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**XD Inc.**

**心动有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2400)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023**

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended June 30, 2023. The results have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

### **FINANCIAL PERFORMANCE HIGHLIGHTS**

	<b>For the six months ended June 30,</b>		
	<b>2023</b>	<b>2022</b>	<b>Change</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<b>%</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
Revenue	<b>1,753,102</b>	1,594,037	10.0
Gross profit	<b>1,037,261</b>	782,915	32.5
Profit/(loss) for the period	<b>102,788</b>	(381,395)	N/A
Profit/(loss) attributable to equity holders of the Company	<b>90,194</b>	(386,056)	N/A
Adjusted profit/(loss) for the period*	<b>129,647</b>	(332,732)	N/A
Adjusted profit/(loss) attributable to equity holders of the Company*	<b>112,979</b>	(342,502)	N/A

\* To supplement our consolidated financial statement which are presented in accordance with IFRS, we also use adjusted profit/(loss) for the period and adjusted profit/(loss) attributable to equity holders of the Company as an additional financial measure to evaluate our financial performance by eliminating the impact of fair value changes on long-term investments measured at fair value through profit or loss, and share-based compensation expenses. See “Non-IFRS Measures” for details.

## KEY OPERATING INFORMATION

	For the six months ended June 30,		
	2023	2022	Change
	(in thousands)	(in thousands)	%
<b>Online Games</b>			
Average MAUs <sup>(1)</sup>	13,269	15,346	-13.5
Average MPUs <sup>(2)</sup>	1,389	1,530	-9.2
<b>TapTap</b>			
Average App MAUs in TapTap PRC	33,967	41,730	-18.6
Average App MAUs in TapTap International	7,135	8,973	-20.5

- (1) Our average MAUs for online games are calculated by dividing the aggregate of the total MAUs of each online game for the respective period by the number of months of that period.
- (2) Our average MPUs for online games are calculated by dividing the aggregate of the total MPUs of each online game for the respective period by the number of months of that period.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

In the first half of 2023, we maintained a steady growth in terms of our revenue benefiting from the increased advertising revenue on TapTap and the successful launch of Torchlight: Infinite (火炬之光：無限) and T3 Arena (火力蘇打) in China. Moreover, with the strict cost control discipline this year, we have successfully turned losses into profits. In the first half of this year, our adjusted EBITDA was RMB184.8 million, while it was an adjusted loss before interests, taxes, depreciation and amortization of RMB246.4 million for the corresponding period of the last year.

Although the average App MAUs of TapTap PRC decreased as compared to the corresponding period of the last year, we believe that this was mainly due to one-off factors and the App MAUs of TapTap PRC have returned to growth momentum after certain adjustments. In the first half of 2023, we have initially applied the AIGC (Artificial Intelligence Generated Content) technology to our research and development of new games and have achieved favorable results. In the future, we plan to further deploy it to improve game content production efficiency and enhance our customer service capabilities. In the long run, we will continue to adhere to our vision of “to impact each and every gamer by promoting the spirit of craftsmanship,” and are committed to consistently providing high-quality games for players worldwide, while also continuously supporting developers in creating and distributing games more conveniently.

The following is an overview of our main products and services:

#### **Our Games**

As of June 30, 2023, our portfolio consisted of 20 online games and 29 premium games.

## *Online Games*

During the first half of 2023, the average MAUs of our online games decreased by 13.5% period-over-period, while the average MPUs decreased by 9.2% period-over-period. The decrease in these two figures was primarily attributable to a decrease in number of users of Sausage Man (香腸派對) as compared to the corresponding period of the last year. Such decline was partially offset by an increase in number of users as a result of the launch of T3 Arena (火力蘇打) and Torchlight: Infinite (火炬之光：無限) in China during the first half of the year. For the six months ended June 30, 2023, Sausage Man (香腸派對), Ragnarok M (仙境傳說M), Torchlight: Infinite (火炬之光：無限), Ulala (不休的烏拉拉) and Shen Xian Dao (HD) (神仙道高清重製版) were our top five games in terms of its revenue contribution. An overview of our major games is as follows:

- Sausage Man (香腸派對): the game was launched in China in April 2018 and has been nearly five years since it was released. During the Chinese New Year of 2023, the game had a record high number of active users and revenue. However, after the Chinese New Year, both MAUs and MPUs of the game declined as compared to the corresponding period of the last year due to (i) the decrease in the amount of time that people spent on online games after the PRC's restrictive policies related to the pandemic being lifted; and (ii) the impact of several competing games being launched. However, as a battle arena game, we believe that the game still maintains a huge number of players in China market and has potential for further growth.
- Ragnarok M (仙境傳說M): the game was launched in China in January 2017, and was subsequently released in many countries and regions worldwide, the game is currently at its maturity stage. Due to the impact of the life cycle of the game, its revenue was decreased to a certain extent during the six months ended June 30, 2023 as compared to the corresponding period of last year.
- Ulala (不休的烏拉拉): the game was launched in Taiwan in May 2019, and was subsequently released in many countries and regions worldwide, which is now at its maturity stage. Due to the life cycle of the game, the revenue of the game for the six months ended June 30, 2023 was decreased to a certain extent as compared with the corresponding period of last year.
- Torchlight: Infinite (火炬之光：無限) and T3 Arena (火力蘇打) were launched in China in May and June 2023, respectively, therefore, both of them have a relatively limited impact on the financial result for the first half of the year.

