than the game business.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) promotion and advertising expenses paid to external advertising agencies and professional information dissemination companies, and (ii) employee benefit expenses relating to our selling and marketing personnel.

Our selling and marketing expenses increased by 66.3% to RMB745.1 million for the year ended December 31, 2019 on a year-on-year basis. This was primarily due to (i) increased marketing activities in relation to launch of new games such as LifeAfter (明日之後) in South Korea, Ulala (不休的烏拉拉) in China and overseas markets, Langrisser (夢幻模擬戰) in South Korea, and continued marketing activities of Ragnarok M in China and overseas markets, (ii) increased professional and technical service fees, mainly in relation to game-related animation production and voice acting, and (iii) continued marketing activities of TapTap to attract new users.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefits expenses relating to our research and development employees, and (ii) professional and technical services fees including art design and translation services for our games.

Our research and development expenses increased by 60.6% to RMB317.6 million for the year ended December 31, 2019 on a year-on-year basis. This was primarily due to an increase in the number of our research and development personnel from 550 as of December 31, 2018 to 806 as of December 31, 2019, increased levels of employee benefits, and an increase in expenses relating to professional and technical services during the years ended December 31, 2018 and 2019, as we continued to improve our research and development capabilities to enhance game quality and gameplay experience.

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) employee benefits expenses relating to our administrative employees, and (ii) depreciation of property, plant and equipment in connection with our office space in Shanghai and right-of-use assets pursuant to IFRS 16, (iii) professional and technical services, such as fees paid to audit and law firms, and (iv) office expenses incurred in the ordinary course of business.

Our general and administrative expenses increased by 88.9% to RMB202.7 million for the year ended December 31, 2019 on a year-on-year basis. This was primarily due to (i) one-off listing expenses, (ii) increased levels of employee benefits of our general and administrative personnel, (iii) one-off share based payments for stock repurchase, and (iv) increased depreciation of property, plant and equipment as our office spaces increased.

Income Tax Expenses

Our income tax expenses decreased by 12.8% to RMB32.0 million for the year ended December 31, 2019 on a year-on-year basis. Our effective income tax rate (calculated as income tax expense divided by profit before income tax) decreased to 5.9% for the year ended December 31, 2019 from 9.4% for the same period of 2018. This was primarily due to (i) the tax exemption entitlement received by Yiwan in late 2018, and (ii) the Super Deduction for research and development expenses.

Profit for the Year

Our profit for the year increased by 45.6% to RMB513.4 million for the year ended December 31, 2019 on a year-on-year basis. Our adjusted profit for the year increased by 61.1% to RMB572.0 million for the year ended December 31, 2019 on a year-on-year basis.

Profit for the Year attributable to Equity holders of the Company

Our profit for the year attributable to equity holders of the Company increased by 21.6% to RMB346.6 million for the year ended December 31, 2019 on a year-on-year basis. Our adjusted profit attributable to equity holders of the Company increased by 41.0% to RMB405.2 million for the year ended December 31, 2019 on a year-on-year basis.

Our profit for the year attributable to non-controlling interests was due to non-controlling minority interests in (i) Yiwan, (ii) Longcheng, and (iii) X.D. Global (HK) Limited.

Non-IFRS Measures

To supplement our consolidated financial information which is presented in accordance with IFRS, we set forth below our adjusted profit for the year and adjusted profit attributable to equity holders of the Company as an additional financial measure which is not presented in accordance with IFRS. We believe those non-IFRS financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain one-off items, namely (i) listing expenses, and (ii) share-based payments. The following table reconciles our adjusted profit for the year and adjusted profit attributable to equity holders of the Company indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	For the year ended	
	December 31	
	2019	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit for the year	513,429	352,721
Add:		
Listing expenses	53,549	2,415
Share-based payment	5,890	—
Less:		
Income tax effects	(820)	—
Adjusted profit for the year	<u>572,048</u>	<u>355,136</u>

	For the year ended	
	December 31	
	2019	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit attributable to the equity holders of the Company	346,563	285,028
Add:		
Listing expenses	53,549	2,415
Share-based payment	5,890	—
Less:		
Income tax effects	(820)	—
Adjusted profit attributable to the equity holders of the Company	<u>405,182</u>	<u>287,443</u>

These unaudited non-IFRS financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

Liquidity and Capital Resources

Our cash positions and short-term investments as at 31 December 2019 and 31 December 2018 are as follows:

	As at December 31,	
	2019	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Cash and cash equivalents	1,336,869	573,233
Short-term investments	497,363	156,647
	<u>1,834,232</u>	<u>729,880</u>

Our short-term investments as at 31 December 2019 are primarily consisted of wealth management products issued by large reputable commercial banks. These wealth management products invest principally in low risk and liquid fixed-income instruments that are quoted on the interbank market or exchanges in China. Neither the principal or returns of such wealth management products is guaranteed or protected by the issuing banks in general. The effective rate of return of these wealth management products are 2.00% to 4.00% and the term are 7 to 91 days.

