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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in XD Inc., you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

**PROPOSALS FOR GENERAL MANDATES TO ISSUE SHARES AND
TO BUY BACK SHARES,
SHARE TRANSACTION AND CONNECTED TRANSACTION IN RELATION
TO ACQUISITION OF 35% SHAREHOLDING IN X.D. GLOBAL (HK)
LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE,
RE-ELECTION OF DIRECTORS,
PROPOSED AMENDMENTS TO THE MEMORANDUM AND
ARTICLES OF ASSOCIATION AND
THE ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND
ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A notice convening the annual general meeting ("AGM") of XD Inc. to be physically held at Unit A1, No. 700 Wanrong Road, Shanghai, China on Tuesday, June 25, 2024 at 10:30 a.m., at which, among other things, the above proposals will be considered, is set out on pages 105 to 111 of this circular. A form of proxy for use at the AGM is enclosed with this circular.

Whether or not you intend to attend the AGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for convening the AGM (i.e. not later than 10:30 a.m. on Sunday, June 23, 2024) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

June 3, 2024

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RESPONSIBILITY STATEMENT

This circular, for which the Directors (as defined herein) of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules (as defined herein) for the purpose of giving information with regard to the Company. The Directors (as defined herein), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition of the Target Shares by the Purchaser from the Vendors in accordance with the terms of the Sale and Purchase Agreement
“AGM”	the annual general meeting of the Company to be convened and held at Unit A1, No. 700 Wanrong Road, Shanghai, China on Tuesday, June 25, 2024 at 10:30 a.m. or any adjournment thereof
“Announcement”	the announcement of the Company dated April 9, 2024 regarding, among other things, the Acquisition
“Articles”	the articles of association of the Company
“associate(s)”; “connected person(s)”; “controlling shareholder(s)”; “substantial shareholder(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Board Diversity Policy”	the board diversity policy of the Company, a summary of which is set out on page 23 of the Company’s 2023 annual report
“Business Day”	a day on which commercial banks are open for business in Hong Kong, the Cayman Islands and PRC (excluding Saturdays, Sundays, public holidays and any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.)

DEFINITIONS

“Buy-back Mandate”	a general unconditional mandate proposed to be granted to the Directors at the AGM to exercise the power of the Company to buy back such number of issued and fully paid Shares of up to 10% of the total number of Shares in issue (excluding treasury Shares, if any) as at the date of passing of the relevant resolution granting such mandate
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“close associates”	has the meaning as defined under the Listing Rules
“Companies Act”	the Companies Act (As Revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Company”	XD Inc., a company incorporated in the Cayman Islands with limited liability on January 25, 2019 and the Shares of which are listed on the Stock Exchange on December 12, 2019
“Completion”	completion of the Acquisition
“Consideration Share(s)”	the new Shares to be issued and allotted by the Company at the Issue Price to EDragon and LY Development respectively as part of the consideration to purchase the relevant Target Shares held by EDragon or LY Development
“Consolidated Affiliated Entities”	the entities we control through the contractual arrangement, namely X.D. Network and its respective subsidiaries
“Director(s)”	the director(s) of the Company
“Earn Out Adjustment(s)”	(i) in respect of EDragon, the EDragon Adjustment Amount and (ii) in respect of LY Development, the LY Development Adjustment Amount

DEFINITIONS

“Earn Out Period”	the two financial years of the Target Company ending December 31, 2024 and 2025
“EDragon”	EDragon Technology Limited, a company incorporated with limited liability in the British Virgin Islands
“EDragon Adjustment Amount”	the amount payable by the EDragon as adjustments to the consideration after the Earn Out Period in accordance with the terms and conditions of the Sale and Purchase Agreement
“EDragon Initial Consideration”	the amount of US\$16,693,190, being the consideration for the Target Shares held by EDragon initially payable to EDragon
“Encumbrance”	any claim, charge, mortgage, security, lien, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind
“Group”	the Company, its subsidiaries and consolidated affiliated entities
“Happy Today Trust”	a trust established by Mr. Huang Yimeng as the settlor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards issued and/or adopted by the International Accounting Standards Board from time to time

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Pei Dapeng, Mr. Xin Quandong and Ms. Liu Qianli, which has been established to make recommendations to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Financial Adviser” or “CITICS HK”	CITIC Securities (Hong Kong) Limited (中信證券(香港)有限公司), a licensed corporation to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders who are not required to abstain under the Listing Rules from voting at the AGM for the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Third Party(ies)”	person(s) who is/are not connected persons of the Company
“Initial Consideration”	the sum of the EDragon Initial Consideration and LY Development Initial Consideration
“Issue Mandate”	a general unconditional mandate proposed to be granted to the Directors at the AGM to allot, issue and deal with Shares (including any sale and transfer of treasury Shares) or securities convertible into Shares of up to 20% of the total number of Shares in issue (excluding treasury Shares, if any) as at the date of passing of the relevant resolution granting such mandate
“Issue Price”	HK\$14.20 per Consideration Share