## ***Games in Development***

We regard our self-developed games as one of the cornerstones of our growth, and we have made a large scale of investment in research and development of games. As at June 30, 2023, we had 828 employees engaged in game development, representing a decrease of 209 employees from June 30, 2022. The decrease was mainly due to the termination or optimization of the research and development of several games during the second half of 2022, with the goal of the cost reduction and efficiency enhancement. As of June 30, 2023, we had 4 online games in development, including: Sword of Convallaria (鈴蘭之劍), which was launched in Hong Kong, Macau and Taiwan in August 2023, and is expected to be launched in China in the fourth quarter of 2023. In addition, the incremental game GoGo Muffin (出發吧麥芬) is expected to be launched in the fourth quarter of this year or the first quarter of next year.

## ***Premium Games***

Premium games constitute an important component of TapTap's unique ecosystem, enabling us to achieve differentiation and foster a more diversified active user base. In the first half of 2023, the successive launch of several overseas games after obtaining the ISBN (International Standard Book Number) and the commercialization of cross-platform games enabled us to obtain new sources of revenue. Currently, games such as Terraria (泰拉瑞亞), Carto (無盡旅圖), Gorogoa (畫中世界) and Sands of Salzaar (部落與彎刀) continued to maintain steady performance and stabilize the market share of TapTap in the segment of mobile premium games. In the second half of this year, it is also expected that a number of high-profile premium games entering beta testing or being officially released.

## **TapTap**

TapTap is our key competitiveness and one of the cornerstones of our growth. We rely on game development and publishing to provide TapTap with high-quality exclusive content, which drives TapTap's user growth. In the meantime, TapTap's own product and operation advantages will help retain users and generate revenue, which will then feed the content creation of both first-party and third-party developers through TapTap and in turn generate more quality content and continue to drive the further growth of TapTap.

### ***TapTap PRC***

During the six months ended June 30, 2023, the average App MAUs of TapTap PRC was approximately 34.0 million, representing a decrease of 18.6% on a period-over-period basis. The decrease in MAUs on a period-over-period basis in the first half of this year was mainly attributable to (i) the decrease in the amount of time that people spent on online games after the restrictive policies related to the pandemic in China being lifted; and (ii) the decrease in the number of new users on a period-over-period basis due to the reduction of our marketing activities for the purpose of cost control. We implemented several strategic adjustments to TapTap in June and July 2023, and App MAUs of TapTap PRC regained growth momentum, reaching 39.3 million in July 2023.

In July 2023, we successfully hosted the 4th Annual TapTap Presents and Developers Workshop, which received a positive response.

### ***TapTap International***

During the six months ended June 30, 2023, the average App MAUs of TapTap International was approximately 7.1 million, representing a decrease of 20.5% on a period-over-period basis. The decrease in MAUs on a period-over-period basis in the first half of this year was mainly attributable to (i) the decrease in number of users from India due to the effects of certain popular games; and (ii) the significant reduction in our overseas marketing investment for cost control purposes.

We will continue to improve the international team and dedicate to the development and operation of versions specifically for certain key overseas markets one by one. Currently, we do not set the overall MAUs growth as our target, but build up a good community ambiance and increase the user penetration rate by targeting specific key markets instead.

### ***TapTap Developer Services***

TapTap Developer Services (TDS) aims to provide developers with technical and product support through our platform to help developers develop and distribute games more conveniently.

In the first half of 2023, we released new testing features that comprehensively improved the ease of use for developers. We also started testing overseas payment features and invited the first batch of games to implement such features. We added more features for exclusive games to the “Bonfire Program” to achieve a win-win situation for developers, players and the platform. As of the end of July 2023, there were more than 2,000 active games using the TDS on a daily basis, with a daily user base exceeding 3 million players.

## FINANCIAL REVIEW

### Revenue

Our revenue is mainly derived from (i) games, the principal 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 revenue by line of business for the six months ended June 30, 2023 and 2022.

	For the six months ended June 30,			
	2023		2022	
	Amount	% of revenue	Amount	% of revenue
(Unaudited)	<i>(RMB in thousands, except for percentages)</i>			
<b>Games</b>	<b>1,149,870</b>	<b>65.6</b>	1,126,287	70.7
Game operating	<b>1,144,657</b>	<b>65.3</b>	1,114,697	70.0
Online games	<b>1,080,122</b>	<b>61.6</b>	1,042,055	65.4
Premium games	<b>64,535</b>	<b>3.7</b>	72,642	4.6
Others	<b>5,213</b>	<b>0.3</b>	11,590	0.7
<b>Information services</b>	<b>603,232</b>	<b>34.4</b>	467,750	29.3
<b>Total revenue</b>	<b><u>1,753,102</u></b>	<b><u>100.0</u></b>	<b><u>1,594,037</u></b>	<b><u>100.0</u></b>

### Games

Our revenue from game business increase by 2.1% to RMB1,149.9 million for the six months ended June 30, 2023 on a period-over-period basis. In particular,

- Our revenue from online games increased by 3.7% to RMB1,080.1 million for the six months ended June 30, 2023 on a period-over-period basis, primarily due to increases in revenue from Sausage Man (香腸派對) and newly launched games, such as Torchlight: Infinite (火炬之光:無限) and T3 Arena (火力蘇打), and partially offset by decrease in revenue from certain existing games in maturity stage, such as Ulala (不休的烏拉拉) and Ragnarok M (仙境傳說M); and
- Our revenue from premium games decreased by 11.2% to RMB64.5 million for the six months ended June 30, 2023 on a period-over period basis, primarily due to decrease in revenue from certain existing premium games.

The following table sets forth a breakdown of our game operating revenue by revenue recognition method for the six months ended June 30, 2023 and 2022.

