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XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

PROFIT WARNING

This announcement is made by XD Inc. (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the six months ended June 30, 2021, the Group is expected to record a net loss ranging from approximately RMB320.0 million to RMB350.0 million for the six months ended June 30, 2021 as compared to a net profit of RMB259.9 million for the six months ended June 30, 2020, mainly attributable to the combined effect of: (i) a significant increase in research and development expenses ranging from approximately RMB340.0 million to RMB370.0 million due to its strategy of recruiting more research and development personnel and increased levels of employee benefits, in order to satisfy its business needs for 13 games under development and accelerate the upgrades of TapTap’s products and techniques; (ii) a decrease in gross profit ranging from approximately RMB140.0 million to RMB170.0 million, which was mainly resulted from (a) a moderate decrease in total revenues, primarily due to decreases in revenue from certain existing games at the maturity stage, and partially offset by the increase in revenue from TapTap, and (b) a decrease in gross margin, primarily due to the increase in the contribution ratio from licensed games of the Group to the total game operating revenues of the Group, as licensed games generally have lower gross margin than self-developed games; and (iii) increases in selling and marketing expenses and general and administrative expenses ranging from approximately RMB80.0 million to RMB110.0 million, which were mainly due to the increased employee benefit expenses and office expenses in relevant departments. The Board considers that, while this may have negative impact on the net profit of the Group in the short-term, the Group’s strategy to continuously invest in talents in game development and information technology is in the interest of the Group in the long-term and the Board remains confident in the long-term development and prospects of the Group.

The Board wishes to emphasize that the results of the Company for the six months ended June 30, 2021 have not yet been finalized. The information contained in this announcement is only based on the preliminary assessment by the Board with reference to the information currently available to the Board and the unaudited management accounts of the Group for the six months ended June 30, 2021, which has not been audited or reviewed by the Company's independent auditors and/or the audit committee of the Company, and may be subject to adjustments. Shareholders and potential investors are advised to read carefully the interim results announcement of the Company for the six months ended June 30, 2021, which is expected to be published on August 26, 2021 in accordance with the Main Board Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Shanghai, the PRC
August 11, 2021

As at the date of this announcement, the Board comprises Mr. HUANG Yimeng, Mr. DAI Yunjie and Mr. FAN Shuyang as executive Directors, Mr. LIU Wei as non-executive Director and Mr. PEI Dapeng, Mr. XIN Quandong and Ms. LIU Qianli as independent non-executive Directors.