DEFINITIONS

“Latest Practicable Date”	May 30, 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Long Stop Date”	the long stop date for satisfaction of the conditions precedent (other than the conditions precedent which by their terms are to be satisfied at Completion) under the Sale and Purchase Agreement, being September 30, 2024, or such other date as may be agreed among the parties in writing
“LY Development Adjustment Amount”	the amount payable by the LY Development as adjustments to the consideration after the Earn Out Period in accordance with the terms and conditions of the Sale and Purchase Agreement
“LY Development Initial Consideration”	the amount of US\$4,946,130, being the consideration for the Target Shares held by LY Development initially payable to LY Development
“LY Development”	LY Development Limited, a company incorporated with limited liability in the British Virgin Islands
“Memorandum”	the memorandum of association of the Company
“Mr. XW Huang”	Mr. Huang Xiwei, who is a PRC citizen and a director of certain subsidiaries of the Company and thus a connected person of the Company at the subsidiary level
“Nomination Policy”	the nomination policy of the Company, a summary of which is set out on pages 30 to 31 of the Company’s 2023 annual report

DEFINITIONS

“PRC” or “China”	the People’s Republic of China. For the purposes of this circular only and except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-Tax Loss”	for any financial year of the Target Company, the loss before tax (or where the Target Company has any subsidiaries during the Earn-out Period) the consolidated loss before tax of the Target Company as set out in an audited financial statement to be prepared in accordance with the terms and conditions of the Sale and Purchase Agreement
“Pre-Tax Profit”	for any financial year of the Target Company, the profit before tax (or where the Target Company has any subsidiaries during the Earn-out Period) the consolidated profit before tax of the Target Company as set out in an audited financial statement to be prepared in accordance with the terms and conditions of the Sale and Purchase Agreement
“Pre-Tax Profit for the Earn Out Period”	the aggregate pre-tax profit for the Earn Out Period to be determined in accordance with the terms and conditions of the Sale and Purchase Agreement, which shall be an amount equal to (i) the aggregate of all Pre-Tax Profit of the Target Company for the financial year(s) during the Earn Out Period; minus (ii) the aggregate of all Pre-Tax Loss of the Target Company for the financial year(s) during the Earn Out Period
“Pre-Tax Profit Shortfall”	for the Earn Out Period, the amount, if any, by which the Pre-Tax Profit for the Earn Out Period is below the Reference Pre-Tax Profit
“Purchaser”	XDG Holding Limited, a company incorporated with limited liability in the British Virgin Islands and a direct wholly-owned subsidiary of the Company

DEFINITIONS

“Reference Pre-Tax Profit”	the reference profit before tax of the Target Company of US\$20,000,000, for the Earn Out Period as determined in accordance with the terms and conditions of the Sale and Purchase Agreement
“Relevant Entities”	certain entities in which X.D. Network also directly or indirectly holds investment in the PRC in addition to the restricted and/or prohibited business of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated April 9, 2024 and entered into among the Company, the Purchaser and the Vendors in relation to the Acquisition
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Plan”	the share option plan of the Company adopted and approved by the Shareholders on June 25, 2021
“Share(s)”	ordinary shares of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the AGM to allot and issue the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended or supplemented from time to time

DEFINITIONS

“Target Company”	X.D. Global (HK) Limited, a company incorporated with limited liability in Hong Kong and an indirect subsidiary of the Company held by the Purchaser, EDragon and LY Development as to 65%, 27% and 8% respectively as at the Latest Practicable Date
“Target Shares”	(i) in respect of EDragon, 2,700 ordinary shares of the Target Company (representing 27% shareholding in the Target Company); and (ii) in respect of LY Development, 800 ordinary shares of the Target Company (representing 8% shareholding in the Target Company), which in aggregate represent 35% shareholding in the Target Company, free from any Encumbrance, to be sold by EDragon and LY Development respectively to the Purchaser pursuant to the Sale and Purchase Agreement
“treasury Shares”	has the meaning ascribed to it under the Listing Rules (which will come into effect on June 11, 2024)
“US\$”	United States dollars, the lawful currency of the United States
“Vendors”	EDragon and LY Development
“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
“%”	per cent.

LETTER FROM THE BOARD



XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

Executive Directors:

Mr. Huang Yimeng
*(Chairman of the Board and
Chief Executive Officer)*

Mr. Dai Yunjie
Mr. Fan Shuyang

Non-executive Director:

Mr. Wu Meng

Independent Non-executive Directors:

Mr. Pei Dapeng
Mr. Xin Quandong
Ms. Liu Qianli

Registered Office in the Cayman Islands:

Floor 4, Willow House,
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

Principal place of business

in Hong Kong:

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

June 3, 2024

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR GENERAL MANDATES TO ISSUE SHARES AND
TO BUY BACK SHARES,
SHARE TRANSACTION AND CONNECTED TRANSACTION IN RELATION
TO ACQUISITION OF 35% SHAREHOLDING IN X.D. GLOBAL (HK)
LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE,
RE-ELECTION OF DIRECTORS,
PROPOSED AMENDMENTS TO THE MEMORANDUM AND
ARTICLES OF ASSOCIATION AND
THE ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND
ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING**

LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed to seek approval of the Shareholders at the AGM in respect of, among other matters, (i) the granting to the Directors the Issue Mandate and the Buy-back Mandate, (ii) in relation to the Acquisition, (a) further details of the Acquisition and the transactions contemplated thereunder; (b) a letter of recommendation from the Independent Board Committee; (c) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (d) other information as required to be disclosed under the Listing Rules, (iii) the re-election of Directors, (iv) the amendments to the Memorandum and Articles of Association and the adoption of the Amended and Restated Memorandum and Articles of Association; and (v) to give you notice of the AGM at which resolutions will be proposed for the Shareholders to consider and, if thought fit, approve the aforesaid matters.

