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XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

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

PLACING AGENTS



J.P.Morgan

Reference is made to the announcement of the Company dated June 24, 2020 (the “**Announcement**”) in relation to, among other things, the Vendor Placing and Subscription. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

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

The Company is pleased to announce that completion of the Vendor Placing and the Subscription took place on June 29, 2020 and July 3, 2020, respectively.

On June 29, 2020, a total of 26,094,200 Shares held by the Top-up Vendor have been successfully placed at the Vendor Placing Price of HK\$29.9 per Share to not less than six professional, institutional and/or other investors who (to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries), together with their respective ultimate beneficial owners, are third parties independent of and not connected with the Company or its connected persons. None of the placees and their ultimate beneficial owners will become a substantial shareholder (as defined under the Listing Rules) of the Company as a result of the Vendor Placing and Subscription.

Further, all the conditions of the Subscription have been fulfilled and completion of the Subscription took place on July 3, 2020. A total of 26,094,200 Subscription Shares (equal to the number of the Vendor Placing Shares successfully placed under the Placing) were subscribed by the Top-up Vendor at HK\$29.9 per Subscription Share. The Subscription Shares represent approximately 5.75% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

INTENDED USE OF NET PROCEEDS

The Company received total net proceeds from the Subscription of approximately HK\$767.33 million. As disclosed in the Announcement, the Company intends to apply the net proceeds for, among others, further development of TapTap, in line with the strategy of the Company to offer the most premium and exclusive content for TapTap, boost the growth of TapTap users, and reward and encourage proprietary and third parties content creation through TapTap. The vision of the Company is to develop TapTap into a leading international game community and platform, which would require substantial and continuous capital investment. Taking into account the uncertainty brought by the outbreak of coronavirus diseases, the Board considers that the proceeds from the Subscription would, in addition to proceeds from the global offering of the Company, further strengthen the financial position of the Company to timely capture the development opportunities in the current challenging global economy.

The Board wishes to provide further information on the intended use of the net proceeds of HK\$767.33 million from the Subscription:

Intended use of proceeds	Allocation of net proceeds	Intended timetable for use of the net proceeds
(i) Further development of TapTap through the following uses:	HK\$537.13 million	By December 2023
— (a) enhancing the popularity, user engagement and stickiness of TapTap by developing first-party games, enriching the contents and improving content recommendation algorithm in TapTap	HK\$230.20 million	By December 2023
— (b) exploring potential opportunities in making further investment in TapTap	HK\$191.83 million	By December 2022
— (c) overseas expansion of TapTap through developing and marketing overseas versions of TapTap	HK\$115.10 million	By December 2023
(ii) Working capital and general corporate purposes	HK\$230.20 million	By December 2023

As disclosed in the prospectus of the Company dated November 29, 2019 and Announcement, a total of HK\$217.0 million raised from the global offering of the Company was also allocated to the development of TapTap and approximately HK\$15.8 million of the net proceeds of the initial public offering has been utilized for developing TapTap. The Board wishes to provide further information on the intended use of the unutilized proceeds of approximately HK\$201.2 million from the global offering of the Company for developing TapTap:

Intended use of proceeds	Allocation of net proceeds	Amount of net proceeds utilized up to the date of the Announcement	Balance of net proceeds unutilized up to the date of the Announcement	Intended timetable for use of the unutilized net proceeds
		<i>(HKD in millions)</i>		
Acquiring users and improving user engagement through: (a) marketing TapTap on well-known social media, portal websites and search engines; and (b) organizing game events and attending cultural exhibitions	108.5	—	108.5	By December 2021
Enhancing the technology, content and products of TapTap through: (a) recruiting and retaining the talents specialized in internet community and technologies to strengthen our research and development of recommendation algorithms and user data statistical analysis; (b) cooperating with quality independent game developers or key opinion leaders with capabilities in producing quality content, in order to enrich the content of TapTap community; and (c) developing and optimizing overseas versions of TapTap	108.5	15.8	92.7	By December 2022

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	Immediately before		Immediately after		Immediately after	
	completion of the Vendor		completion of the Vendor		completion of the Vendor	
	Placing and the Subscription		Placing but before the		Placing and the Subscription	
	Number of	%	Number of	%	Number of	%
	Shares		Shares		Shares	
Connected Persons						
Huang Yimeng ⁽¹⁾	159,705,000	37.31	159,705,000	37.31	159,705,000	35.17
Top-up Vendor ⁽²⁾	67,545,000	15.78	41,450,800	9.68	67,545,000	14.87
Fan Shuyang	36,212,839	8.46	36,212,839	8.46	36,212,839	7.97
Shen Sheng	11,674,271	2.73	11,674,271	2.73	11,674,271	2.57
Public Shareholders						
Places	—	—	26,094,200	6.10	26,094,200	5.75
Other public Shareholders	152,881,390	35.72	152,881,390	35.72	152,881,390	33.67
Total	<u>428,018,500</u>	<u>100</u>	<u>428,018,500</u>	<u>100</u>	<u>454,112,700</u>	<u>100</u>

Note:

- (1) Huang Yimeng is the controlling shareholder of the Company, who directly holds 2,100,000 Shares and is interested in 157,605,000 Shares held by Happy Today Holding Limited. Happy Today Holding Limited is a company incorporated in the British Virgin Islands and is wholly owned by Happy Today Company Limited. Happy Today Company Limited is held by the Happy Today Trust, which was established by Mr. Huang as the settlor. Credit Suisse Trust Limited is the trustee of the Happy Today Trust, and Mr. Huang and his family members are the beneficiaries of the Happy Today Trust. Mr. Huang is also a director of Happy Today Holding Limited. As such, each of Mr. Huang, Credit Suisse Trust Limited and Happy Today Company Limited is deemed to be interested in our Shares held by Happy Today Holding Limited.
- (2) 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.

- (3) 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.

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

Shanghai, the PRC

July 3, 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.