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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, 2020

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended June 30, 2020. 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

	For the six months ended June 30,		
	2020	2019	Change
	(RMB'000)	(RMB'000)	%
	(Unaudited)	(Unaudited)	
Revenues	1,440,481	1,309,815	10.0
Gross profit	825,800	877,620	-5.9
Profit for the period	259,912	326,918	-20.5
Profit attributable to equity holders of the Company	206,546	236,663	-12.7

KEY OPERATING INFORMATION

	For the six months ended June 30,		
	2020	2019	Change
	(in thousands)	(in thousands)	%
ONLINE GAMES			
Average MAUs ⁽¹⁾	30,474	18,428	65.4
Average MPUs ⁽²⁾	982	645	52.2
TAPTAP			
Average App MAUs	24,796	16,320	51.9

- (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 2020, the global pandemic COVID-19 has affected everyone's work and lives. The outbreak brought new challenges to everyone, including us. During that period, we have attracted more users to our online games (especially "Sausage Man") and TapTap. We will continue to uphold our long-term vision of "to impact each and every gamer by promoting the spirit of craftsmanship" through our unwavering commitment to bring high-quality games to gamers, as well as supporting developers to create and publish games with ease.

Here is an overview of our main products and services:

Our Games

As of June 30, 2020, our game portfolio includes 35 online games and 11 premium games.

Online Game

For the six months ended June 30, 2020, average MAUs and MPUs of our online games increased by 65.4% and 52.2%, respectively, compared to the same period of 2019. The increases were primarily attributable to the significantly increased popularity of Sausage Man (香腸派對) during the “stay-at-home period”. In the first half of 2020, “Ragnarok M”, “Ulala”, “Sausage Man”, “Lan Yan Qing Meng” (藍顏清夢) and “Girls’ Frontline” (少女前線) are our top five games in terms of revenue generation. Here is an overview of our major existing games:

- “Ragnarok M” (仙境傳說 M) : It has been three and a half years since its official launch. As the game’s life cycle matures, the game’s revenue in the first half of 2020 has declined compared to the same period in 2019. we still have a team of more than 150 people to maintain and support the game service, and we will continue to update high-quality content for gamers. At the same time, a major game version update is in the works, to push forward the game’s quality to a whole new level and attract new players.
- “Ulala” (不休的烏拉拉) : Since May 2019, the game has been launched in more than 50 overseas countries and regions and China. At the beginning of its launch, the game had consistently entered the top ten best-selling game list. At present, the monthly turnover of the game has dropped significantly compared to the period immediately after its launch, but we are working with developers to continue to provide high-quality updates and third-party collaboration activities for the game.
- “Sausage Man” (香腸派對) : The game has been online for more than three and a half years, but due to its nature as a battle arena game, the game is still going strong and has great potential. In the first quarter of this year, the game’s user base grew rapidly with a total downloading volume exceeding 100 million times. The monetization of the game has been successful, owing to continuously optimizing the Game Season system and Golden Season Ticketing system. In addition, the team has also added in-game incentive ads to boost the monetization aspect of this highly popular game.

At the end of June 2020, we launched “Arknights” (明日方舟) in Hong Kong, Macau and Taiwan, and topped the list of the best-selling games in both Taiwan and Hong Kong.

Games Under Development

We regard game research and development capabilities as one of the company's core competitiveness, and self-developed games as one of the core driving forces behind the company's development. In the first half of this year, we hired more than 250 game developers, and as at the end of June 2020, there were more than 880 employees engaged in game development. We have a total of 11 games currently in the research phase, and three of them are expected to enter the mass production phase within the next 6 months:

- “Torchlight: Infinity” (火炬之光：無限) : This is a dark themed mobile game produced for the well-known game title “Torchlight” (火炬之光) using the UE4 engine. The game was opened for a playtest at ChinaJoy in July this year, where more than 1,000 people experienced the game, and the game was generally well-received.
- “Fantasy World” (心動小鎮 tentative name): The original “創想世界” project has been renamed as “心動小鎮”. This project is a life simulation social game. Currently, this game has completed the construction of the core framework and a small-scale internal test.
- “Project A” (tentative name): This game is a youthful Japanese teenage girl themed MMORPG made with the UE4 engine. The game is expected to finalize its name and release a trailer this year.

Premium Games

Premium games further enrich our game portfolio and increase our brand recognition among the core gamers. In the first half of 2020, our premium game business grew rapidly compared to the same period last year. We launched the Nintendo Switch version of “Juicy Realm” (惡果之地) in November 2019 and the mobile version of this game in May 2020. In addition, “Muse Dash” (喵斯快跑) and “ICEY” (艾希) also continued to perform well.