(Unaudited)	For the six months ended June 30,			
	2023		2022	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
Revenue recognized on a gross basis	<b>1,044,393</b>	<b>91.2</b>	971,753	87.2
Revenue recognized on a net basis	<b>100,264</b>	<b>8.8</b>	142,944	12.8
<b>Total game operating revenue</b>	<b><u>1,144,657</u></b>	<b><u>100.0</u></b>	<b><u>1,114,697</u></b>	<b><u>100.0</u></b>

Our game operating revenue recognized on a gross basis increased by 7.5% to RMB1,044.4 million for the six months ended June 30, 2023 on a period-over-period basis, primarily due to the increase in revenue from Sausage Man (香腸派對) and newly launched games such as Torchlight: Infinite (火炬之光:無限) and T3 Arena (火力蘇打), and partially offset by decrease in revenue from Ulala (不休的烏拉拉) and certain premium game. Our game operating revenue recognized on a net basis decreased by 29.9% to RMB100.3 million for the six months ended June 30, 2023 on a period-over-period basis, primarily due to the decrease in revenue from Ragnarok M (仙境傳說M) in overseas markets.

### Information services

Our revenue from information services business increased by 29.0% to RMB603.2 million for the six months ended June 30, 2023 on a period-over-period basis. While the average App MAUs of TapTap PRC decreased by 18.6% to 34.0 million for the six months ended June 30, 2023 on a period-over-period basis, the increase in revenue is mainly attributable to (i) more new games launched in PRC market in the first half of 2023 compared to the corresponding period of last year, resulting in increased marketing demand; and (ii) the improvements of our advertising system and client coverage.

We have yet monetized TapTap International.



## Cost of Revenues

Our cost of revenues decreased by 11.7% to RMB715.8 million for the six months ended June 30, 2023 on a period-over-period basis. The following table sets forth our cost of revenues by line of business for the six months ended June 30, 2023 and 2022.

	For the six months ended June 30,			
	2023		2022	
	Amount	% of segment revenue	Amount	% of segment revenue
(Unaudited)	<i>(RMB in thousands, except for percentages)</i>			
Games	606,367	52.7	674,263	59.9
Information services	109,474	18.1	136,859	29.3
<b>Total</b>	<b>715,841</b>	<b>40.8</b>	<b>811,122</b>	<b>50.9</b>

Our cost of revenues for game business primarily consists of sharing of proceeds to game developers and commissions charged by distribution platforms and payment channels where we act as a principal, bandwidth and servers custody fee and employee benefits expenses. Our cost of revenues for information services business primarily consists of bandwidth and servers custody fee and employee benefits expenses. The following table sets forth our cost of revenues by nature for the six months ended June 30, 2023 and 2022.

	For the six months ended June 30,			
	2023		2022	
	Amount	%	Amount	%
(Unaudited)	<i>(RMB in thousands, except for percentages)</i>			
Sharing of proceeds to game developers	295,049	41.2	328,877	40.5
Commissions charged by distribution platforms and payment channels	172,765	24.1	187,390	23.1
Bandwidth and servers custody fee	120,495	16.8	177,474	21.9
Employee benefits expenses	60,268	8.4	70,709	8.7
Professional and technical services fee	37,231	5.2	18,245	2.2
Amortization of intangible assets	16,357	2.3	12,615	1.6
Others	13,676	2.0	15,812	2.0
<b>Total</b>	<b>715,841</b>	<b>100.0</b>	<b>811,122</b>	<b>100.0</b>

Our cost of revenues for game business decreased by 10.1% to RMB606.4 million for the six months ended June 30, 2023 on a period-over-period basis, primarily attributable to (i) the decreases in sharing of proceeds to game developers and commissions charged by distribution platforms, which were due to the decreases in revenue from Ulala (不休的烏拉拉) and other licensed games; and (ii) the decreases in bandwidth and servers custody fee and employee benefits expenses, which were due to our cost control and efficiency improvement measures.

Our cost of revenues for information services business decreased by 20.0% to RMB109.5 million for the six months ended June 30, 2023 on a period-over-period basis, primarily attributable to the decrease in bandwidth and servers custody fee, which was due to (i) the decrease in the average App MAUs of TapTap PRC and TapTap International; and (ii) the improvement of internet technology.

### **Gross Profit and Gross Margin**

As a result of the foregoing, our gross profit increased by 32.5% to RMB1,037.3 million for the six months ended June 30, 2023 on a period-over-period basis. Our gross margin was 59.2% for the six months ended June 30, 2023, which was higher than the gross margin for the six months ended June 30, 2022, primarily due to (i) an increase in our gross margin of game segment from 40.1% for the six months ended June 30, 2022 to 47.3% in the corresponding period of 2023, as a result of the increases in self-developed games such as Torchlight: Infinite (火炬之光:無限) and T3 Arena (火力蘇打), which in general enjoyed higher gross margin than licensed games; and (ii) an increase in gross margin of information services segment from 70.7% for the six months ended June 30, 2022 to 81.9% in the corresponding period of 2023. This increase was also benefited from the increase in the contribution of revenue from our information services business to our total revenue from 29.3% for the six months ended June 30, 2022 to 34.4% in the same corresponding period of 2023, which in general enjoyed 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 decreased by 18.2% to RMB330.4 million for the six months ended June 30, 2023 on a period-over-period basis. This was primarily attributable to the decreased marketing expenses for both TapTap and game segments, due to cost reduction measures.

## **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 technical support for our games.

Our research and development expenses decreased by 19.6% to RMB527.8 million for the six months ended June 30, 2023 on a period-over-period basis. This was primarily due to the decrease in employee benefits expenses. The number of our research and development personnel decreased from 1,387 as at June 30, 2022 to 1,143 as at June 30, 2023, as a result of game projects restructuring and staff optimization.

## **General and Administrative Expenses**

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

Our general and administrative expenses decreased by 2.6% to RMB101.8 million for the six months ended June 30, 2023 on a period-over-period basis. This was primarily due to (i) the decrease in the number of back office personnel; and (ii) was partially offset by the increases in office expenses, rental and utilities expenses, as our office spaces were benefited from the rent reduction policy under the impact of pandemic last year.