GENERAL MANDATES

At the annual general meeting of the Company held on June 20, 2023, ordinary resolutions were passed to grant to the Directors (i) a general unconditional mandate to allot, issue and deal in Shares or securities convertible into Shares not exceeding 20% of the total number of Shares in issue; (ii) a general unconditional mandate to buy back Shares up to 10% of the total number of Shares in issue; and (iii) to extend the general mandate mentioned in (i) above by the addition of an amount representing the total number of Shares purchased by the Company pursuant to the mandate to buy back Shares referred to (ii) above. The above general mandates will continue in force until (i) the conclusion of the AGM; or (ii) the date by which the AGM is required by the Articles or any applicable law(s); or (iii) the revocation or variation by ordinary resolution of the Shareholders in general meeting, whichever occurs first.

1. General Mandate to Issue Shares

At the AGM, an ordinary resolution will be proposed to the Shareholders to grant to the Directors a general mandate to allot and issue new Shares (including any sale or transfer of treasury Shares) or securities convertible into Shares not exceeding 20% of the number of the issued Shares (excluding treasury Shares, if any) as at the date of passing of the resolution in relation thereto. The Issue Mandate will end on the earlier of (a) conclusion of the next annual general meeting of the Company; (b) expiration of the period within which the next annual general meeting of the Company is required to be held by the Companies Act or the Articles; and (c) the date upon which such authority is revoked or varied by an ordinary resolution by the Shareholders in a general meeting.

LETTER FROM THE BOARD

Subject to the passing of the ordinary resolution granting the Issue Mandate and on the basis of 480,639,093 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued or bought back prior to the AGM, the Company would be allowed under the Issue Mandate to issue 96,127,818 Shares, being 20% of the number of the issued Shares (excluding treasury Shares, if any) as at the date of passing of the resolution to approve the Issue Mandate.

In addition, subject to a separate approval of the ordinary resolution numbered 6, the number of Shares purchased by the Company under ordinary resolution numbered 5 will also be added to extend the Issue Mandate as mentioned in ordinary resolution numbered 4 provided that such additional number of Shares shall represent up to 10% of the number of issued Shares (excluding treasury Shares, if any) as at the date of passing the Shareholders' resolutions in relation to the Issue Mandate and Buy-back Mandate (the "**Extension Mandate**"). The Directors wish to state that they have no immediate plan to issue any Shares (including any sale or transfer of treasury Shares) or buy back any Shares pursuant thereto.

Subject to the approval of Shareholders, the Company may only use the Issue Mandate and Extension Mandate for the sale or transfer of treasury Shares after the amendments to the Listing Rules and articles of association of the Company relating to treasury Shares come into effect.

2. General mandates to buy back Shares

At the AGM, an ordinary resolution will be proposed to the Shareholders to grant to the Directors a general mandate to exercise all powers of the Company to buy back issued Shares not exceeding 10% of the number of the issued Shares (excluding treasury Shares, if any) as at the date of passing of the resolution subject to the Listing Rules. Assuming that there is no change in the issued Shares from the Latest Practicable Date up to the date of the AGM, the maximum number of Shares which may be bought back pursuant to the Buy-back Mandate as at the date of passing the resolution of Buy-back Mandate will be 48,063,909 Shares. The Buy-back Mandate will end on the earlier of (a) conclusion of the next annual general meeting of the Company; (b) expiration of the period within which the next annual general meeting of the Company is required to be held by the Companies Act or the Articles; and (c) the date upon which such authority is revoked or varied by an ordinary resolution by the Shareholders in a general meeting.

An explanatory statement containing all relevant information relating to the proposed Buy-Back Mandate is set out in Appendix I to this circular. The explanatory statement is to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Buy-Back Mandate at the AGM.

LETTER FROM THE BOARD

Please refer to resolutions numbered 4 to 6 as set out in the notice of AGM on pages 105 to 111 of this circular for details of the proposed Issue Mandate and Buy-back Mandate.

SHARE TRANSACTION AND CONNECTED TRANSACTION — ACQUISITION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Reference is made to the Announcement in relation to the Acquisition.

On April 9, 2024, the Company entered into the Sale and Purchase Agreement with the Vendors and the Purchaser, pursuant to which, the Purchaser has conditionally agreed to acquire, and EDragon and LY Development have severally and conditionally agreed to sell, the Target Shares, representing in aggregate 35% shareholding in the Target Company, subject to and on the terms and conditions of the Sale and Purchase Agreement.

The Initial Consideration for the Acquisition under the Sale and Purchase Agreement shall be an aggregate of US\$21,639,320, which will be settled (i) as to US\$17,339,320 by the allotment and issue of 7,405,714 and 2,194,286 Consideration Shares by the Company to EDragon and LY Development respectively at the Issue Price of HK\$14.20 per Consideration Share; and (ii) as to US\$3,317,143 and US\$982,857 in cash to be paid by the Purchaser to EDragon and LY Development respectively. The Initial Consideration will be subject to further adjustments by the deduction of any Earn Out Adjustment(s) as set out below.