The increase of our cash positions and short-term investments as at 31 December 2019 was primarily due to (i) net cash generated from operating activities of RMB860.8 million, and (ii) IPO proceeds of RMB629.3 million.

As of December 31, 2019, we did not have any borrowings or unutilized banking facilities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

		Year ended December 31,	
		2019	2018
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenues	3	2,838,097	1,887,108
Cost of revenues	4	(1,066,320)	(776,309)
Gross profit		1,771,777	1,110,799
Selling and marketing expenses	4	(745,101)	(447,989)
Research and development expenses	4	(317,596)	(197,780)
General and administrative expenses	4	(202,692)	(107,315)
Net impairment losses on financial assets	4	(1,889)	(299)
Fair value changes on investments measured at fair value through profit or loss		8,186	(3,351)
Other income	5	12,426	8,141
Other gains/(losses), net	6	4,179	24,232
Operating profit		529,290	386,438
Finance income		8,319	4,993
Finance costs		(2,951)	(2,320)
Finance income/(costs), net		5,368	2,673
Share of results of investments accounted for using equity method		10,767	285
Profit before income tax		545,425	389,396
Income tax expenses	7	(31,996)	(36,675)
Profit for the year		513,429	352,721
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
— Currency translation differences		7,407	12,980
Total comprehensive income for the year		520,836	365,701

		Year ended December 31,	
		2019	2018
	<i>Notes</i>	RMB'000	RMB'000
Profit for the year attributable to:			
Equity holders of the Company		346,563	285,028
Non-controlling interests		166,866	67,693
		<u>513,429</u>	<u>352,721</u>
Total comprehensive income for the year attributable to:			
Equity holders of the Company		351,933	294,874
Non-controlling interests		168,903	70,827
		<u>520,836</u>	<u>365,701</u>
Earnings per share for profit for the year attributable to the equity holders of the Company			
Basic and diluted earnings per share (RMB)	8	<u>0.98</u>	<u>0.81</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

		As at December 31,	
		2019	2018
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		86,938	45,553
Right-of-use assets		37,644	59,290
Intangible assets		198,938	192,175
Deferred tax assets		11,349	8,393
Investments accounted for using the equity method		52,800	44,305
Long term investments measured at fair value through profit or loss		29,918	33,687
Prepayments, deposits and other assets		74,156	64,966
		<u>491,743</u>	<u>448,369</u>
Current assets			
Trade receivables	10	406,143	449,070
Prepayments and other assets		133,942	97,381
Short-term investments		497,363	156,647
Cash and cash equivalents		1,336,869	573,233
		<u>2,374,317</u>	<u>1,276,331</u>
Total assets		<u>2,866,060</u>	<u>1,724,700</u>

		As at December 31,	
		2019	2018
	<i>Notes</i>	RMB'000	RMB'000
EQUITY			
Share capital	12	284	—
Share premium	12	5,357,114	—
Other reserves		(4,137,328)	755,457
Retained earnings		651,800	322,457
		<u>1,871,870</u>	<u>1,077,914</u>
Equity attributable to equity holders of the Company		1,871,870	1,077,914
Non-controlling interests		414,660	264,646
		<u>414,660</u>	<u>264,646</u>
Total equity		<u>2,286,530</u>	<u>1,342,560</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		2,135	1,894
Lease liabilities		23,056	37,859
		<u>25,191</u>	<u>39,753</u>
Current liabilities			
Trade payables	11	200,845	101,275
Advance from customers		15,756	9,089
Other payables and accruals		151,705	83,872
Contract liabilities		99,321	90,921
Current income tax liabilities		70,250	34,338
Lease liabilities		16,462	22,892
		<u>554,339</u>	<u>342,387</u>
Total liabilities		<u>579,530</u>	<u>382,140</u>
Total equity and liabilities		<u>2,866,060</u>	<u>1,724,700</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information, reorganization and basis of presentation

1.1 General information

XD Inc. (the “**Company**”) is an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 25, 2019.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “**Group**”) are principally engaged in the development, operation, publishing and distribution of mobile and web games and provision of information services (the “**Listing Business**”) in the People’s Republic of China (the “**PRC**”) and other countries and regions.