## **Other Gains/(Losses), Net**

Our other gains/(losses), net primarily consist of foreign exchange gains/(losses), net.

Our net foreign exchange gains was RMB1.2 million for the six months ended June 30, 2023, comparing a net foreign exchange losses of RMB32.5 million for the six months ended June 30, 2022. This was primarily due to appreciation of RMB/USD and RMB/HKD exchange rates in the first half of 2023.

## **Income Tax Expenses/(Credits)**

We recorded income tax expenses of RMB45.0 million for the six months ended June 30, 2023, compared to income tax credits of RMB17.1 million for the corresponding period in 2022. Among which, we recorded a current income tax expense of RMB7.3 million and a deferred income tax expense of RMB37.7 million in relation to the deferred tax assets we recognized in previous years.

## Profit/(Loss) for the Period

Our profit for the period was RMB102.8 million for the six months ended June 30, 2023, comparing a net loss of RMB381.4 million for the six months ended June 30, 2022.

## Profit/(Loss) for the Period Attributable to Equity Holders of the Company

Our profit for the period attributable to equity holders of the Company was RMB90.2 million for the six months ended June 30, 2023, comparing a net loss for the period attributable to equity holders of the Company of RMB386.1 million for the corresponding period of 2022.

Our profit for the period attributable to non-controlling interests belonged to non-controlling interests in (i) Yiwang (Shanghai) Network Science and Technology Co., Ltd. (易玩(上海)網絡科技有限公司) (“**Yiwang**”); (ii) Shanghai Longcheng Network Technology Co., Ltd. (“**Longcheng**”); (iii) X.D. Global (HK) Limited; (iv) Hyper Times Limited; and (v) Taptap Holding Limited.

## Other Financial Information

The following table reconciles our operating profit/(loss) to our EBITDA and Adjusted EBITDA for the periods presented:

	For the six months ended	
	June 30,	
	2023	2022
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
<b>Operating profit/(loss)</b>	<b>122,693</b>	(406,427)
<b>Adjustments</b>		
Fair value changes on investments measured at fair value through profit or loss	(3,439)	4,903
Other income	(39,365)	(12,813)
Other (gains)/losses, net	(731)	32,606
Depreciation of property, plant and equipment and right-of-use assets	57,666	72,020
Amortization of intangible assets	21,352	23,060
<b>EBITDA</b>	<b>158,176</b>	(286,651)
Share-based compensation expenses	26,636	40,280
<b>Adjusted EBITDA</b>	<b>184,812</b>	(246,371)

## Non-IFRS Measures

To supplement our consolidated financial information which is presented in accordance with IFRS, we set forth below our adjusted profit/(loss) for the period and adjusted profit/(loss) 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 items, namely (i) fair value changes on long-term investments measured at fair value through profit or loss; and (ii) share-based compensation expenses. The following table reconciles our adjusted profit/(loss) for the period and adjusted profit/(loss) attributable to equity holders of the Company indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit/(loss) for the period</b>	<b>102,788</b>	<b>(381,395)</b>
Add:		
Fair value changes on long-term investments measured at fair value through profit or loss	<b>298</b>	9,346
Share-based compensation expenses	<b>26,636</b>	40,280
Less:		
Income tax effects	<b>(75)</b>	<b>(963)</b>
<b>Adjusted profit/(loss) for the period</b>	<b><u>129,647</u></b>	<b><u>(332,732)</u></b>

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit/(loss) attributable to equity holders of the Company</b>	<b>90,194</b>	<b>(386,056)</b>
Add:		
Fair value changes on long-term investments measured at fair value through profit or loss	<b>242</b>	8,613
Share-based compensation expenses	<b>22,603</b>	35,721
Less:		
Income tax effects	<b>(60)</b>	<b>(780)</b>
	<u>          </u>	<u>          </u>
<b>Profit/(loss) attributable to equity holders of the Company</b>	<b><u>112,979</u></b>	<b><u>(342,502)</u></b>

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 June 30, 2023 and December 31, 2022 are as follows:

	<b>As at</b>	<b>As at</b>
	<b>June 30,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash and cash equivalents	<b>3,301,473</b>	3,098,084
Short-term investments		
— Term deposits with initial terms over three months	<b>—</b>	295,999
— Wealth management products	<b>428,174</b>	194,780
	<u>          </u>	<u>          </u>
	<b><u>3,729,647</u></b>	<b><u>3,588,863</u></b>

As at June 30, 2023, our short-term investments are mainly consist 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. The returns of such wealth management products are not guaranteed or protected by the issuing banks.

The effective rates of return of these wealth management products ranges from 2.35% to 3.86% per annum. The increase of our cash positions and short-term investments was primarily due to net cash flows generated from operating activities of RMB133.5 million for the six months ended June 30, 2023.

As of June 30, 2023, saving for the convertible bonds issued on April 12, 2021, we did not have any borrowings or unutilized banking facilities. These convertible bonds are in the specified denomination of USD200,000 each and integral multiples of USD1,000 thereof with the aggregate principal amounts of USD280.0 million, bearing an interest of 1.25% per annum payable semi-annually and will mature on April 12, 2026.