Sale and Purchase Agreement

Principal terms of the Sale and Purchase Agreement are set out as follows:

Date

April 9, 2024

Parties

- (i) the Vendors;
- (ii) the Purchaser; and
- (iii) the Company.

LETTER FROM THE BOARD

Subject matter to be acquired

The Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Target Shares held by such Vendor, in aggregate representing 35% shareholding in the Target Company.

Consideration and payment terms

Initial Consideration:

- (i) In relation to the Target Shares held by EDragon, the EDragon Initial Consideration for the Acquisition (being US\$16,693,190) is payable by the Company and the Purchaser to EDragon, which will be settled by the Company and the Purchaser respectively in the following manners upon Completion: (a) as to US\$13,376,047 (representing approximately HK\$105,161,143 using an exchange rate of US\$1 to HK\$7.8619 as set out in the Sale and Purchase Agreement) shall be settled by the allotment and issue of 7,405,714 Consideration Shares by the Company to EDragon at the Issue Price (being HK\$14.20 per Consideration Share); and (b) as to US\$3,317,143 shall be paid by the Purchaser to EDragon in cash which will be funded by the internal resources of the Group.

- (ii) In relation to the Target Shares held by LY Development, the LY Development Initial Consideration for the Acquisition (being US\$4,946,130) is payable by the Company and the Purchaser to LY Development, which will be settled by the Company in the following manners upon Completion: (a) as to US\$3,963,273 (representing approximately HK\$31,158,857 using an exchange rate of US\$1 to HK\$7.8619 as set out in the Sale and Purchase Agreement) shall be settled by the allotment and issue of 2,194,286 Consideration Shares by the Company to LY Development at the Issue Price (being HK\$14.20 per Consideration Share); and (b) as to US\$982,857 shall be paid by the Purchaser to LY Development in cash which will be funded by the internal resources of the Group.

LETTER FROM THE BOARD

Earn Out Adjustments:

Pursuant to the Sale and Purchase Agreement, the Initial Consideration shall be subject to further adjustments by the deduction of any Earn Out Adjustment(s) to be determined and (if applicable) paid by the Vendors (on the one hand) to the Company and the Purchaser (on the other hand) in the following manner:

- (i) In the event that the Pre-Tax Profit for the Earn Out Period is not less than the Reference Pre-Tax Profit, no Earn Out Adjustment is payable by any of the Vendors to the Purchaser and the Company.
- (ii) In the event that the Pre-Tax Profit for the Earn Out Period is less than the Reference Pre-Tax Profit, EDragon and LY Development shall pay the EDragon Adjustment Amount and LY Development Adjustment Amount respectively, to be calculated with reference to the following formulae, (i) in cash to the Purchaser and (ii) by returning or delivering the Consideration Shares to the Company or a broker or agent designated by the Company:

In respect of the EDragon Adjustment Amount:

$$\text{EDragon Adjustment Amount} = \frac{\text{Pre-Tax Profit Shortfall}}{\text{Reference Pre-Tax Profit}} \times \text{EDragon Initial Consideration}$$

In respect of the LY Development Adjustment Amount:

$$\text{LY Development Adjustment Amount} = \frac{\text{Pre-Tax Profit Shortfall}}{\text{Reference Pre-Tax Profit}} \times \text{LY Development Initial Consideration}$$

Provided that, for the purposes of calculating the EDragon Adjustment Amount and LY Development Adjustment Amount, if the Target Company is loss-making during the Earn-Out Period and the Pre-Tax Profit for the Earn Out Period is a negative figure, the Pre-Tax Profit Shortfall shall be deemed as the Reference Pre-Tax Profit.

The proportion of the EDragon Adjustment Amount and the LY Development Adjustment Amount payable in cash and by return or delivery of the Consideration Shares (the value of which would be calculated based on the Issue Price regardless of the actual trading price at the relevant time) shall be determined on a *pro rata* basis based on the proportion of the Initial Consideration

LETTER FROM THE BOARD

settled by the Purchaser in cash and by the Company in Consideration Shares respectively. Any dividend, distribution or return of capital declared on the Consideration Shares issued to the Vendors with record dates falling between the date of the issue of the Consideration Shares and the date on which the Consideration Shares are returned and delivered shall be returned in cash as part of the Earn Out Adjustments by the Vendors to the Purchaser on a *pro rata* basis based on the number of Consideration Shares to be returned or delivered. In addition, in the event that there are any alteration of capital structure of the Company by way of capitalisation issue, rights issue, scrip dividend, bonus issue or subdivision of Shares between the date of the Agreement and the date on which the Consideration Shares are delivered or returned to the Company, any Shares which are derived from the Consideration Shares to be returned or delivered shall also be returned or delivered by the Vendors.

If any Earn Out Adjustments are payable by the Vendors to the Purchaser and the Company, the Earn Out Adjustments shall be fully settled within 15 Business Days following the determination of the Pre-Tax Profit for the Earn Out Period in the following manner:

- (i) in respect of the Earn Out Adjustment payable in cash, by returning such cash to a bank account designated by the Purchaser; and
- (ii) in respect of the Earn Out Adjustment payable by return of the Consideration Shares, subject to compliance with the applicable laws, by returning the Consideration Shares to the Company at no consideration or the lowest consideration permitted under the applicable laws, or by delivering such Consideration Shares to a broker or agent to be designated by the Company at its sole discretion for the purposes of selling such Consideration Shares on the Stock Exchange or otherwise, and directing such broker or agent to pay the proceeds of such sale to a bank account designated by the Company. The Earn Out Adjustment payable by return of the Consideration Shares will be translated into Hong Kong dollars at the exchange rate of US\$1 to HK\$7.8619 as set out in the Sale and Purchase Agreement.