The Company has its primary listing on the Stock Exchange of Hong Kong Limited on December 12, 2019.

The consolidated financial statements for the year ended December 31, 2018 and 2019 are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) unless otherwise stated.

1.2 History and reorganisation of the Group

Prior to the incorporation of the Company and the completion of the reorganisation (the “**Reorganisation**”) as described below, the Listing Business was mainly carried out by X.D. Network Inc. (心動網絡股份有限公司) and its subsidiaries (the “**X.D. Network Group**”).

In preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation, pursuant to which the beneficial interests in the companies engaged in the Listing Business were transferred to the Company. Details of the Reorganisation are set out below:

1.2.1 Incorporation of the Company and the offshore holding structure

On January 25, 2019, the Company was incorporated in the Cayman Islands and allotted and issued one share to the initial subscriber at par value of United States Dollar (“**USD**”) 0.0001, which was transferred to Happy Today Holding Limited, the holding vehicle of Mr. Huang Yimeng. The Company further allotted and issued 157,604,999 shares at par value to Happy Today Holding Limited on April 10, 2019.

On February 11, 2019, XD Holdings Limited was incorporated in the British Virgin Islands (“**BVI**”) as a wholly owned subsidiary of the Company.

On February 28, 2019, XD (HK) Limited was incorporated in Hong Kong as a wholly owned subsidiary of the XD Holdings Limited.

1.2.2 Offshore shareholding restructuring

From April 10, 2019 to June 17, 2019, to reflect the onshore shareholding structure of X.D. Network Group, 67,545,000, 10,961,250, 37,598,680, 8,437,540 and 78,211,030 shares were allotted and issued to Aiks Danger Inc., Dynasty Vision Limited, Jiexin Management Limited, Heart Assets Limited and other 15 offshore holders, respectively.

1.2.3 Acquisition of X.D. Network Group with restricted operation

On June 6, 2019, XD Interactive Entertainment Co., Ltd. (心動互動娛樂有限公司, the “**WFOE**”) was incorporated in the PRC as a wholly owned subsidiary of XD (HK) Limited.

On June 16, 2019, the WFOE entered into a series of contractual agreements (collectively the “**Contractual Arrangements**”) with, among others, X.D. Network Inc.. Pursuant to the Contractual Arrangements, the WFOE is able to effectively control the operating and financing decisions of X.D. Network Inc. and its PRC subsidiaries with restricted operation (collectively the “**PRC Consolidated Affiliated Entities**”) and receives substantially all the economic benefits generated by the PRC Consolidated Affiliated Entities. Accordingly, the PRC Consolidated Affiliated Entities are treated as controlled structured entities of the Company and consolidated by the Company. Further details of the Contractual Arrangements are set out in Note 2.2.1.

1.2.4 Restructuring of the non-restricted and/or non-prohibited operation

To ensure that the Contractual Arrangements are narrowly tailored in accordance with the requirements of the Stock Exchange of Hong Kong Limited, companies carried operations which are not subject to any foreign investment restrictions or prohibition were transferred to and controlled by the Company directly or indirectly.

On March 27, 2019, Xinxuan (Beijing) Network Technology Co., Ltd. (心玆 (北京) 網絡科技有限公司, “**Xinxuan**”) was incorporated in the PRC by X.D. Network Inc. and Hyunki Shen with 99% and 1% equity interests, respectively. On May 15, 2019, XD (HK) Limited, X.D. Network Inc. and Hyunki Shen entered into a share transfer agreement, pursuant to which XD (HK) Limited acquired the 100% equity interests in Xinxuan, and Xinxuan became a wholly owned subsidiary of XD (HK) Limited.

On March 28, 2019, X.D. Network Inc., Hyunki Shen and Xinxuan entered into a share transfer agreement, pursuant to which, Xinxuan acquired the 65% equity interests in Shanghai Longcheng Network Co., Ltd. (上海龍成網絡科技有限公司, “**Longcheng**”) from X.D. Network Inc..