### **Gearing Ratio**

Our gearing ratio was 58.1% as at June 30, 2023, comparing a gearing ratio of 60.3% as at December 31, 2022. This ratio was calculated as total liabilities divided by total assets.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenues	4	1,753,102	1,594,037
Cost of revenues	4, 5	(715,841)	(811,122)
<b>Gross profit</b>		<b>1,037,261</b>	<b>782,915</b>
Selling and marketing expenses	5	(330,402)	(403,719)
Research and development expenses	5	(527,784)	(656,373)
General and administrative expenses	5	(101,785)	(104,476)
Net impairment reversal/(losses) on financial assets	5	1,868	(78)
Fair value changes on investments measured at fair value through profit or loss		3,439	(4,903)
Other income	6	39,365	12,813
Other gains/(losses), net	7	731	(32,606)
<b>Operating profit/(loss)</b>		<b>122,693</b>	<b>(406,427)</b>
Finance income		45,022	9,482
Finance costs		(34,246)	(27,333)
Finance income/(costs), net	8	10,776	(17,851)
Share of results of investments accounted for using the equity method		14,348	25,820
<b>Profit/(loss) before income tax</b>		<b>147,817</b>	<b>(398,458)</b>
Income tax (expenses)/credits	9	(45,029)	17,063
<b>Profit/(loss) for the period</b>		<b>102,788</b>	<b>(381,395)</b>
<b>Other comprehensive income:</b>			
<i>Items that may not be reclassified to profit or loss</i>			
— Currency translation differences		8,774	48,183
<i>Items that may be reclassified to profit or loss</i>			
— Currency translation differences		2,878	390
<b>Total comprehensive income/(loss) for the period</b>		<b>114,440</b>	<b>(332,822)</b>



		<b>Six months ended June 30,</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit/(loss) for the period attributable to:</b>			
Equity holders of the Company		<b>90,194</b>	(386,056)
Non-controlling interests		<b>12,594</b>	4,661
		<u><b>102,788</b></u>	<u>(381,395)</u>
<b>Total comprehensive profit/(loss) for the period attributable to:</b>			
Equity holders of the Company		<b>102,104</b>	(338,792)
Non-controlling interests		<b>12,336</b>	5,970
		<u><b>114,440</b></u>	<u>(332,822)</u>
<b>Earnings/(loss) per share for profit/(loss) for the period attributable to the equity holders of the Company</b>			
Basic earnings/(loss) per share ( <i>RMB</i> )	<i>10</i>	<b>0.19</b>	(0.82)
Diluted earnings/(loss) per share ( <i>RMB</i> )	<i>10</i>	<b>0.19</b>	(0.82)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>June 30,</b> <b>2023</b>	As at December 31, 2022
	<i>Notes</i>	<i>RMB'000</i> <b>(Unaudited)</b>	<i>RMB'000</i> <b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>63,799</b>	96,211
Right-of-use assets		<b>213,826</b>	271,256
Intangible assets		<b>236,507</b>	256,381
Deferred tax assets		<b>38,468</b>	76,184
Investments accounted for using the equity method		<b>131,978</b>	124,734
Long term investments measured at fair value through profit or loss		<b>24,272</b>	24,565
Prepayments, deposits and other non-current assets		<b>44,614</b>	56,219
		<hr/> <b>753,464</b>	<hr/> 905,550
<b>Current assets</b>			
Trade receivables	<i>11</i>	<b>252,678</b>	249,444
Prepayments, deposits and other current assets		<b>68,095</b>	52,197
Short-term investments		<b>428,174</b>	490,779
Cash and cash equivalents		<b>3,301,473</b>	3,098,084
		<hr/> <b>4,050,420</b>	<hr/> 3,890,504
<b>Total assets</b>		<hr/> <b>4,803,884</b>	<hr/> <b>4,796,054</b>

		As at <b>June 30,</b> <b>2023</b>	As at December 31, 2022
	<i>Notes</i>	<i>RMB'000</i> <b>(Unaudited)</b>	<i>RMB'000</i> <b>(Audited)</b>
<b>EQUITY</b>			
Share capital	12	329	329
Share premium	12	7,036,290	7,035,801
Shares held for share award schemes	12	(6)	(6)
Other reserves		(4,338,873)	(4,377,255)
Accumulated deficit		(680,346)	(770,540)
<b>Equity attributable to equity holders of the Company</b>		<b>2,017,394</b>	1,888,329
Non-controlling interests		(6,722)	17,320
<b>Total equity</b>		<b><u>2,010,672</u></b>	<b><u>1,905,649</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		177,205	213,951
Convertible bonds		—	1,805,948
		<b><u>177,205</u></b>	<b><u>2,019,899</u></b>
<b>Current liabilities</b>			
Trade payables	13	162,132	203,053
Advance from customers		57,060	59,411
Other payables and accruals		208,779	298,980
Contract liabilities		150,788	156,688
Current income tax liabilities		83,009	67,884
Lease liabilities		42,732	60,960
Convertible bonds		1,911,507	23,530
		<b><u>2,616,007</u></b>	<b><u>870,506</u></b>
<b>Total liabilities</b>		<b><u>2,793,212</u></b>	<b><u>2,890,405</u></b>
<b>Total equity and liabilities</b>		<b><u>4,803,884</u></b>	<b><u>4,796,054</u></b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 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 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 condensed consolidated financial statements for the six months ended June 30, 2023 (the “**Interim Financial Statements**”) are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) unless otherwise stated.

## 2 Basis of preparation

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as set out in 2022 annual report of the Company dated March 30, 2023 (the “**2022 Financial Statements**”).

### **3 Accounting policy information**

The accounting policies adopted in the Interim Financial Statements are consistent with those applied in the preparation of 2022 Financial Statements, except for the estimation of income tax (Note 9) and the adoption of new and revised IFRSs that become applicable for the financial year commencing on January 1, 2023:

- Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates — Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12

The new and revised standards above will not have a material effect on the Interim Financial Statements. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

A number of new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2023 and have not been early adopted by the Group in preparing the Interim Financial Statements. None of these is expected to have a significant effect on the Interim Financial Statements based on the preliminary assessment made by management.