The Company will comply with any applicable requirements under the Listing Rules, the Share Buy-backs Code and/or other applicable laws and regulations in the event that any Earn Out Adjustments are payable by the Vendors and any Consideration Shares are returned to the Company. In addition, as the Earn Out Adjustment mechanism represents profit guarantees in respect of the Target Company by EDragon and LY Development respectively, the Company will comply with the disclosure requirements under the Listing Rules (including but not limited to Rules 14A.62 and 14A.63) if the Pre-Tax Profit for the Earn Out Period fails to meet the Reference Pre-Tax Profit.

The Initial Consideration has been arrived at after arm's length negotiations between the parties, having taken into account of, among other factors, the valuation of the Target Company, the Earn Out Adjustments mechanism, and the Company's assessment of the prospect of the Target

LETTER FROM THE BOARD

Company. The Consideration is proposed to be settled partly by the issue of Consideration Shares and partly in cash to EDragon and LY Development respectively, in order to optimise the use of the Group's existing cash resources on the one hand (such that cash resources of the Group can be appropriately reserved and deployed for other business purposes of the Group, such as for general capital purposes), while balancing the dilution impact on the other Shareholders as a result of the allotment and issue of Consideration Shares on the other hand. The Directors (including the independent non-executive Directors, whose views are provided after taking into account the advice of the Independent Financial Adviser), considers that the proposed arrangement to settle the Consideration partly by allotment and issue of Consideration Shares and partly in cash is in the interest of the Company and its Shareholders as a whole.

The Earn Out Adjustments has been arrived at after arm's length negotiations between the parties, having taken into account of, among other factors, the current amount of projects of the Target Company and the future market demand and prospects of the Target Company.

The Consideration Shares

The 9,600,000 Consideration Shares represent in aggregate approximately 2.00% of the issued share capital of the Company as at the Latest Practicable Date and in aggregate approximately 1.96% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no other change in the total number of issued Shares of the Company between the Latest Practicable Date and the allotment and issue of the Consideration Shares).

The Issue Price of HK\$14.20 per Consideration Share:

- (i) equals the closing price per Share of HK\$14.20 as quoted on the Stock Exchange on April 9, 2024, being the date of the Sale and Purchase Agreement; and
- (ii) represents a discount of approximately 0.36% to the average closing price per Share of HK\$14.252 as quoted on the Stock Exchange for the last 5 consecutive trading days immediately preceding the date of the Sale and Purchase Agreement.

The Issue Price was determined on an arm's length basis between the Purchaser, the Company and the Vendors and was arrived at a price equal to the closing price per Shares as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement and 0.36% discount to the average closing price of approximately HK\$14.252 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement. The Directors (including the independent non-executive Directors, whose views are provided after taking into account of the advice of the Independent Financial Adviser) consider that the Issue Price is fair and reasonable.

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Basis of Consideration

The Initial Consideration was determined by the parties after arm's length negotiations with reference to, among others, (i) the appraised value of the Target Shares (the "**Appraised Value**") assessed by an independent valuer of the Company (AVISTA Valuation Advisory Limited (艾華迪評估諮詢有限公司), the "**Valuer**"), as at March 31, 2024 ("**Valuation Date**") being RMB167,701,000; (ii) the business development and future prospects of the Target Company; (iii) the Earn Out Adjustments mechanism; and (iv) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and Benefits of the Acquisition" in this letter. The Initial Consideration represents a discount of approximately 8.44% to the Appraised Value. The Directors are of the view that such discount, which is favourable to the Company, is fair and reasonable taking into account (a) the Target Company is already a non-wholly owned subsidiary of the Company prior to the Acquisition; (b) part of the Initial Consideration will be settled by the Consideration Shares which will in turn provide future potential upside to the Vendors; and (c) the recent market and economic environment, including but not limited to the high interest rate environment.

According to the valuation report ("**Valuation Report**") prepared by the Valuer for the valuation of the Target Shares (the "**Valuation**"), the Valuer has employed the price-to-earnings ratio ("**PE Ratio**") to estimate the fair value of the Target Shares as at the Valuation Date. The methodology adopted in the preparation of the Valuation Report by the Valuer for the Valuation and details of the Valuation Report are as follows:

(I) Selection of valuation approach and principal factors

Cost approach is not appropriate in current appraisal as it assumed the assets and liabilities of the Target Company are separable and can be sold separately. This methodology is more appropriate for the industries that their assets are highly liquid, like property development and financial institution. Thus, cost approach is not adopted in this valuation.

Income approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projections of the Target Company, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Company. Given that improper assumptions will impose significant impact on the fair value, income approach is not adopted in this valuation.

LETTER FROM THE BOARD

Fair value arrived from market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target Company, their market values are good indicators of the industry of the Target Company. Therefore, market approach has been adopted in this valuation.

