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XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

PLACING AGENTS



J.P.Morgan

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On June 23, 2020 (after trading hours), the Company, the Top-up Vendor and the Placing Agents entered into the Placing and Subscription Agreement, pursuant to which, (i) the Top-up Vendor agreed to sell, and each of the Placing Agents severally agreed, as agents of the Top-up Vendor, to procure on a best effort basis purchasers to purchase, 26,094,200 Shares held by the Top-up Vendor or, failing which, to purchase such Shares, at a price of HK\$29.9 per Share, and (ii) the Top-up Vendor conditionally agreed to subscribe for, and the Company conditionally agreed to issue, 26,094,200 new Shares at a price, which is equivalent to the Vendor Placing Price of HK\$29.9 per Share.

The number of Vendor Placing Shares, being equivalent to the number of the Subscription Shares, represents approximately 6.10% of the existing issued share capital of the Company and approximately 5.75% of the issued share capital of the Company as enlarged by the Subscription (assuming that there will be no change to the issued share capital of the Company from the date of this announcement to the completion of the Subscription other than the issue by the Company of the Subscription Shares). The Company intends to apply the net proceeds to be received by it for funding the further development of TapTap and general corporate purposes.

It is expected that the Vendor Placing Shares will be placed by the Placing Agents to not less than six professional, institutional and/or other investors who, together with their respective ultimate beneficial owners, are third parties independent of and not connected with the Company or its connected persons. It is not expected that any such investor will become a substantial shareholder of the Company as a result of the Vendor Placing.

Completion of the Subscription is conditional upon (i) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares), and (ii) the closing of the Vendor Placing having occurred pursuant to the terms and conditions of the Placing and Subscription Agreement.

The issue of the Subscription Shares will not be subject to Shareholders' approval and the Subscription Shares will be issued under the General Mandate. Pursuant to the General Mandate, the Directors were granted authority to allot and issue up to 84,791,700 Shares. The Company has not issued any Shares pursuant to the General Mandate as at the date of this announcement.

As completion of the Vendor Placing and the Subscription is subject to the satisfaction of certain conditions precedent, it may or may not materialize as contemplated or at all, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On June 23, 2020 (after trading hours), the Company, the Top-up Vendor and the Placing Agents entered into the Placing and Subscription Agreement, pursuant to which, (i) the Top-up Vendor agreed to sell, and each of the Placing Agents severally agreed, as agents of the Top-up Vendor, to procure on a best effort basis purchasers to purchase, 26,094,200 Shares held by the Top-up Vendor or, failing which, to purchase such Shares, at a price of HK\$29.9 per Share, and (ii) the Top-up Vendor conditionally agreed to subscribe for, and the Company conditionally agreed to issue 26,094,200 new Shares at a price which is equivalent to the Vendor Placing Price.

Placing and Subscription Agreement

Date: June 23, 2020

Parties:

- (1) the Company;
- (2) Aiks Danger Inc., as the Top-up Vendor;
- (3) CLSA Limited, as one of the Placing Agents; and
- (4) J.P. Morgan Securities (Asia Pacific) Limited, as one of the Placing Agents.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the Placing Agents is an Independent Third Party.

Vendor Placing

Vendor Placing Shares

A total of 26,094,200 Shares held by the Top-up Vendor will be placed by the Placing Agents under the Vendor Placing. Assuming that there will be no change in the issued share capital of the Company from the date of this announcement to the completion of the Vendor Placing, the number of Vendor Placing Shares represent (i) approximately 6.10% of the existing issued share capital of the Company as at the date of this announcement, and (ii) approximately 5.75% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the Vendor Placing Shares under the Vendor Placing will be US\$2,609.42.

Vendor Placing Price

The Vendor Placing Price is HK\$29.9 per Share and represents:

- (i) a discount of approximately 9.39% to the closing price of HK\$33.00 per Share as quoted on the Stock Exchange on June 23, 2020, the last trading day prior to the signing of the Placing and Subscription Agreement; and
- (ii) a discount of approximately 6.94% to the average closing price of approximately HK\$32.13 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including June 23, 2020.