### **4 Segment information and revenue**

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-maker ("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. The game segment also earns online marketing service revenue from in-game marketing and promotion 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) sharing of proceeds to game developers; (b) commission paid to payment channels and distribution channels; (c) bandwidth and server custody fees; (d) employee benefit expenses; and (e) professional and technical services fee.

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) professional and technical services fee.

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 June 30, 2023, 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 condensed consolidated statement of comprehensive income.

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

(Unaudited)	<b>Six months ended June 30, 2023</b>		
	<b>Game segment RMB'000</b>	<b>Information service segment RMB'000</b>	<b>Total RMB'000</b>
Game operating revenues			
— Online Games (free-to-play)	1,080,122	—	1,080,122
— Premium Games (pay-to-play)	64,535	—	64,535
<b>Subtotal</b>	<b>1,144,657</b>	<b>—</b>	<b>1,144,657</b>
Online marketing service revenue	—	582,107	582,107
Others	5,213	21,125	26,338
<b>Total revenues</b>	<b>1,149,870</b>	<b>603,232</b>	<b>1,753,102</b>
Cost of revenues	(606,367)	(109,474)	(715,841)
<b>Gross profit</b>	<b>543,503</b>	<b>493,758</b>	<b>1,037,261</b>
<b>Gross margin</b>	<b>47%</b>	<b>82%</b>	<b>59%</b>
	<b>Six months ended June 30, 2022</b>		
(Unaudited)	<b>Information</b>		
	<b>Game segment RMB'000</b>	<b>service segment RMB'000</b>	<b>Total RMB'000</b>
Game operating revenues			
— Online Games (free-to-play)	1,042,055	—	1,042,055
— Premium Games (pay-to-play)	72,642	—	72,642
<b>Subtotal</b>	<b>1,114,697</b>	<b>—</b>	<b>1,114,697</b>
Online marketing service revenue	—	451,703	451,703
Others	11,590	16,047	27,637
<b>Total revenues</b>	<b>1,126,287</b>	<b>467,750</b>	<b>1,594,037</b>
Cost of revenues	(674,263)	(136,859)	(811,122)
<b>Gross profit</b>	<b>452,024</b>	<b>330,891</b>	<b>782,915</b>
<b>Gross margin</b>	<b>40%</b>	<b>71%</b>	<b>49%</b>

Revenues of approximately RMB614 million and RMB505 million for the six months ended June 30, 2023 and 2022, respectively, were from five largest single external customers.

Revenue from one customer in information service segment accounts for 19% and 14% of the Group's total revenue during the six months ended June 30, 2023 and 2022, respectively.

The table below sets forth a breakdown of the Group's revenue by timing of recognition for the six months ended June 30, 2023 and 2022, respectively:

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Service transferred at a point of time	<b>1,118,159</b>	860,775
Service transferred overtime	<b>634,943</b>	733,262
	<b><u>1,753,102</u></b>	<b><u>1,594,037</u></b>

The table below sets forth a breakdown of the Group's game operating revenue by geographical areas for the six months ended June 30, 2023 and 2022, respectively:

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Mainland China	<b>769,973</b>	676,591
Other areas ( <i>Note a</i> )	<b>374,684</b>	438,106
<b>Total</b>	<b><u>1,144,657</u></b>	<b><u>1,114,697</u></b>

*Note:*

- (a) Revenue from other areas mainly includes revenue from local versions operated in Hong Kong, Macao, Taiwan province of China, Southeast Asia, North America and South Korea.



## 5 Expenses by nature

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Employee benefits expenses	570,811	688,829
Sharing of proceeds to game developers	295,049	328,877
Promotion and advertising expenses	273,306	349,621
Commissions charged by payment channels and distribution channels	172,765	187,390
Bandwidth and server custody fee	122,385	179,901
Professional and technical service fee	84,132	66,412
Depreciation of property, plant and equipment and right-of-use assets	57,666	72,020
Share-based compensation expenses	26,636	40,280
Amortization of intangible assets	21,352	23,060
Office expenses	19,312	14,665
Input VAT transfer out and tax surcharges	13,820	12,523
Rental expenses and utilities	5,335	4,501
Auditor's remuneration		
— Audit service	2,120	2,320
— Non-audit service	390	1,186
Impairment of non-financial assets	6,025	1,197
Net impairment (reversal)/losses on financial assets	(1,868)	78
Others	4,708	2,908
	<hr/>	<hr/>
<b>Total</b>	<b>1,673,944</b>	<b>1,975,768</b>
	<hr/> <hr/>	<hr/> <hr/>

## 6 Other income

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government subsidies	36,957	8,052
Interest income from short-term investments measured at amortized cost	2,212	4,536
Others	196	225
	<hr/>	<hr/>
<b>Total</b>	<b><u>39,365</u></b>	<b><u>12,813</u></b>

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

## 7 Other gains/(losses), net

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Foreign exchange gains/(losses), net	1,236	(32,510)
Others	(505)	(96)
	<hr/>	<hr/>
<b>Total</b>	<b><u>731</u></b>	<b><u>(32,606)</u></b>

## 8 Finance income/(costs), net

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Finance income</b>		
Interest income from bank deposits	45,022	9,482
<b>Finance costs</b>		
Interest expenses on convertible bond	(24,757)	(23,292)
Interest expenses on lease liabilities	(6,073)	(3,102)
Bank charges	(3,416)	(939)
<b>Finance income/(costs), net</b>	<b>10,776</b>	<b>(17,851)</b>

## 9 Income tax

Income tax expense is recognised based on the management's best knowledge of the effective income tax rates expected for the full financial year.