The 100% equity interests of Xindong Korea Co. Ltd. and Xindong (Hong Kong) Company Limited were also transferred from X.D. Network Inc. to XD Holdings Limited.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on January 1, 2019, are consistently applied to the Group throughout the years ended December 31, 2018 and 2019.

The following new standards, amendments and interpretations to existing standards, which are relevant to the Group, have been issued and are effective for future reporting periods and have not been early adopted by the Group.

		Effective for accounting year beginning on or after
IFRS 17	Insurance contracts	January 1, 2021
Amendment to IAS 1 and IAS 8	Definition of material	January 1, 2020
Amendment to IFRS 3	Definition of a business	January 1, 2020
Conceptual Framework for Financial Reporting 2018		January 1, 2020
IFRS 10 and IAS 28 (amendments)	Sale or contribution of assets between an investor and its associates or joint venture	No mandatory effective date yet determined but available for early adoption

The Group has already commenced an assessment of the impact of these new or revised standards, and amendments. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

3 Segment information and revenue

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

Game segment

The game segment offers game publishing and operating services on its own and via other Distribution Channels. Revenues from the game segment are primarily derived from game publishing and operating services.

Information service segment

The information service segment offers online marketing services to game developers, game publishers or their agents. Revenues from the information service segment are primarily derived from performance-based online marketing services.

The CODM assesses the performance of the operating segments mainly based on segment revenues and cost of revenues of each operating segment. Thus, segment result would present revenues, cost of revenues and gross profit for each segment, which is in line with CODM's performance review.

The Group's cost of revenues for the game segment primarily consists of (a) commission paid to Payment Channels and Distribution Channels; (b) sharing of proceeds to game developers; (c) bandwidth and server custody fees; (d) amortization of intangible assets; and (e) employee benefit expenses.

The Group's cost of revenues for the information service segment primarily consists of (a) bandwidth and server custody fees; (b) employee benefits expenses; and (c) amortization of intangible assets.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

As at December 31, 2018 and 2019, substantially all of the non-current assets of the Group were located in the PRC.

The reconciliation of gross profit to profit before income tax is shown in the consolidated income statement.

The segment information provided to the Group's CODM for the reportable segments is as follows:

	Year ended December 31, 2019		
	Information		
	Game segment RMB'000	service segment RMB'000	Total RMB'000
Game operating revenues			
— Online Games (free-to-play)	2,319,643	–	2,319,643
— Premium Games (pay-to-play)	55,664	–	55,664
	<hr/>	<hr/>	<hr/>
Subtotal	2,375,307	–	2,375,307
Information service revenue	–	459,019	459,019
Others	3,209	562	3,771
	<hr/>	<hr/>	<hr/>
Total revenues	2,378,516	459,581	2,838,097
	<hr/>	<hr/>	<hr/>
Cost of revenues	(1,013,780)	(52,540)	(1,066,320)
	<hr/>	<hr/>	<hr/>
Gross profit	1,364,736	407,041	1,771,777
	<hr/>	<hr/>	<hr/>
Gross margin	57%	89%	62%

	Year ended December 31, 2018		
	Game segment <i>RMB'000</i>	Information service segment <i>RMB'000</i>	Total <i>RMB'000</i>
Game operating revenues			
— Online Games (free-to-play)	1,544,485	—	1,544,485
— Premium Games (pay-to-play)	43,630	—	43,630
Subtotal	1,588,115	—	1,588,115
Information service revenue	—	294,502	294,502
Others	4,232	259	4,491
Total revenues	1,592,347	294,761	1,887,108
Cost of revenues	(740,911)	(35,398)	(776,309)
Gross profit	851,436	259,363	1,110,799
Gross margin	53%	88%	59%

Revenues of approximately RMB758 million and RMB1,399 million for the years ended December 31, 2018 and 2019, respectively, were from five largest single external customers.

The following table summarizes the percentage of revenue from two single customers individually exceeding 10% of the Group's revenue during the year ended December 31, 2018 and 2019, respectively.