In the second half of 2020, we expect to release two highly anticipated games — “Human: Fall Flat” (人類跌落夢境) and “Terraria” (泰拉瑞亞) on mobile phones.

TapTap

TapTap is also one of our core competitiveness and driving force. We rely on game development and distribution to provide TapTap with the highest quality exclusive content. This exclusive content base in turn drives TapTap's user growth. TapTap's exclusive products and operational advantages further help to retain users and generate revenue, which is seeded back to the first-party and third-party content creators, who can continue to produce more high-quality content, which will eventually continue to help TapTap grow.

For Gamers

Since the beginning of 2020, we have continuously added a large number of products and technical staff for TapTap, and have carried out multiple version iterations with the goal of increasing user activity. In the first half of 2020, the average monthly active users of the TapTap mobile app was 24.8 million, with a period-on-period increase of 51.9%; the number of game downloads on TapTap was 219.9 million, with a period-on-period increase of 26.4%; the number of new TapTap posts was 3.4 million, with a period-on-period increase of 143.0%. In the near future, we plan to concentrate on the operation and research & development of the TapTap community, so as to complete the integration of community dynamics and game forums, improve the community content recommendation algorithm, and increase the function of community's popular rankings.

In the first half of 2020, we provided TapTap users with a wide array of games (exclusive or limited-time exclusive on the PRC Android platform). Among them, “Pasical’s Wager” (帕斯卡契約) was the first Chinese game to appear at the Apple conference, which caught the attention of a large number of gamers. In July 2020, TapTap also exclusively released a free-to-play game “Canal Towns” (江南百景圖) on PRC Android platform. This game has been ranked among the top three free games in the App Store for 36 days after its launch.

For Game Developers

As of June 30, 2020, TapTap has approximately 13,000 registered developers. TapTap is committed to becoming a communication bridge between developers and gamers. The TapTap platform aims to help developers reduce the difficulties of making and publishing games. In the first half of 2020, we reorganized the technical department (originally providing general product services for our games) into the developer service department of the TapTap platform. We also plan to launch more component tools for third-party developers to utilize and strengthen the connection between the game and our TapTap gamer community. We have unified and integrated services for developers into TDS (TapTap Developer Service). In the future, we plan to gradually provide developers with functions such as targeted testing invitation, data analysis, accounts login-in, friend synchronization, embedded community services and more into TDS.

FINANCIAL REVIEW

Revenues

Our revenue is mainly derived from (i) games, principally 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, 2020 and 2019.

	For the six months ended June 30,			
	2020		2019	
	Amount	% of revenue	Amount	% of revenue
(Unaudited)	<i>(RMB in thousands, except for percentages)</i>			
Games	1,187,567	82.4	1,098,838	83.9
Game operating	1,161,717	80.6	1,096,237	83.7
Online games	1,111,264	77.1	1,070,801	81.8
Premium games	50,453	3.5	25,436	1.9
In-game marketing and promotion	23,463	1.6	—	—
Others	2,387	0.2	2,601	0.2
Information services	252,914	17.6	210,977	16.1
Total revenue	<u>1,440,481</u>	<u>100.0</u>	<u>1,309,815</u>	<u>100.0</u>

Games

Our revenue from game business increased by 8.1% to RMB1,187.6 million for the six months ended June 30, 2020 on a period-on-period basis. In particular,

- Our revenue from online games increased by 3.8% to RMB1,111.3 million for the six months ended June 30, 2020 on a period-on-period basis, primarily due to solid performance of our popular existing games and newly launched games, such as (i) Ulala (不休的烏拉拉) launched in Hong Kong, Taiwan and Macau in May 2019, in more than 50 overseas countries and regions in September 2019, and in the PRC in October 2019, (ii) successive monetization of Sausage Man (香腸派對), and (iii) Lan Yan Qing Meng (藍顏清夢) launched in Hong Kong, Macau and Taiwan in January 2020, and in South Korea in March 2020. This increase was partially offset by decreases of revenue from certain existing games under maturity stage, such as Ragnarok M (仙境傳說); and

- Our revenue from premium games increased by 98.4% to RMB50.5 million for the six months ended June 30, 2020 on a period-on-period basis, primarily due to (i) Juicy Realm (惡果之地) launched in Nintendo Switch in November 2019 and in TapTap in May 2020, respectively, and (ii) solid performance of Muse Dash (喵斯快跑) launched in the PRC and overseas since June 2018.

The following table sets forth a breakdown of our game operating revenue by revenue recognition method for the six months ended June 30, 2020 and 2019.