### *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 six months ended June 30, 2023 and 2022.

Certain subsidiaries of the Group in the PRC, accordingly, are qualified as “high and new technology enterprise” and entitled to a preferential income tax rate of 15% during the six months ended June 30, 2023 and 2022.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC which were effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 200% 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 six months ended June 30, 2023 and 2022.

### ***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 at the end of each reporting period. Cumulative undistributed earnings of the Company’s PRC subsidiaries intended to be permanently reinvested were RMB1,348 million as of June 30, 2023.

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax	7,321	10,876
Deferred income tax	37,708	(27,939)
	<u>          </u>	<u>          </u>
<b>Total income tax expenses/(credits)</b>	<b><u>45,029</u></b>	<b><u>(17,063)</u></b>

## 10 Earnings/(loss) per share

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

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit/(loss) attributable to equity holders of the Company ( <i>RMB'000</i> )	90,194	(386,056)
Weighted average number of shares in issue ( <i>thousands</i> )	472,014	471,993
	<u>          </u>	<u>          </u>
<b>Basic earnings/(loss) per share (<i>in RMB</i>)</b>	<b><u>0.19</u></b>	<b><u>(0.82)</u></b>

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. For the six months ended June 30, 2023, the Group had potential dilutive ordinary shares arising from convertible bonds and share options. As the Group incurred losses for the six months ended June 30, 2022, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution.

	<b>Six months ended June 30,</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Profit/(loss) attributable to equity holders of the Company ( <i>RMB'000</i> )	<b>90,194</b>	(386,056)
Weighted average number of shares in issue ( <i>thousands</i> )	<b>472,014</b>	471,993
Adjustments for share options ( <i>thousands</i> )	<b>915</b>	–
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share ( <i>thousands</i> )	<b>472,929</b>	471,993
<b>Diluted earnings/(loss) per share (<i>in RMB</i>)</b>	<b><u>0.19</u></b>	<b><u>(0.82)</u></b>

## 11 Trade receivables

	<b>As at June 30, 2023</b>	As at December 31, 2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Distribution channels and game publishers	<b>150,200</b>	191,920
Online marketing service customers	<b>100,878</b>	59,536
Others	<b>3,555</b>	1,906
	<b>254,633</b>	253,362
Less: allowance for impairment	<b><u>(1,955)</u></b>	<u>(3,918)</u>
	<b><u>252,678</u></b>	<u>249,444</u>

- (a) 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:

	<b>As at June 30, 2023 RMB'000 (Unaudited)</b>	<b>As at December 31, 2022 RMB'000 (Audited)</b>
Within 3 months	<b>230,599</b>	205,439
3 months to 6 months	<b>20,531</b>	35,806
6 months to 1 year	<b>2,479</b>	8,652
1 to 2 years	<b>357</b>	2,849
Over 2 years	<b>667</b>	616
	<b><u>254,633</u></b>	<b><u>253,362</u></b>

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. The expected loss rates are based on the payment profiles of sales over a period of 36 months before June 30, 2023 and December 31, 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the consumer price index (CPI) and gross domestic product (GDP) of the countries in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Movements on the Group’s allowance for impairment of trade receivables are as follows:

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<i><b>RMB’000</b></i>	<i><b>RMB’000</b></i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
At the beginning of the period	<b>3,918</b>	1,749
(Reversal)/provision	<b>(1,966)</b>	78
Write-off	<b>(3)</b>	–
Currency translation differences	<b>6</b>	6
	<hr/>	<hr/>
<b>At the end of the period</b>	<b><u>1,955</u></b>	<b><u>1,833</u></b>

The reversal and provisions of provisions for impaired receivables have been included in “Net impairment reversal/(losses) on financial assets” in the consolidated statement of comprehensive income.

- (c) The Directors of the Group considered that the carrying amounts of the trade receivables balances approximated their fair value as at June 30, 2023 and December 31, 2022.
- (d) The carrying amount of the Group’s trade receivables is denominated in the following currencies:

	<b>As at</b>	<b>As at</b>
	<b>June 30,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
	<i><b>RMB’000</b></i>	<i><b>RMB’000</b></i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
United States Dollar (“USD”)	<b>119,043</b>	152,253
RMB	<b>117,691</b>	78,044
Hong Kong Dollar (“HKD”)	<b>11,974</b>	13,995
Others	<b>5,925</b>	9,070
	<hr/>	<hr/>
	<b><u>254,633</u></b>	<b><u>253,362</u></b>



- (e) The maximum exposure to credit risk as at June 30, 2023 and December 31, 2022 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

## 12 Share capital, share premium and shares held for share award schemes

	Number of shares '000	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Shares held for share award schemes RMB'000
(Unaudited)					
<b>Authorized</b>					
<b>As at June 30, 2023 and December 31, 2022</b>	<u>1,000,000</u>	<u>100</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Issued and fully paid</b>					
As at January 1, and June 30, 2022	<u>480,431</u>	<u>47</u>	<u>329</u>	<u>7,035,801</u>	<u>(6)</u>
As at January 1, 2023	480,431	47	329	7,035,801	(6)
Exercise of share options	<u>22</u>	<u>—*</u>	<u>—*</u>	<u>489</u>	<u>—</u>
<b>As at June 30, 2023</b>	<u>480,453</u>	<u>47</u>	<u>329</u>	<u>7,036,290</u>	<u>(6)</u>

\* The amount is less than 1,000

## 13 Trade payables

	As at <b>June 30,</b> <b>2023</b> <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Trade payables	<u><b>162,132</b></u>	<u>203,053</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 <b>June 30,</b> <b>2023</b> <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Within 3 months	<b>161,392</b>	202,387
Over 3 months	<u><b>740</b></u>	<u>666</u>
	<u><b>162,132</b></u>	<u>203,053</u>

The carrying amount of the Group's trade payables is denominated in the following currencies:

	<b>As at June 30, 2023 RMB'000 (Unaudited)</b>	As at December 31, 2022 RMB'000 (Audited)
RMB	<b>134,596</b>	146,206
USD	<b>24,173</b>	52,634
Others	<b>3,363</b>	4,213
	<b><u>162,132</u></b>	<b><u>203,053</u></b>

As at June 30, 2023 and December 31, 2022, the fair value of trade payables approximated to their carrying amount.