	Year ended December 31,	
	2019	2018
Game operating revenues		
Customer A	25%	22%
Information service revenue		
Customer B	12%	13%

The table below sets forth a breakdown of the Group's revenue by timing of recognition for the years ended December 31, 2018 and 2019, respectively:

	Year ended December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Service transferred overtime	1,502,595	933,311
Service transferred at a point of time	1,335,502	953,797
	<u>2,838,097</u>	<u>1,887,108</u>

The table below sets forth a breakdown of the Group's game operating revenue by geographical areas for the years ended December 31, 2018 and 2019, respectively:

	Year ended December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	860,664	611,418
Overseas (a)	1,514,643	976,697
Total	<u>2,375,307</u>	<u>1,588,115</u>

(a) Overseas revenue mainly include revenue from local versions operated in Southeast Asia, Hong Kong, Macao, Taiwan and South Korea, etc..

4 Expenses by nature

	Year ended December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Promotion and advertising expenses	701,013	426,189
Employee benefits expenses	409,692	273,312
Commissions charged by Payment Channels and Distribution Channels	385,241	331,081
Sharing of proceeds to game developers	282,982	193,694
Bandwidth and servers custody fee	186,257	86,128
Professional and technical services fee	110,374	54,180
Amortization of intangible assets	60,650	43,514
Depreciation of property, plant and equipment and right-of-use assets	47,149	30,953
Listing expenses (a)	53,549	2,415
VAT input transfer out and tax surcharges	34,468	24,462
Office expenses	21,334	15,953
Rental expenses and utilities	8,664	4,897
Impairment of non-financial assets	15,860	41,564
Share based payments (b)	5,890	—
Auditor's remuneration		
— Audit service	4,000	—
— Non-audit service	390	—
Net impairment losses on financial assets	1,889	299
Others	4,196	1,051
	<u>2,333,598</u>	<u>1,529,692</u>
Total	<u>2,333,598</u>	<u>1,529,692</u>

- (a) During the year ended December 31, 2019, listing expenses include auditor's remuneration of RMB6.3 million, of which RMB4.1 million was for IPO related audit service and RMB2.2 million was for IPO related non-audit service. During the year ended December 31, 2018, listing expenses include auditor's remuneration of RMB2.02 million, all of which was for IPO related audit service.

- (b) Pursuant to shareholder's resolution of X.D. Network Inc. dated on February 18, 2019, X.D. Network Inc. repurchased and cancelled 8,437,540 shares held by its certain then shareholders for an aggregate consideration of RMB92.30 million. The repurchase prices of shares were determined after arm's length negotiations among the parties based on the respective initial subscription and/or purchase prices of such shares or the average trading price of such shares for the 60 trading days preceding X.D. Network Inc. delisted from NEEQ, whichever is higher. The Group assessed and concluded that the repurchase consideration higher than the fair value of repurchased shares with amount of RMB5.89 million should be recognized as expenses to reflect the benefit received by X.D. Network Inc.'s then shareholders.

5 Other income

	Year ended December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Government subsidies	<u>12,426</u>	<u>8,141</u>

There are no unfilled conditions or contingencies related to the above government subsidies.

6 Other gains/(losses), net

	Year ended December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange gain, net	1,510	9,518
Re-measurement gain	—	9,446
Dilution gain	—	5,127
Others	<u>2,669</u>	<u>141</u>
Total	<u>4,179</u>	<u>24,232</u>

7 Income Tax

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are not subject to tax on their income or capital gains.

Hong Kong

Hong Kong profits tax rate is 16.5%.

PRC corporate income tax (“CIT”)

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended December 31, 2018 and 2019.

Certain subsidiary of the Group in the PRC, accordingly, is qualified as “high and new technology enterprise” and entitled to a preferential income tax rate of 15% during the years ended December 31, 2018 and 2019.

Certain subsidiary is accredited as a “software enterprise” under the relevant PRC Laws and regulations. They are exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years (the “**tax holiday**”).

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the years ended December 31, 2018 and 2019.

PRC Withholding Tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5% in certain circumstances.

Since the Group intends to permanently reinvest earnings to further expand its businesses in PRC, it does not intend to declare dividends to its immediate foreign holding entities in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period. Cumulative undistributed earnings of the Company’s PRC subsidiaries intended to be permanently reinvested were RMB607 million as of December 31, 2019.

	Year ended December 31,	
	2019	2018
	<i>RMB’000</i>	<i>RMB’000</i>
Current income tax	34,682	40,315
Deferred income tax	(2,686)	(3,640)
Total income tax expenses	<u>31,996</u>	<u>36,675</u>

8 Earnings per share

For the purpose of computing basic and diluted earnings per share, ordinary shares issued in the Reorganization were assumed to have been issued and allotted from the beginning of the periods presented, as if the Company has been established by then. The weighted average number of ordinary shares for such purpose has been retrospectively adjusted.