(Unaudited)	For the six months ended June 30,			
	2020		2019	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
Revenue recognized on a gross basis	847,778	73.0	539,704	49.2
Revenue recognized on a net basis	313,939	27.0	556,533	50.8
Total game operating revenue	<u>1,161,717</u>	<u>100.0</u>	<u>1,096,237</u>	<u>100.0</u>

During the six months ended June 30, 2020 and 2019, as a percentage of the total game operating revenue, our game operating revenue recognized on a gross basis increased and that recognized on a net basis decreased, mainly as a result of the increased revenue from Sausage Man (香腸派對) and Lan Yan Qing Meng (藍顏清夢), and the decreased revenue from Ragnarok M in overseas markets.

Since January 2020, we started to offer in-game marketing and promotion services to diversify our revenue sources. We launched targeted advertisement placements in our Sausage Man (香腸派對) for third party advertisers in January 2020 and generated a revenue of RMB23.5 million for the six months ended June 30, 2020.

Information services

Our revenue from information services business increased by 19.9% to RMB252.9 million for the six months ended June 30, 2020 on a period-on-period basis, primarily due to the growth of the average MAUs on our TapTap mobile app, which increased by 51.9% to 24.8 million for the six months ended June 30, 2020 on a period-on-period basis.

Cost of Revenues

Our cost of revenue increased by 42.2% to RMB614.7 million for the six months ended June 30, 2020 on a period-on-period basis. The following table sets forth our cost of revenue by line of business for the six months ended June 30, 2020 and 2019.

	For the six months ended June 30, 2020		2019	
	Amount	% of segment revenue	Amount	% of segment revenue
(Unaudited)	<i>(RMB in thousands, except for percentages)</i>			
Games	577,928	48.7	410,535	37.4
Information services	36,753	14.5	21,660	10.3
Total	<u>614,681</u>	<u>42.7</u>	<u>432,195</u>	<u>33.0</u>

Our cost of revenue for game business primarily consists of commissions charged by distribution platforms and payment channels and sharing of proceeds to game developers where we act as a principal, bandwidth and servers custody fee and employee benefits expenses. Our cost of revenue for information services business primarily consists of bandwidth and servers custody fee and employee benefits expenses. The following table sets forth our cost of revenue by nature for the six months ended June 30, 2020 and 2019.

	For the six months ended June 30, 2020		2019	
	Amount	%	Amount	%
(Unaudited)	<i>(RMB in thousands, except for percentages)</i>			
Sharing of proceeds to game developers	221,406	36.0	93,771	21.7
Commissions charged by distribution platforms and payment channels	205,954	33.5	154,452	35.7
Bandwidth and servers custody fee	88,827	14.4	88,121	20.4
Amortization of intangible assets	24,357	4.0	26,376	6.1
Others	74,137	12.1	69,475	16.1
Total	<u>614,681</u>	<u>100.0</u>	<u>432,195</u>	<u>100.0</u>

Our cost of revenue for game business increased by 40.8% to RMB577.9 million on a period-on-period basis, primarily due to an increase in (i) sharing of proceeds to game developers, which was mainly attributable to licensed games newly launched or monetized in 2019 and the first half of 2020, such as Ulala (不休的烏拉拉), Sausage Man (香腸派對) and Lan Yan Qing Meng (藍顏清夢), and (ii) commissions charged by distribution platforms and payment channels, which was generally in line with our growth in game revenue recognized on a gross basis.

Our cost of revenue for information services business increased by 69.7% to RMB36.8 million on a period-on-period basis, primarily due to an increase in bandwidth and servers custody fee of RMB10.7 million, which was generally in line with the growth in the average MAUs of TapTap mobile app, and the growth in gamers' activities in TapTap.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit decreased by 5.9% to RMB825.8 million in the six months ended June 30, 2020 on a period-on-period basis. Our gross margin decreased to 57.3% in the six months ended June 30, 2020 from 67.0% in the same period of 2019, primarily due to (i) a decrease in our gross margins of game segment from 62.6% in the six months ended June 30, 2019 to 51.3% in the same period of 2020, as a result of the increase in the contribution from game operating revenue recognized on a gross basis to total game operating revenue from 49.2% in the six months ended June 30, 2019 to 73.0% in the same period of 2020, mainly arising from the solid performances of our licensed games, such as Ulala (不休的烏拉拉), Sausage Man (香腸派對) and Lan Yan Qing Meng (藍顏清夢), (ii) a decrease in gross margin of information services segment from 89.7% in the six months ended June 30, 2019 to 85.5% in the same period of 2020, as the growth rate of TapTap's average MAUs was higher than the growth rate of TapTap's revenue. This decrease was partially offset by an increase in the contribution of revenue from our information services business to our total revenue from 16.1% in the six months ended June 30, 2019 to 17.6% in the same period of 2020, which in general enjoys 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 10.6% to RMB278.2 million for the six months ended June 30, 2020 on a period-on-period basis. This was primarily due to (i) decreased marketing expenses of RMB74.0 million for game segment, as we launched fewer new games in the six months ended June 30, 2020 as compared to the same period of 2019, and (ii) partially offset by increased marketing expenses of RMB41.3 million for TapTap, as we continued to attract new users and bring in high quality exclusive games during the “stay-at-home period”.