## 14 Dividends

No dividends have been paid or declared by the Company during the six months ended June 30, 2023 and 2022.

In May 2023, pursuant to the resolution of the shareholders' meetings of X.D. Global (HK) Limited, a subsidiary of the Group, a dividend of USD15 million was approved and paid, USD5.25 million (equivalent to RMB36.38 million) of which was paid to non-controlling shareholders.

In April 2022, pursuant to the resolution of the shareholders' meetings of X.D. Global (HK) Limited, a subsidiary of the Group, a dividend of USD16 million was approved and paid, USD5.60 million (equivalent to RMB38.32 million) of which was paid to non-controlling shareholders.

## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended June 30, 2023.

### INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2023.

### USE OF PROCEEDS

#### Issuance of convertible bonds in April 2021

The net proceeds received from the convertible bonds issue was approximately US\$275.6 million. The amount brought forward as of January 1, 2023 was approximately US\$147.5 million. The table below sets out the details of actual usage of the net proceeds as of June 30, 2023:

Use of proceeds	Amount of net proceeds received from convertible bonds issue (US\$ million)	Amount of net proceeds brought forward as of January 1, 2023 (US\$ million)	Actual usage for the six months ended June 30, 2023 (US\$ million)	Unutilized net proceeds as of June 30, 2023 (US\$ million)	Expected timeline of full utilization
• further enhancing the Company's R&D capability and game portfolios	148.8	64.5	33.7	30.8	By December 31, 2023
• marketing and promoting games and TapTap	99.2	55.4	32.0	23.4	By December 31, 2023
• general corporate purposes	27.6	27.6	3.2	24.4	By December 31, 2023
	<u>275.6</u>	<u>147.5</u>	<u>68.9</u>	<u>78.6</u>	

## Placing of shares in April 2021

The net proceeds received from the placing of shares was approximately HK\$1,113.0 million. The amount of net proceeds brought forward as of January 1, 2023 was HK\$127.5 million. The table below sets out the details of actual usage of the net proceeds as of June 30, 2023:

Use of proceeds	Amount of net proceeds received from the placing of shares (HK\$ million)	Amount of net proceeds brought forward as of January 1, 2023 (HK\$ million)	Actual usage for the six months ended June 30, 2023 (HK\$ million)	Unutilized net proceeds as of June 30, 2023 (HK\$ million)	Expected timeline of full utilization
• further enhancing the Company’s R&D capability and game portfolios	556.5	0	0	0	—
• potential acquisition and strategic investments	222.6	127.5	10.6	116.9	By December 31, 2023
• general corporate purposes	333.9	0	0	0	—
	<u>1,113.0</u>	<u>127.5</u>	<u>10.6</u>	<u>116.9</u>	

## RSU SCHEME

The RSU Scheme was adopted on June 3, 2019. A summary of the principal terms of the RSU Scheme is set out in the section headed “Statutory and General Information — D. RSU Scheme” in Appendix IV to the prospectus of the Company dated November 29, 2019.

The aggregate number of Shares held by Heart Assets Limited (the “**RSU Holding Entity**”) pursuant to the RSU Scheme for and on behalf of the grantees was 8,437,540, representing approximately 1.76% of the issued share capital of our Company as at the date of the annual report of the Company for the year ended December 31, 2022, and no RSUs had been granted by the Company. The RSU Holding Entity will not exercise the voting rights attached to the shares of the Company underlying the RSU Scheme.

## **EVENT AFTER THE REPORTING PERIOD**

On July 6, 2023, a total of 852,678 share options (the “**Options**”) were granted by the Company under the Share Option Plan adopted on June 25, 2021 to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 133,626 Options granted to Mr. Huang Yimeng, an executive Director, and 66,813 Options granted to Mr. Dai Yunjie, an executive Director, respectively. For details, please refer to the announcement of the Company dated July 6, 2023.

Save as disclosed above, there is no material event after the reporting period undertaken by the Group after June 30, 2023 and up to the date of this announcement.

## **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 as its own code of corporate governance.

The Company has complied with all applicable code provisions of the CG Code during the six months ended June 30, 2023 except for a deviation from code provision C.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 three executive Directors (including Mr. Huang Yimeng), one non-executive Director 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.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its code for dealing in securities in the Company by the Directors. The Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the six months ended June 30, 2023.

## **REVIEW OF THE INTERIM 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 D.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 Ms. Liu Qianli. The Audit Committee is currently chaired by Mr. Xin Quandong, who possesses suitable professional qualifications.

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited consolidated financial statements for the six months ended June 30, 2023. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The interim results announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and that of the Company ([2400.hk](http://2400.hk)). The interim 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:

- “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;
“Director(s)”	the director(s) of the Company;
“Group”	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“IFRS”	International Financial Reporting Standards, which include standards and interpretations as issued from time to time by the International Accounting Standards Board;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, supplemented or otherwise modified from time to time;
“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;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
“MPUs”	monthly paying users, which refers to the number of paying users in the relevant calendar month in our games;



“PRC” or “China”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan, China;
“RMB”	Renminbi, the lawful currency of the PRC;
“RSU(s)”	restricted share unit(s);
“RSU Scheme”	the restricted share unit Scheme of our Company adopted on June 3, 2019;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

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

Shanghai, China, August 31, 2023

*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.*