The Vendor Placing Price was determined after arm's length negotiations among the Company, the Top-up Vendor and the Placing Agents, with reference to the prevailing market price of the Shares. The Directors (including the independent non-executive Directors) consider that the Vendor Placing Price to be fair and reasonable under the current market conditions and is in the best interests of the Company and the Shareholders as a whole.

Independence of Placing Agents and Placees

It is expected that the Vendor Placing Shares will be placed by the Placing Agents to not less than six professional, institutional and/or other investors who, together with their respective ultimate beneficial owners, are third parties independent of and not connected with the Company or its connected persons. It is not expected that any such investor will become a substantial shareholder of the Company as a result of the Vendor Placing.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Placing Agents and the placees to be procured by the Placing Agents are independent of the directors, chief executive or substantial shareholders of the Company or any of their respective associates.

Closing of the Vendor Placing

The closing of the Vendor Placing (the "**Closing**") shall take place on June 29, 2020 or at such other time and/or date as the Top-up Vendor and each of the Placing Agents may agree (the "**Closing Date**").

Lock-up Undertakings

Pursuant to the Placing and Subscription Agreement, the Top-up Vendor shall not, and shall procure that none of its nominees, any person controlled by it, any trust associated with it or any person acting on its or their behalf shall, without the prior written consent of the Placing Agents, (i) offer, sell, lend, contract to sell, pledge, grant any option over, make any short sale or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Top-up Vendor or any Affiliate of the Top-up Vendor or any person in privity with the Top-up Vendor or any Affiliate of the Top-up Vendor), directly or indirectly, any equity securities of the Company or any securities convertible into, or exercisable, or exchangeable for, equity securities of the Company, (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (iii) publicly announce an intention to effect any such transaction, for a period beginning on the date of the Placing and Subscription Agreement and ending on the date which is 90 days after the Closing Date. The foregoing shall not apply to the sale of the Shares under the Placing and Subscription Agreement.

Subscription

Subscription Shares

26,094,200 new Shares issued by the Company will be subscribed by the Top-up Vendor, representing approximately 6.10% of the existing issued share capital of the Company and approximately 5.75% of the issued share capital of the Company as enlarged by the Subscription.

Subscription Price

The Subscription Price per new Share is equivalent to the Vendor Placing Price of HK\$29.9 per Share. The net price of the Subscription is approximately HK\$29.41.

The Directors (including the independent non-executive Directors) consider that the Subscription Price (which is equal to the Vendor Placing Price) and terms of the Subscription are fair and reasonable under the current market conditions and are in the interest of the Company and Shareholders as a whole.

General Mandate

The issue of the Subscription Shares will not be subject to Shareholders' approval and the Subscription Shares will be issued under the General Mandate. Pursuant to the General Mandate, the Directors were granted authority to allot and issue up to 84,791,700 Shares. The Company has not issued any Shares pursuant to the General Mandate as at the date of this announcement.

Ranking of the Subscription Shares

The Subscription Shares shall, when fully paid, rank pari passu in all respects with the other Shares in issue or to be issued by the Company on or prior to the date of completion of the Subscription including the right to all dividends and other distributions declared, made or paid at any time after the date of allotment.

Conditions Precedent to the Subscription

The completion of the Subscription shall be subject to the following conditions (the "**Conditions**"):

- (i) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Subscription Shares and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares; and
- (ii) the closing of the Vendor Placing having occurred pursuant to the terms and conditions of the Placing and Subscription Agreement.

Completion of the Subscription

Completion of the Subscription shall take place on the second Business Day after the date upon which the last of the above conditions to be satisfied shall have been so satisfied provided that it shall take place on a date no later than a date falling 14 days after the date of the Placing and Subscription Agreement or such other time and/or date as the Company Top-up Vendor and the Placing Agents may agree in writing and in compliance with the Listing Rules.