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 increased by 68.2% to RMB218.1 million for the six months ended June 30, 2020 on a period-on-period basis. This was primarily due to an increase in the number of our research and development personnel from 618 as of June 30, 2019 to 1065 as of June 30, 2020, increased levels of employee benefits, and an increase in expenses relating to professional and technical services during the six months ended June 30, 2020, as we continued to enhance our game development capabilities and TapTap’s product upgrades.

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 in connection with our office space in Shanghai and right-of-use assets pursuant to IFRS 16,

Our general and administrative expenses decreased by 7.2% to RMB81.4 million for the six months ended June 30, 2020 on a period-on-period basis. This was primarily due to (i) the elimination of one-off listing expenses of RMB17.6 million incurred during the six months ended June 30, 2019, and partially offset by (ii) increased professional and technical service fees as we have become a listed company since December 2019, (iii) increased depreciation of property, plant and equipment as our office spaces increased, and (iv) increased back-office personnel as our total number of employees enlarged significantly.

Income Tax Expenses

Our income tax expenses decreased by 31.1% to RMB25.3 million for the six months ended June 30, 2020 on a period-on-period basis. Our effective income tax rate (calculated as income tax expense divided by profit before income tax) decreased to 8.9% for the six months ended June 30, 2020 from 10.1% for the same period of 2019. This was primarily due to the Super Deduction for research and development expenses.

Profit for the Period

Our profit for the period decreased by 20.5% to RMB259.9 million for the six months ended June 30, 2020 on a period-on-period basis.

Profit for the Period attributable to Equity holders of the Company

Our profit for the period attributable to equity holders of the Company decreased by 12.7% to RMB206.5 million for the six months ended June 30, 2020 on a period-on-period basis.

Our profit for the period attributable to non-controlling interests was due to non-controlling interests in (i) Yiwan, (ii) Longcheng, (iii) X.D. Global (HK) Limited, and (iv) Hyper Times Limited.

Liquidity and Capital Resources

Our cash positions and short-term investments as at June 30, 2020 and December 31, 2019 are as follows:

	As at June 30, 2020 (RMB'000) (Unaudited)	As at December 31, 2019 (RMB'000) (Audited)
Cash and cash equivalents	1,947,006	1,336,869
Short-term investments	212,032	497,363
	<u>2,159,038</u>	<u>1,834,232</u>

Our short-term investments as at June 30, 2020 primarily 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 are 1.35% to 2.88% per annum and the term ranges from 39 to 182 days.

The increase of our cash positions and short-term investments was primarily due to net cash generated from operating activities of RMB382.4 million for the six months ended June 30, 2020.

As of June 30, 2020, we did not have any borrowings or unutilized banking facilities.

The Company completed a top-up placing in July 2020 and received net proceeds of approximately HK\$767.3 million. Please refer to the section headed “Other Information — Top-up Placing under General Mandate”, and the announcements of the Company dated June 24, 2020 and July 3, 2020 published on the website of the Stock Exchange (www.hkexnews.hk) for details.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended June 30,	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenues	4	1,440,481	1,309,815
Cost of revenues	5	(614,681)	(432,195)
Gross profit		825,800	877,620
Selling and marketing expenses	5	(278,158)	(311,201)
Research and development expenses	5	(218,146)	(129,661)
General and administrative expenses	5	(81,393)	(87,689)
Net impairment losses on financial assets	5	(1,311)	(1,010)
Fair value changes on investments measured at fair value through profit or loss		7,073	8,225
Other income	6	13,796	8,489
Other gains/(losses), net	7	5,554	(2,234)
Operating profit		273,215	362,539
Finance income		6,846	4,737
Finance costs		(1,442)	(1,549)
Finance income/(costs), net		5,404	3,188
Share of results of investments accounted for using the equity method		6,607	(2,093)
Profit before income tax		285,226	363,634
Income tax expenses	8	(25,314)	(36,716)
Profit for the period		259,912	326,918
Other comprehensive income:			
<i>Items that may not be reclassified to profit or loss</i>			
— Currency translation differences		9,052	(232)
<i>Items that may be reclassified to profit or loss</i>			
— Currency translation differences		3,218	2,865
Total comprehensive income for the period		272,182	329,551

