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XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

DISCLOSEABLE TRANSACTION ACQUISITION OF 6.86% EQUITY INTEREST IN YIWAN

INTRODUCTION

The Board is pleased to announce that, on May 12, 2021, X.D. Network (a PRC Consolidated Affiliated Entity of the Company) entered into the Equity Transfer Agreement with the Vendor, pursuant to which, X.D. Network has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, 6.86% equity interest in Yiwan held by them for a consideration of RMB171,610,290.98. Upon the Completion, X.D. Network will hold 80.98% equity interest in Yiwan.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition, when aggregated with the applicable percentage ratios for the Previous Acquisition according to Rule 14.22 of the Listing Rules, is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on May 12, 2021, X.D. Network (a PRC Consolidated Affiliated Entity of the Company) entered into the Equity Transfer Agreement with Shanghai Xinhe, pursuant to which, X.D. Network has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, 6.86% equity interest in Yiwan held by it for a consideration of RMB171,610,290.98. Upon the Completion, X.D. Network will hold 80.98% equity interest in Yiwan.

THE EQUITY TRANSFER AGREEMENT

Date

May 12, 2021

Parties

- (1) X.D. Network (as the purchaser); and
- (2) Shanghai Xinhe (as the Vendor).

Subject Matter

X.D. Network entered into the Equity Transfer Agreement with the Vendor, pursuant to which, X.D. Network has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, 6.86% equity interest in Yiwan held by it for a consideration of RMB171,610,290.98.

As of the date of this announcement, Yiwan was held as to 74.12% by X.D. Network and was a non-wholly owned subsidiary of X.D. Network immediately before the Completion. Upon the Completion, X.D. Network will hold 80.98% equity interest in Yiwan.

Consideration

The total consideration payable by X.D. Network for the Acquisition is RMB171,610,290.98. The consideration for the Acquisition will be financed by proceeds raised from the issue of convertible bonds completed on April 12, 2021 and the placing of new Shares completed on April 13, 2021, and/or by other internal financial resources.

Basis of consideration

The consideration was determined by the parties after arm's length negotiations and with reference to the valuation of the entire equity interest in Yiwan as at December 31, 2020 appraised by an independent qualified valuer engaged by the Company based on the market approach.

Payment terms

X.D. Network shall pay the Vendor 45% of the consideration under the Equity Transfer Agreement within ten Business Days after all the following conditions are satisfied: (i) the representations and warranties are true, accurate, complete and not misleading; (ii) the Vendor has executed and delivered to X.D. Network, among others, all documents required to complete the Acquisition or requested by X.D. Network; (iii) the Vendor has obtained all approvals, consents and waivers required to complete the Acquisitions; and (iv) the Vendor has executed and delivered to X.D. Network the completion certificates.

Upon completion of the registration with the relevant administration for industry and commerce required in connection with the Acquisition, X.D. Network shall pay the Vendor 55% of the consideration under the Equity Transfer Agreement (“**Second Instalment**”).

Completion

Completion of the Acquisition shall take place when the Second Instalment was paid.

FINANCIAL INFORMATION AND VALUATION OF YIWAN

Set out below is the unaudited financial information of Yiwan prepared for the two years ended December 31, 2020 in accordance with the IFRS:

	For the year ended/As at	
	December 31,	December 31,
	2019	2020
	(Unaudited)	(Unaudited)
	(RMB)	(RMB)
Total assets	635,850,326	961,161,136
Net assets	579,674,408	665,739,784
Net profit/(loss) before tax	194,914,713	92,149,002
Net profit/(loss) after tax	194,674,463	86,065,377

REASONS FOR AND BENEFITS OF THE ACQUISITION

The online game business of the Company has a natural and powerful synergy with TapTap. On the one hand, the diversified game portfolios of the Company have attracted more and more users who are keen to discuss games and share game experiences on TapTap. On the other hand, TapTap's gaming community enables the Company to better understand and satisfy gamers' demand for high-quality games and also to effectively follow market trends. The Acquisition will enable the Company to further strengthen the synergy between the game business and the TapTap platform.

OPINION FROM THE BOARD

None of the Directors has a material interest in the Acquisition or has abstained from voting on such board resolution.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable, the Acquisition is on normal commercial terms and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

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INFORMATION ABOUT THE PARTIES

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

X.D. Network is a company established in China and the Group's consolidated affiliated entity under contractual arrangements. It is principally engaged in game publishing and development.

Yiwan operates TapTap, a leading game community and platform in China.

Shanghai Xinhe is a limited partnership, the general partner of which is a limited partnership where a subsidiary of Ping An Insurance (Group) Company of China, Ltd. (stock code: 02318) acts as a general partner and an independent third party as of the date of this announcement. Shanghai Xinhe's principal businesses include commercial consultation, enterprise management consultation, financial consultation, tax consultation and marketing consultation.

DEFINITIONS

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

“Acquisition”	the transaction contemplated under the Equity Transfer Agreement pursuant to which, X.D. Network has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, 6.86% equity interest in Yiwan held by them for a total consideration of RMB171,610,290.98
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	means any day (excluding a Saturday) on which banks are generally open for business in China
“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)
“Completion”	the completion of the Acquisition
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement to be entered into between X.D. Network and Shanghai Xinhe on May 12, 2021 in relation to X.D. Network's acquisition of 6.86% equity interest in Yiwan
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party”	any person who is not a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“percentage ratio”	has the meaning ascribed thereto under the Listing Rules
“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
“PRC Consolidated Affiliated Entity(ies)”	the entities the Company controls through the contractual arrangements, namely X.D. Network and its respective subsidiaries. For further details of these entities and the contractual arrangements, see “History, Reorganization and Corporate Structure” and “Contractual Arrangements” of the Company’s prospectus dated November 29, 2019
“Previous Acquisition”	the acquisition of 18.34% equity interest in Yiwan by X.D. Network at a total consideration of RMB330,188,964 pursuant to an equity transfer agreement entered into between X.D. Network, Mr. Huang Xiwei, Mr. Zhang Qian and Huzhou Yixin Investment Management Partnership (Limited Partnership) on August 27, 2020
“Shanghai Xinhe”	Shanghai Xinhe Business Consultation Partnership (Limited Partnership) (上海芯赫商務諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on October 31, 2017, an independent third party as of the date of this announcement
“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
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Vendor”	Shanghai Xinhe
“X.D. Network”	X.D. Network Inc. (心動網絡股份有限公司), a company established in the PRC on July 29, 2011 and our PRC Consolidated Affiliated Entity
“Yiwan”	Yiwan (Shanghai) Network Science and Technology Co., Ltd. (易玩(上海)網絡科技有限公司), a company established in the PRC on March 28, 2016, and our PRC Consolidated Affiliated Entity
“%”	per cent

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

Shanghai, the PRC
May 12, 2021

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. LIU Wei as non-executive Directors and Mr. PEI Dapeng, Mr. XIN Quandong and Ms. LIU Qianli as independent non-executive Directors.