Lock-up Undertakings

Pursuant to the Placing and Subscription Agreement, the Company shall not, and the Top-up Vendor shall procure that the Company will not, without the prior written consent of the Placing Agents, (i) effect or arrange or procure placement of, allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for, or enter into any transaction which is designed to, or might reasonably be expected to, result in any of the aforesaid (whether by actual disposition or effective economic disposition due to cash settlement or otherwise), directly or indirectly, any shares of the Company or any securities convertible into, or exercisable, or exchangeable for, shares of the Company, or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (iii) publicly announce an intention to effect any such transaction, for a period beginning on the date of the Placing and Subscription Agreement and ending on the date which is 90 days after the Closing Date. The foregoing shall not apply to the issue of the Subscription Shares under the Placing and Subscription Agreement.

USE OF PROCEEDS AND REASON FOR THE VENDOR PLACING AND THE SUBSCRIPTION

The estimated net proceeds from the Vendor Placing and the Subscription is approximately HK\$767.33 million. The Company intends to apply the net proceeds to be received by it for funding the further development of TapTap and general corporate purposes. The Company aims to enhance the popularity, user engagement and stickiness of TapTap by developing first-party games, enriching the contents and improving content recommendation algorithm in TapTap. The Company also intends to put in more efforts on overseas expansion of TapTap, which would further enable the Company to make further investment in TapTap with an aim to grow TapTap into a larger game community. The Directors consider that the Vendor Placing and the Subscription will provide a good opportunity to raise additional funds to strengthen the financial position and to broaden the shareholder base and capital base of the Group.

As completion of the Vendor Placing and the Subscription is subject to the satisfaction of certain conditions precedent, it may or may not materialize as contemplated or at all, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company immediately before and immediately after the Vendor Placing and the Subscription will be as follows:

Shareholder	As at the date of this announcement		Immediately after completion of only the Vendor Placing (assuming the Subscription is not completed)		Immediately after completion of the Vendor Placing and the Subscription	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Top-up Vendor ⁽¹⁾	67,545,000	15.78%	41,450,800	9.68%	67,545,000	14.87%
Placees	—	—	26,094,200	6.10%	26,094,200	5.75%
Other Shareholders	360,473,500	84.22%	360,473,500	84.22%	360,473,500	79.38%
Total	<u>428,018,500</u>	<u>100.00%</u>	<u>428,018,500</u>	<u>100.00%</u>	<u>454,112,700</u>	<u>100.00%</u>

Note:

- (1) As at the date of this announcement, the Top-up Vendor, namely Aiks Danger Inc., wholly owned by Danger & Sons Inc., held in aggregate 67,545,000 Shares, representing approximately 15.78% of the existing issued share capital of the Company. Danger & Sons Inc. is held by the Danger and Sons Trust, which was established by Mr. Dai as the settlor. Credit Suisse Trust Limited is the trustee of the Danger and Sons Trust, and Mr. Dai and his family members are the beneficiaries of the Danger and Sons Trust. Mr. Dai is also a director of Aiks Danger Inc.
- (2) Immediately following completion of the Vendor Placing and the Subscription, not less than 25% of the total issued share capital of the Company will be held by the public. The Company is not aware that there will be any new substantial shareholder immediately after the Vendor Placing and the Subscription within the meaning of the Listing Rules and the number of Shares to be held by the public will continue to satisfy the minimum percentage prescribed under Rule 8.08 of the Listing Rules.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save as disclosed in this announcement and apart from the equity fund-raising activity mentioned below, the Company has not conducted any fund raising activity involving issue of equity securities during the 12 months immediately before the date of this announcement.