		Six months ended June 30,	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		206,546	236,663
Non-controlling interests		53,366	90,255
		<u>259,912</u>	<u>326,918</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company		216,824	238,518
Non-controlling interests		55,358	91,033
		<u>272,182</u>	<u>329,551</u>
Earnings per share for profit for the period attributable to the equity holders of the Company			
Basic and diluted earnings per share (RMB)	9	<u>0.49</u>	<u>0.67</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at June 30, 2020	As at December 31, 2019
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		95,051	86,938
Right-of-use assets		55,095	37,644
Intangible assets		193,398	198,938
Deferred tax assets		16,035	11,349
Investments accounted for using the equity method		63,191	52,800
Long term investments measured at fair value through profit or loss		32,619	29,918
Prepayments, deposits and other assets		52,403	74,156
		<u>507,792</u>	<u>491,743</u>
Current assets			
Trade receivables	<i>10</i>	344,200	406,143
Prepayments and other assets		106,438	133,942
Short-term investments		212,032	497,363
Cash and cash equivalents		1,947,006	1,336,869
		<u>2,609,676</u>	<u>2,374,317</u>
Total assets		<u>3,117,468</u>	<u>2,866,060</u>

		As at June 30, 2020	As at December 31, 2019
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
EQUITY			
Share capital	<i>11</i>	287	284
Share premium	<i>11</i>	5,396,036	5,357,114
Other reserves		(4,127,050)	(4,137,328)
Retained earnings		858,346	651,800
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		2,127,619	1,871,870
Non-controlling interests		420,795	414,660
		<hr/>	<hr/>
Total equity		2,548,414	2,286,530
		<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		2,143	2,135
Lease liabilities		29,107	23,056
		<hr/>	<hr/>
		31,250	25,191
		<hr/>	<hr/>
Current liabilities			
Trade payables	<i>12</i>	193,555	200,845
Advance from customers		16,850	15,756
Other payables and accruals		110,419	151,705
Contract liabilities		130,281	99,321
Current income tax liabilities		59,426	70,250
Lease liabilities		27,273	16,462
		<hr/>	<hr/>
		537,804	554,339
		<hr/>	<hr/>
Total liabilities		569,054	579,530
		<hr/> <hr/>	<hr/> <hr/>
Total equity and liabilities		3,117,468	2,866,060
		<hr/> <hr/>	<hr/> <hr/>

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. In preparation for its primary listing, the Group underwent a reorganization (“**the Reorganization**”) to establish the Company as the ultimate holding company of the companies now comprising the Group.

The condensed consolidated financial statements for the six months ended June 30, 2020 and 2019 (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 (“**IAS 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, 2019, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as set out in 2019 annual report of the Company dated March 30, 2020 (the “**2019 Financial Statements**”).

3 Significant accounting policies

The accounting policies adopted in the Interim Financial Statements are consistent with those applied in the preparation of 2019 Financial Statements, except for the adoption of new and revised IFRSs effective as of January 1, 2020:

- Definition of Materiality — amendments to IAS 1 and IAS 8
- Definition of a Business — amendments of IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform — amendments to IFRS 9, IAS 39 AND IFRS 17

The new and revised standards above will not have a material effect on the Interim Financial Statements.

A number of new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2020 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) commission paid to payment channels and distribution channels; (b) sharing of proceeds to game developers; (c) bandwidth and server custody fees; (d) amortization of intangible assets; and (e) employee benefit expenses.

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) amortization of intangible assets.

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, 2020, 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 income statement.

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

(Unaudited)	Six months ended June 30, 2020		
	Game segment	service segment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Game operating revenues			
— Online Games (free-to-play)	1,111,264	—	1,111,264
— Premium Games (pay-to-play)	50,453	—	50,453
	<u>1,161,717</u>	<u>—</u>	<u>1,161,717</u>
Subtotal	1,161,717	—	1,161,717
Online marketing service revenue	23,463	252,127	275,590
Others	2,387	787	3,174
	<u>25,850</u>	<u>252,914</u>	<u>278,764</u>
Total revenues	1,187,567	252,914	1,440,481
Cost of revenues	(577,928)	(36,753)	(614,681)
	<u>(577,928)</u>	<u>(36,753)</u>	<u>(614,681)</u>
Gross profit	609,639	216,161	825,800
	<u>609,639</u>	<u>216,161</u>	<u>825,800</u>
Gross margin	51%	85%	57%