Since the Target Company has been making profit in the latest three consecutive years, price-to-earnings (“P/E”) multiple of comparable companies under market approach has been adopted in the valuation of the Target Company. P/E multiple is one of the most commonly used valuation multiples in the market. It is intuitive which directly relates the price of a share to the proportion of the Company’s profits that belong to the owner of that share. P/E multiple is considered to be most appropriate to be adopted.

(II) Valuation assumptions

(1) There will be no material changes in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company; (2) there are no material changes in the financial positions of the Target Company and the comparable companies between the respective financial reporting dates and the Valuation Date; (3) the Target Company will not be constrained by the availability of finance; (4) the Target Company will retain competent management, key personnel and technical staff to support their ongoing operations; and (5) there are no hidden or unexpected conditions associated with the business entity valued that might adversely affect the reported value.

(III) Selection criteria for comparable companies

- (i) The comparable public companies are selected with reference to the following selection criteria:

(1) the primary industry of the company is classified as Interactive Home Entertainment; (2) the company is engaged in game publishing and game development; (3) the company is based in China; (4) the company has revenue generated from overseas operations; (5) a majority of total revenue (i.e. over 50%) is attributable to game publishing and operating related business; (6) the company is listed on the major stock exchange in Hong Kong, China or the United States; (7) the financial information of the companies is available to the public; and (8) the Company’s normalized net profit is positive.

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(ii) Details of the selected comparable companies are listed as follows:

#	Company Name	Stock Code	Business Description	Revenue Contribution from Business Segment(s)	P/E Ratios
1	Feiyu Technology International Company Ltd.	SEHK: 1022	Feiyu Technology International Company Ltd. engages in the operation and development of web and mobile games in Mainland China.	Game Operation: 80.3% Advertising: 11.3% Online Game Services: 4.0% Licensing Income: 3.0% Goods: 1.0% Online Game Distribution: 0.2% Technical Service Income: 0.2%	8.43x
2	Fire Rock Holdings Limited	SEHK: 1909	Fire Rock Holdings Limited develops mobile games in China and internationally.	Game and Software Development and Publishing: 0.1% Game Operation and Publishing: 99.9%	1.04x
3	Kingnet Network Co., Ltd.	SZSE: 002517	Kingnet Network Co., Ltd. engages in the development, operation, and distribution of web and mobile games.	Mobile Game: 84.8% Information Service: 12.4% Web Game: 2.3% Other Application Product: 0.5%	19.48x
4	37 Interactive Entertainment Network Technology Group Co., Ltd.	SZSE: 002555	37 Interactive Entertainment Network Technology Group Co., Ltd. researches, develops, distributes, and operates online games in China and internationally.	Mobile Game Business: 95.3% Web Game Business: 3.7% Others: 1.1%	13.41x
5	Zhejiang Century Huatong Group Co., Ltd	SZSE: 002602	Zhejiang Century Huatong Group Co., Ltd engages in mobile games, PC games, web games, auto parts and cloud data businesses in China and internationally.	Mobile Game: 49.2% PC Game: 25.7% Auto Parts: 14.0% Copper Wire Processing: 6.8% Others: 2.2% Web Game: 2.2%	400.02x

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#	Company Name	Stock Code	Business Description	Revenue Contribution from Business Segment(s)	P/E Ratios
6	Ourpalm Co., Ltd.	SZSE: 300315	Ourpalm Co., Ltd. focuses on the development, distribution, and operation of online games in China and internationally.	Mobile Terminal Game: 93.9% Internet Web Page Game: 5.6% Others: 0.5%	122.89x
7	Perfect World Co., Ltd	SZSE: 002624	Perfect World Co., Ltd. engages in the online games, and movies and television businesses in China and internationally.	Mobile Online Games: 66.0% PC Side Online Game: 24.8% Other Business: 9.2%	57.40x
8	Fuchun Technology Co., Ltd.	SZSE: 300299	Fuchun Technology Co., Ltd. offers digital game development services. The company mainly develops and sells digital games. Fuchun Technology also provides communication technology services.	Game Products: 51.9% Technical Services & Accessories: 43.1% Other Business: 2.7% Integrated Business: 2.3%	246.92x
9	G-bits Network Technology (Xiamen) Co., Ltd.	SHSE: 603444	G-bits Network Technology (Xiamen) Co., Ltd. develops and operates video games.	Game: 98.9% Others: 1.1%	11.90x
10	Hangzhou Electronic Soul Network Technology Co., Ltd.	SHSE: 603258	Hangzhou Electronic Soul Network Technology Co., Ltd., develops and publishes online and mobile games in Asia.	PC Games: 67.4% Mobile Game: 32.6%	25.53x

According to the Valuer's analysis, the median of the P/E multiple (excluding extreme data of 1.04x, 400.02x, 122.89x and 246.92x) was 16.45x and was adopted to estimate the fair value of the Target Shares.

- (iii) Lack of Marketability Discount (“**LOMD**”) of 25.0% was adopted to adjust such marketable interest to non-marketable interest.

LETTER FROM THE BOARD

(IV) Valuation results

The Valuation results of the Target Shares is RMB167,701,000, representing an implied P/E Ratio of 12.34x (adopted the median of the P/E Ratios of the comparable companies and LOMD of 25.0%) and based on the normalized net profit of the Target Company for the year ended December 31, 2023.

Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon fulfilment or, where applicable, waiver of the following conditions:

- (i) the relevant transactions under the Sale and Purchase Agreement, including but not limited to, the issue of the Consideration Shares, having been approved by the Independent Shareholders of the Company at a general meeting in accordance with the requirements of the Listing Rules;
- (ii) the approval for the listing of, and permission to deal in, the Consideration Shares by the Stock Exchange having been obtained by the Company, and such approval not having been revoked or withdrawn prior to the date of Completion;
- (iii) all warranties given by the Vendors under the Sale and Purchase Agreement remaining true and accurate in all respects and not misleading in any respect as of the date of Completion;
- (iv) all warranties given by the Purchaser under the Sale and Purchase Agreement remaining true and accurate in all respects and not misleading in any respect as of the date of Completion; and
- (v) there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or cause a material adverse change in, the general affairs, management, financial position, business prospects, conditions (whether financial, operational, legal, regulatory or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of the Target Company.

Conditions (iii) and (v) above are waivable in full or in part by the Purchaser. Condition (iv) above is waivable jointly in full or in part by the Vendors. Conditions (i) and (ii) are non-waivable. If Conditions (i) and (ii) above are not satisfied on or before the date of Completion, the Sale and Purchase Agreement shall lapse and be of no further effect automatically.

LETTER FROM THE BOARD

If Conditions (iii) and (iv) are not satisfied on or before the date of Completion, the Purchaser shall have the right to terminate the Sale and Purchase Agreement. If Condition (iv) is not satisfied on or before the Completion Date, the Vendors shall have the right to jointly terminate the Sale and Purchase Agreement. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Lock-up of Consideration Shares

Pursuant to the Sale and Purchase Agreement, EDragon and LY Development severally and individually undertake that each of them shall not, and shall procure his/her/its affiliate(s) shall not, without the prior written consent of the Company sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer (including but not limited to dividend/distribution in specie) or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in the Consideration Shares issued to the Vendors, enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Consideration Shares issued to it or any interest therein, enter into any transaction with the same economic effect, sell or permit to be sold any shares or interests in any company or entity holding or controlling (directly or indirectly) any Consideration Shares issued to it, or offer to or agree to or announce any intention to effect any of the aforementioned transactions, for the period commencing on the Completion and ending on the date which is three years after the date of Completion (both days inclusive), save for the purpose of returning or delivering such number of Consideration Shares as part of the Earn Out Adjustment(s).

Completion

Completion shall take place on the fifth Business Day after the day on which the conditions precedent of the Sale and Purchase Agreement have been satisfied or (if applicable) waived or such other day as the parties may agree, and in any event on a date not later than the Long Stop Date.

Effect of the Consideration Shares on the Shareholding Structure

Set out below is the shareholding structure of the Company, taking into consideration and for the purpose of demonstrating the effect of the allotment and issue of the Consideration Shares only, (i) as at the Latest Practicable Date and (ii) immediately after the Completion and the

LETTER FROM THE BOARD

allotment and issue of the Consideration Shares in full as contemplated under the Acquisition (assuming there is no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion and the allotment and issue of the Consideration Shares in full):

Shareholders	As at the Latest Practicable Date		Immediately after Completion and the allotment and issue of the Consideration Shares in full	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
	EDragon (<i>Note 1</i>)	—	—	7,405,714
LY Development	—	—	2,194,286	0.45
Happy Today Holding Limited (<i>Note 2</i>)	157,605,000	32.79	157,605,000	32.15
Kros Dai Inc. (<i>Note 3</i>)	53,245,000	11.08	53,245,000	10.86
Other Shareholders	269,789,093	56.13	269,789,093	55.03
Total	480,639,093	100.00	490,239,093	100.00

Notes:

1. As at the Latest Practicable Date, EDragon also holds 4,484,865 Shares (representing approximately 0.93% of the issued Shares as at the Latest Practicable Date and approximately 0.91% of the issued Shares immediately after Completion and the issue of Consideration Shares in full), and such Shares were not included in the table for illustration purpose. Mr. XW Huang also holds interest in certain share options granted pursuant to the Share Option Plan.
2. Happy Today Holding Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Happy Today Company Limited. Happy Today Company Limited is held by the Happy Today Trust, which was established by Mr. Huang Yimeng (an executive Director) as the settlor. J.P. Morgan Trust Company (Singapore) Pte. Ltd. is the trustee of the Happy Today Trust, and Mr. Huang Yimeng and his family members are the beneficiaries of the Happy Today Trust. Mr. Huang Yimeng is also a director of Happy Today Holding Limited.
3. Kros Dai Inc. is a company incorporated in the British Virgin Islands and is wholly-owned by Danger and Sons Inc. Danger and Sons Inc. is held by the Dai & Sons Trust, which was established by Mr. Dai Yunjie (an executive Director) as the settlor. J.P. Morgan Trust Company of Delaware is the trustee of the Dai & Sons Trust, and Mr. Dai Yunjie and his family members are the beneficiaries of the Dai and Sons Trust. Mr. Dai Yunjie is also a director of Kros Dai Inc.

LETTER FROM THE BOARD

General information of the Parties

Information of the Group

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

Information of the Vendors

EDragon is a company incorporated in the British Virgin Islands and is an investment holding company. EDragon is in turn wholly-owned by a family trust of Mr. XW Huang, with Mr. XW Huang being the settlor of such trust and Mr. XW Huang's family members being the beneficiaries of such trust.