Date of announcements	Event	Amount of net proceeds	Intended use of net proceeds	Actual use of net proceeds
11 December 2019 and 5 January 2020	The Shares were listed and began trading on the Stock Exchange on 12 December 2019 and the Company fully exercised the over-allotment option on 3 January 2020.	Approximately HK\$723.7 million	Approximately 35%, or HK\$253.3 million, for developing the Group's games and game-related technology	Approximately HK\$31.3 million has been utilized for developing the Group's games and game-related technology, and HK\$222.0 million has not been utilized
			Approximately 30%, or HK\$217.0 million, for developing TapTap	Approximately HK\$15.8 million has been utilized for developing TapTap, and HK\$201.2 million has not been utilized
			Approximately 15%, or HK\$108.6 million, for expanding the Group's game publishing and operating business	Approximately HK\$19.8 million has been utilized for expanding the Group's game publishing and operating business, and HK\$88.8 million has not been utilized
			Approximately 10%, or HK\$72.4 million, for selective and strategic investments and acquisition	HK\$72.4 million has not been utilized
			Approximately 10%, or HK\$72.4 million, for working capital and general corporate uses	Approximately HK\$15.9 million has been utilized for working capital and general corporate uses, and HK\$56.5 million has not been utilized

INFORMATION ABOUT THE GROUP AND THE TOP-UP VENDOR

The Group develops and operates quality games in China and overseas, and also operates TapTap, a leading game community and platform in China.

Aiks Danger Inc. is an investment holding company incorporated in the British Virgin Islands with limited liability, which is the substantial shareholder of the Company. Aiks Danger Inc. is held under a family trust established by Mr. Dai as the settlor. Mr. Dai is an executive Director, and also a director of Aiks Danger Inc.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Affiliate”	has the meaning specified in Rule 501(b) of Regulation D under the U.S. Securities Act
“Board”	the board of Directors
“Business Day”	means any day (excluding a Saturday) on which banks are generally open for business in Hong Kong and the Cayman Islands
“Company”	XD Inc. (心动有限公司), a 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: 2400)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the then Shareholders to exercise all the powers of the Company to allot, issue and deal with Shares or securities convertible into Shares up to 20% of the aggregate number of Shares in issue immediately following the completion of the Global Offering pursuant to the written resolution passed by the then Shareholders on November 19, 2019

“Global Offering”	has the meaning ascribed to it in the Prospectus, namely, the conditional offering of 63,600,000 Shares (without taking into account the Over-allotment Option (as defined in the Prospectus)) for subscription at the offer price of HK\$11.10 per share subject to the terms and conditions as described in the Prospectus
“Group”	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time
“HK\$”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Mr. Dai”	Mr. Dai Yunjie (戴雲傑), co-founder, an executive Director and President of the Company, and one of the substantial shareholders of the Company
“Placing Agents”	CLSA Limited and J.P. Morgan Securities (Asia Pacific) Limited
“Placing and Subscription Agreement”	the agreement entered into among the Company, the Top-up Vendor, the Placing Agents in relation to the Vendor Placing and the Subscription on June 23, 2020

“PRC” or “China”	the People’s Republic of China. For the purposes of this announcement only and except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of the Company with a par value of US\$0.0001 per Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Top-up Vendor
“Subscription Price”	HK\$29.9 per Share, which is equal to the Vendor Placing Price
“Subscription Shares”	26,094,200 new Shares to be issued by the Company to the Top-up Vendor under the Subscription pursuant to the General Mandate
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Top-up Vendor”	Aiks Danger Inc., being a shareholder of the Company interested in 67,545,000 Shares, representing approximately 15.78% of the existing issued share capital of the Company, as at the date of this announcement
“US\$”	United States dollars, the lawful currency of the United States of America

“Vendor Placing”	the placing of Vendor Placing Shares on the terms and subject to the conditions set out in the Placing and Subscription Agreement
“Vendor Placing Price”	HK\$29.9 per Share
“Vendor Placing Share(s)”	the Share(s) to be placed by the Placing Agents under the Vendor Placing pursuant to the Placing and Subscription Agreement
“%”	per cent

By order of the Board
XD Inc.
HUANG Yimeng
Chairman and Chief Executive Officer

Shanghai, the PRC
June 24, 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.