(Unaudited)	Six months ended June 30, 2019		
	Game segment RMB'000	Information service segment RMB'000	Total RMB'000
Game operating revenues			
— Online Games (free-to-play)	1,070,801	—	1,070,801
— Premium Games (pay-to-play)	25,436	—	25,436
Subtotal	1,096,237	—	1,096,237
Online marketing service revenue	—	210,902	210,902
Others	2,601	75	2,676
Total revenues	1,098,838	210,977	1,309,815
Cost of revenues	(410,535)	(21,660)	(432,195)
Gross profit	688,303	189,317	877,620
Gross margin	63%	90%	67%

Revenues of approximately RMB548 million and RMB741 million for the six months ended June 30, 2020 and 2019, respectively, were from five largest single external customers.

The following table summarizes the percentage of revenue from two single customers individually exceeding 10% of the Group's revenue during the six months ended June 30, 2020 and 2019, respectively.

	Six months ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)
Game operating revenues		
Customer A	15%	34%
Information service revenue		
Customer B	14%	13%

The table below sets forth a breakdown of the Group's revenue by timing of recognition for the six months ended June 30, 2020 and 2019, respectively:

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Service transferred overtime	725,543	753,209
Service transferred at a point of time	714,938	556,606
	<u>1,440,481</u>	<u>1,309,815</u>

The table below sets forth a breakdown of the Group's game operating revenue by geographical areas for the six months ended June 30, 2020 and 2019, respectively:

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	535,803	347,242
Overseas (<i>Note a</i>)	625,914	748,995
Total	<u>1,161,717</u>	<u>1,096,237</u>

- (a) Overseas revenue mainly includes revenue from local versions operated in Southeast Asia, Hong Kong, Macao, Taiwan and South Korea.

5 Expenses by nature

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Promotion and advertising expenses	259,432	292,185
Employee benefits expenses	247,833	167,967
Sharing of proceeds to game developers	221,406	93,771
Commissions charged by payment channels and distribution channels	205,954	154,452
Bandwidth and server custody fee	90,578	88,947
Professional and technical service fee	63,051	66,826
Depreciation of property, plant and equipment and right-of-use assets	34,214	21,747
Amortization of intangible assets	25,931	27,069
Office expenses	12,215	9,848
VAT input transfer out and tax surcharges	12,122	16,007
Impairment of non-financial assets	10,841	10,214
Rental expenses and utilities	5,382	2,932
Share based payments (a)	—	5,890
Auditor's remuneration (b)		
— Audit service	1,950	2,000
— Non-audit service	240	195
Net impairment losses on financial assets	1,311	1,010
Others	1,229	696
	<hr/>	<hr/>
Total	<u>1,193,689</u>	<u>961,756</u>

- (a) Pursuant to shareholder's resolution of X.D. Network Inc. dated on February 18, 2019, X.D. Network Inc. repurchased and cancelled 8,437,540 shares held by its certain then shareholders for an aggregate consideration of RMB92.30 million. The repurchase prices of shares were determined after arm's length negotiations among the parties based on the respective initial subscription and/or purchase prices of such shares or the average trading price of such shares for the 60 trading days preceding X.D. Network Inc. delisted from NEEQ, whichever is higher. The Group assessed and concluded that the repurchase consideration higher than the fair value of repurchased shares with amount of RMB5.89 million should be recognized as expenses to reflect the benefit received by X.D. Network Inc.'s then shareholders.
- (b) During six months ended June 30, 2019, professional and technical service fee include auditor's remuneration of RMB2.1 million, of which RMB0.9 million was for IPO related audit service and RMB1.2 million was for IPO related non-audit service.

6 Other income

	Six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government subsidies	13,525	8,489
Rent exemption	271	—
	<u>13,796</u>	<u>8,489</u>

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

A subsidiary of the Group received rent exemption of RMB0.27 million in April 2020 due to Covid-19. The exemption did not result in substantive change to other terms or conditions of the lease. The Group applied the practical expedient and did not account for the exemption as lease modifications. The lease payment exempted was recognized in “Other income”.

7 Other gains/(losses), net

	Six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Foreign exchange gain/(losses), net	10,560	(2,855)
Impairment of investments in associates using the equity method	(5,443)	(2,509)
Others	437	3,130
	<u>5,554</u>	<u>(2,234)</u>

8 Income Tax

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, 2020 and 2019.

Certain subsidiary of the Group in the PRC, accordingly, is qualified as “high and new technology enterprise” and entitled to a preferential income tax rate of 15% during the six months ended June 30, 2020 and 2019.