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the respective years.

	Year ended December 31,	
	2019	2018
Profit attributable to equity holders of the Company (RMB'000)	346,563	285,028
Weighted average number of shares in issue (thousands)	355,232	351,921
Basic earnings per share (in RMB)	<u>0.98</u>	<u>0.81</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share for the years ended December 31, 2018 and 2019 were the same as basic earnings per share of the respective years because the Company does not have dilutive potential ordinary shares during the respective years.

9 Dividends

No dividends have been paid or declared by the Company during the years ended December 31, 2018 and 2019.

10 Trade receivables

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Distribution Channels and game publishers	304,616	351,966
Online marketing service customers	104,488	98,166
Related parties	505	503
	409,609	450,635
Less: allowance for impairment	<u>(3,466)</u>	<u>(1,565)</u>
	<u>406,143</u>	<u>449,070</u>

Distribution Channels and game publishers and online marketing service customers usually settle the amounts within 30–120 days. Related parties are granted with a credit period of 90 days. Aging analysis of trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates are as follows:

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	385,318	428,533
3 months to 6 months	15,451	19,581
6 months to 1 year	5,683	1,395
1 to 2 years	2,089	591
Over 2 years	1,068	535
	<u>409,609</u>	<u>450,635</u>

11 Trade payables

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<u>200,845</u>	<u>101,275</u>

Trade payables are primarily related to the purchase of services for server custody, advertisement and sharing of proceeds due to game developers. The credit terms of trade payables granted to the Group are usually 0 to 90 days.

Aging analysis of trade payables based on the recognition date of the trade payables at the respective reporting dates are as follows:

	As at December 31,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	199,372	98,664
Over 3 months	1,473	2,611
	<u>200,845</u>	<u>101,275</u>

12 Share capital and share premium

	Number of shares '000	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000
Authorized				
Ordinary shares of USD0.0001 each; January 25, 2019 (date of incorporation)	500,000	50	N/A	N/A
As at December 31, 2019	500,000	50	N/A	N/A
Issued and fully paid				
Issuance of ordinary shares in relation to the Reorganisation of the Group (<i>Note a</i>)	351,921	35	240	4,750,933
Shares allotted for RSU scheme (<i>Note b</i>)	8,438	1	6	—
Shares held for RSU scheme (<i>Note b</i>)	(8,438)	(1)	(6)	—
Issuance of ordinary shares upon IPO (<i>Note c</i>)	63,600	6	44	606,181
As at December 31, 2019	415,521	41	284	5,357,114

- (a) From April 10, 2019 to June 17, 2019, as part of the Reorganization, the Company allotted and issued an aggregate of 351,920,960 shares of USD0.0001 each share at par value to offshore holding companies which are beneficially owned by the equity owners of X.D. Network Inc. as at that date. Upon the completion of the Reorganization, the amount of RMB4,751 million other reserves have been transferred to share premium accordingly.
- (b) On June 17, 2019, in order to incentive the employees for their contribution, the Company allotted and issued an aggregate of 8,437,540 shares to Heart Assets Limited, which hold shares on trust for and on behalf of the Company. As at December 31, 2019, the shares are not granted and are represented as treasury shares of the Group.
- (c) On December 12, 2019, upon its listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 63,600,000 new ordinary shares at HKD11.10 per share, and raised gross proceeds of approximately HKD706 million (equivalent to RMB629 million). The net proceeds was approximately HKD680 million (equivalent to RMB606 million) after deducting listing expenses directly relating to the share issuance.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the issuance of 4,060,000 ordinary shares on January 8, 2020 pursuant to the full exercise of the over-allotment option as disclosed in the announcement of the Company dated January 5, 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the listing of the Company on December 12, 2019 to the date of this announcement.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2019.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company will notify shareholders on a later date about the date of the annual general meeting for the year ended December 31, 2019 of the Company and the corresponding arrangement for closure of register of members.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Shares of the Company were listed on the Main Board of the Stock Exchange on December 12, 2019. The net proceeds received from the Company's global offering was approximately HK\$723.7 million, including the net proceeds received from the full exercise of the over-allotment option. In line with our strategies, we intend to use our proceeds for the purposes and in the amounts set forth below:

- approximately 35% of the net proceeds, or HK\$253.3 million, for developing our games and game-related technology;
- approximately 30% of the net proceeds, or HK\$217.0 million, for developing TapTap;
- approximately 15% of the net proceeds, or HK\$108.6 million, for expanding our game publishing and operating business;
- approximately 10% of the net proceeds, or HK\$72.4 million, for selective and strategic investments and acquisition; and approximately 10% of the net proceeds, or HK\$72.4 million, for working capital and general corporate uses.