Certain subsidiary is accredited as a “software enterprise” under the relevant PRC Laws and regulations. They are exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years (the “**tax holiday**”).

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% 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, 2020 and 2019.

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 RMB846 million as of June 30, 2020.

	Six months ended June 30,	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Current income tax	29,988	36,168
Deferred income tax	(4,674)	548
	<hr/>	<hr/>
Total income tax expenses	<u>25,314</u>	<u>36,716</u>

9 Earnings per share

For the purpose of computing basic and diluted earnings per share, ordinary shares issued in the Reorganization were assumed to have been issued and allotted from the beginning of the periods presented, as if the Company has been established by then. The weighted average number of ordinary shares for such purpose has been retrospectively adjusted.

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

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	206,546	236,663
Weighted average number of shares in issue (thousands)	419,514	351,921
	<hr/>	<hr/>
Basic earnings per share (in RMB)	<u>0.49</u>	<u>0.67</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share for the six months ended June 30, 2020 and 2019 were the same as basic earnings per share of the respective periods because the Company does not have dilutive potential ordinary shares during the respective periods.

10 Trade receivables

	As at June 30, 2020 <i>RMB'000</i> (Unaudited)	As at December 31, 2019 <i>RMB'000</i> (Audited)
Distribution channels and game publishers	254,666	304,616
Online marketing service customers	93,637	104,488
Related parties	505	505
	348,808	409,609
Less: allowance for impairment	(4,608)	(3,466)
	344,200	406,143

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:

	As at June 30, 2020 <i>RMB'000</i> (Unaudited)	As at December 31, 2019 <i>RMB'000</i> (Audited)
Within 3 months	323,180	385,318
3 months to 6 months	20,358	15,451
6 months to 1 year	1,243	5,683
1 to 2 years	1,827	2,089
Over 2 years	2,200	1,068
	348,808	409,609

11 Share capital and share premium

(Unaudited)	Number of shares '000	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000
Authorized				
As at June 30, 2020 and December 31, 2019	<u>1,000,000</u>	<u>100</u>	<u>N/A</u>	<u>N/A</u>
Issued and fully paid				
As at January 1, 2019	—	—	—	—
Issuance of ordinary shares in relation to the Reorganisation of the Group (<i>Note a</i>)	351,921	35	240	4,750,933
Shares allotted for RSU scheme (<i>Note b</i>)	8,438	1	6	—
Shares held for RSU scheme (<i>Note b</i>)	<u>(8,438)</u>	<u>(1)</u>	<u>(6)</u>	<u>—</u>
As at June 30, 2019	<u>351,921</u>	<u>35</u>	<u>240</u>	<u>4,750,933</u>
As at January 1, 2020	415,521	41	284	5,357,114
Issuance of ordinary shares upon IPO over allotment (<i>Note c</i>)	<u>4,060</u>	<u>1</u>	<u>3</u>	<u>38,922</u>
As at June 30, 2020	<u>419,581</u>	<u>42</u>	<u>287</u>	<u>5,396,036</u>

- (a) From April 10, 2019 to June 17, 2019, as part of the Reorganization, the Company allotted and issued an aggregate of 351,920,960 shares of USD0.0001 each share at par value to offshore holding companies which are beneficially owned by the equity owners of X.D. Network Inc. as at that date. Upon the completion of the Reorganization, the amount of RMB4,751 million other reserves have been transferred to share premium accordingly.
- (b) On June 17, 2019, in order to incentivize the employees for their contribution, the Company allotted and issued an aggregate of 8,437,540 shares to Heart Assets Limited, which hold shares on trust for and on behalf of the Company. As at June 30, 2020 and 2019, the shares are not granted and are represented as treasury shares of the Group.

- (c) On January 3, 2020, following the full exercise of over-allotment option available upon its IPO, the Company issued 4,060,000 new ordinary shares at HKD11.10 per share and raised gross proceeds of approximately HKD45 million (equivalent to RMB40 million). The net proceeds was approximately HKD44 million (equivalent to RMB39 million) after deducting listing expenses directly relating to the share issuance.

12 Trade payables

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Trade payables	<u>193,555</u>	<u>200,845</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 June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Within 3 months	192,696	199,372
Over 3 months	<u>859</u>	<u>1,473</u>
	<u>193,555</u>	<u>200,845</u>

13 Dividends

No dividends have been paid or declared by the Company during the periods ended June 30, 2020 and 2019.

OTHER INFORMATION

TOP-UP PLACING 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 in connection with the Vendor Placing and Subscription.

Completion of the Vendor Placing took place 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 individual investors who (to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries), together with their respective ultimate beneficial owners, are third parties independent of and not connected with our Company or our connected persons. The aggregate nominal value of the Vendor Placing Shares under the Vendor Placing was US\$2,609.42.

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.

Completion of the Subscription took place on July 3, 2020. In connection with the Vendor Placing, a total of 26,094,200 Subscription Shares have been issued to the Top-up Vendor at the subscription price of HK\$29.9 per Share as all the conditions for the Subscription have been fulfilled. 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 net price of the Subscription Share is approximately HK\$29.41. The Company received total net proceeds from the Subscription of approximately HK\$767.33 million. Details of the use of such proceeds are set out below in the section headed "Use of Proceeds from Global Offering and Top-up Placing". For details, please refer to the announcements of the Company dated June 24, 2020 and July 3, 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as the top-up placing disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the six months ended June 30, 2020 and up to the date of this announcement.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2020.

USE OF PROCEEDS FROM GLOBAL OFFERING AND TOP-UP PLACING

The net proceeds received from the Company's global offering was approximately HK\$723.7 million, including the net proceeds received from the full exercise of the over-allotment option. As at June 30, 2020, the Group had utilized:

- approximately HK\$31.3 million, for developing our games and game-related technology and approximately HK\$222 million remained unutilized;
- approximately HK\$15.8 million, for developing TapTap and approximately HK\$201.2 million remained unutilized;
- approximately HK\$22.6 million, for expanding our game publishing and operating business and approximately HK\$86 million remained unutilized;
- HK\$0, for selective and strategic investments and acquisition and approximately HK\$72.4 million remained unutilized; and
- approximately HK\$16.1 million, for working capital and general corporate uses and approximately HK\$56.3 million remained unutilized.

The Group will use the remaining net proceeds in the next three years as intended in the prospectus of the Company dated November 29, 2019.

On July 3, 2020, the Company completed the top-up placing of 26,094,200 new shares and raised net proceeds of approximately HK\$767.33 million, of which HK\$537.13 million will be used for further development of TapTap and HK\$230.20 million for working capital and general corporate purposes. As at the date of this announcement, the Company had not utilized such proceeds. The Company will apply the net proceeds in the next three years for the purposes as disclosed in the announcement of the Company dated July 3, 2020.

SUBSEQUENT EVENT

Save as otherwise disclosed below and the Subscription as disclosed above in the section headed "Top-up Placing under General Mandate", there are no material subsequent events undertaken by the Group after June 30, 2020 and up to the date of this announcement.

On August 27, 2020, X.D. Network entered into an equity transfer agreement with the Vendors, pursuant to which, X.D. Network has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, an aggregate of 18.34% equity interest in Yiwan held by them for a total consideration of RMB330,188,964. Upon the completion of such acquisition, X.D. Network will hold 74.12% equity interest in Yiwan. The acquisition will enable the Company to further strengthen the synergy between the game business and the TapTap platform.

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 set out in Appendix 14 to the Listing Rules 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, 2020 except for a deviation from code provision A.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 four executive Directors (including Mr. Huang Yimeng), two non-executive Directors 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 set out in Appendix 10 to the Listing Rules as its code for dealing in securities in the Company by the Directors. The Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended June 30, 2020.

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 C.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 Mr. Gao Shaoxing. 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 interim financial information for the six months ended June 30, 2020. 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) and that of the Company (www.xd.com). 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”, “we” or “our”	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Huzhou Yixin”	Huzhou Yixin Investment Management Partnership (Limited Partnership) (湖州易心投資管理合夥企業 (有限合夥)), a limited partnership established in the PRC on 10 April 2017, whose limited partner was Huang Xiwei (holding 99.62% equity interest therein) and general partner was an independent third party as of the date of this announcement;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“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;
“MMORPG”	massively multiplayer online-role-playing games;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
“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, but for the purposes of this announcement only, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region 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;
“Ragnarok M”	Ragnarok M: Eternal Love (仙境傳說：守護永恒的愛);
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Subscription Shares by the Top-up Vendor;
“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 of the Company;
“subsidiary(ies)”	has the meaning ascribed thereto 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 the Placing and Subscription Agreement;
“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 Share(s)”	the Share(s) to be placed by the Placing Agents under the Vendor Placing pursuant to the Placing and Subscription Agreement;
“Vendors”	Mr. Huang Xiwei, Mr. Zhang Qian and Huzhou Yixin;

“WFOE”	XD Interactive Entertainment Co., Ltd. (心動互動娛樂有限公司), a wholly foreign-owned enterprise established in the PRC on June 6, 2019 by XD (HK) Limited, an indirect wholly-owned company of our Company;
“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; and
“%”	Percentage.

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

Hong Kong, August 27, 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.