As at December 31, 2019, the net proceeds had not yet been utilised. In 2020, the Group will gradually apply the net proceeds in the next three years as intended in the prospectus of the Company dated November 29, 2019.

SUBSEQUENT EVENT

There are no material subsequent events undertaken by the Group after December 31, 2019 and up to the date of this announcement. Meanwhile, amid the COVID-19, we have postponed the resumption of work by two weeks and assist employees to adopt telecommuting through useful technology tools, which we believe has no material adverse impact on the Group's business and operations.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance the corporate value as well as the responsibility commitments. The Company has adopted the CG Code set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has complied with all applicable code provisions of the CG Code since the listing of the Company on 12 December 2019 to 31 December 2019, except for a deviation from code provision A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Huang Yimeng is currently the chairman and chief executive officer of the Company. In view of his substantial contribution to the Group since its establishment and his extensive experience in the game industry, the Board considers that vesting the roles of chairman and chief executive officer in the same individual provides the Group with strong and consistent leadership in the development and execution of long term business strategies and does not impair the balance of power and authority between the Board and the management of the Company. The Board currently comprises four executive Directors (including Mr. Huang Yimeng), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review the effectiveness of the corporate governance structure in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code for dealing in securities in the Company by the Directors. The Directors have confirmed compliance with the required standard set out in the Model Code since the listing of the Company on December 12, 2019 to December 31, 2019.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3 of the CG Code, and has adopted written terms of reference. The Audit Committee comprises three members, including Mr. Xin Quandong, Mr. Pei Dapeng and Mr. Gao Shaoxing. The Audit Committee is currently chaired by Mr. Xin Quandong, who possesses suitable professional qualifications.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2019 and confirmed that it has complied all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of audit and financial reporting.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended December 31, 2019 have been agreed by the Auditor to the amounts set out in the Group's audit consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.xd.com). The annual report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

DEFINITIONS

Unless the context otherwise requires, the following expressions in this announcement shall have the following meanings:

“ARPG”	action role-playing game, which incorporates elements of action or action-adventure games and normally has real-time combat system rather than turn-based or menu-based combat system;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the independent auditor of the Company
“Board”	the board of Directors of the Company;
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules;
“Company”	XD Inc. (心动有限公司), an exempted company incorporated in the Cayman Islands with limited liability on January 25, 2019, the shares of which are listed on the Stock Exchange under stock code 2400;
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;

“IFRS”	International Financial Reporting Standards, which include standards and interpretations as issued from time to time by the International Accounting Standards Board;
“Listing Date”	December 12, 2019, being the date on which the shares of the Company became listed and commenced trading on the Stock Exchange;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“MAU(s)”	monthly active user(s), which refers to the number of users who log into a particular game or all of our games, as applicable, in the relevant calendar month for games, and refers to the number of users who access the TapTap mobile app in the relevant calendar month for TapTap, both of which include multiple accounts held by one single user. Average MAUs for a particular period are calculated by dividing the aggregate of the MAUs during that period by the number of months of that period;
“MMORPG”	massively multiplayer online-role-playing games;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan;
“Ragnarok M”	Ragnarok M: Eternal Love (仙境傳說：守護永恆的愛);
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;

“WFOE”

XD Interactive Entertainment Co., Ltd. (心動互動娛樂有限公司), a wholly foreign-owned enterprise established in the PRC on June 6, 2019 by XD (HK) Limited, an indirect wholly-owned company of our Company; and

“%”

Percentage.

By order of the Board

XD Inc.

HUANG Yimeng

Chairman and Chief Executive Officer

Hong Kong, March 30, 2020

As at the date of this announcement, the Board comprises Mr. HUANG Yimeng, Mr. DAI Yunjie, Mr. SHEN Sheng and Mr. FAN Shuyang as executive Directors, Mr. TONG Weiliang and Mr. CHEN Feng as non-executive Directors and Mr. PEI Dapeng, Mr. XIN Quandong and Mr. GAO Shaoxing as independent non-executive Directors.