LY Development is a company incorporated in the British Virgin Islands and is principally engaged in investment holding business. LY Development is in turn wholly-owned by Mr. Li Yi. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, LY Development and its ultimate beneficial owner are each an Independent Third Party of the Company.

Information of the Target Company

The Target Company is a company incorporated in Hong Kong and is principally engaged in publishing and operating quality games in Hong Kong, the Macau Special Administration Region of the PRC, Taiwan region and overseas. As at the Latest Practicable Date, the Target Company is held as to 65% by the Purchaser (a wholly-owned subsidiary of the Company), and is an indirect non-wholly owned subsidiary of the Company. The financial results of the Target Company are consolidated into the financial results of the Group as at the Latest Practicable Date. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will remain consolidated into the financial results of the Group after the Acquisition.

LETTER FROM THE BOARD

Set out below is the unaudited financial information of the Target company prepared for the two years ended December 31, 2022 and December 31, 2023 in accordance with the IFRS:

	For the year ended/As at	
	December 31	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	240,740	341,394
Net assets	47,347	126,441
Net profit before tax	53,735	122,907
Net profit after tax	46,016	102,748

The original investment cost of the 27% shareholding in the Target Company paid by EDragon was HK\$2,700.

Reasons for and Benefits of the Acquisition

Considering the megatrends in the industry, the Group has adopted globalization as one of its core strategies and has been striving to increase its revenue from overseas markets. The Target Company has been engaged in the overseas publishing and operation of high-quality games, and has accumulated extensive experience in this field and achieved substantial profits. The Acquisition is conducive to strengthening the alignment of interests between the core staff of the Target Company and the Group, which will strengthen the Group's overseas operations. Meanwhile, as a result of the Acquisition, the Group will be able to capture all earnings from the Target Company without having the need to share it with minority shareholders of the Target Company going forward.

The Specific Mandate

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the AGM.

Application for Listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued on Completion, will rank *pari passu* in all respects with the existing Shares in issue.

LETTER FROM THE BOARD

Listing Rules Implications

Share Transaction

All the applicable percentage ratios in respect of the Acquisition are less than 5%. However, as part of the consideration under the Sale and Purchase Agreement will be satisfied by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Connected Transaction

As at the Latest Practicable Date, as (a) EDragon is a substantial shareholder of the Target Company, being a subsidiary of the Company; and (b) EDragon is an associate of Mr. XW Huang, EDragon is a connected person of the Company at the subsidiary level and the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. Mr. XW Huang and his associates shall abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement and the transaction contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate) at the AGM to be held by the Company.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Pei Dapeng, Mr. Xin Quandong and Ms. Liu Qianli, has been formed to consider the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate), and CITIC Securities (Hong Kong) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate) are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole.

RE-ELECTION OF DIRECTORS

In accordance with Article 16.2 of the Articles, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual

LETTER FROM THE BOARD

general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting. Accordingly, Mr. Wu Meng shall retire from office at the AGM and, being eligible, will offer himself for re-election at the AGM.

In accordance with Article 16.18 of the Articles, at each annual general meeting one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Fan Shuyang and Mr. Pei Dapeng shall retire from office at the AGM. Mr. Fan Shuyang and Mr. Pei Dapeng, being eligible, will offer themselves for re-election at the AGM.

Details of the above-mentioned Directors proposed to be re-elected at the AGM are set out in Appendix IV to this circular.

PROCEDURE AND PROCESS FOR NOMINATION OF DIRECTORS

Mr. Fan Shuyang, being an executive Director and Mr. Wu Meng, being a non-executive Director, all possess deep understanding of the businesses of the Group and a broad range of commercial experience. Mr. Pei Dapeng, being an independent non-executive Director, possesses vast experience in E-commerce and network technology.

Furthermore, Mr. Pei Dapeng, being an independent non-executive Director eligible for re-election at the AGM, the Nomination Committee has considered and believed that:-

- (a) Mr. Pei Dapeng (“**Mr. Pei**”) was appointed as an independent non-executive Director on November 29, 2019 and he has held this position for about four years. The tenure of Mr. Pei on the Board has not affected his independence. Besides, he had confirmed his independence pursuant to Rule 3.13 of the Listing Rules. During his tenure as an independent non-executive Director, he has not been involved in the daily management of the Company nor in any relationship or circumstances which would materially interfere with his exercise of independent judgement.
- (b) Mr. Pei does not hold seventh (or more) listed company directorship.
- (c) Mr. Pei possesses vast experience in E-commerce and network technology. Mr. Pei’s working profile and other experience can provide advice to the Board from a professional perspective.

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The nomination was made in accordance with the Nomination Policy and took into account the Board's composition as well as the various diversity aspects as set out in the Board Diversity Policy. The nomination committee of the Company has assessed the candidates or incumbents on criteria such as integrity, experience, skills and ability to commit time and efforts to carry out duties and responsibilities. The recommendations were submitted to the Board for decision.

The Board, having considered the recommendation from the nomination committee of the Company, is of the view that each of Mr. Fan Shuyang, Mr. Wu Meng and Mr. Pei Dapeng will continue to contribute to the Board with his deep understanding of the businesses of the Group, diversity of skills set and perspectives as well as devotion to the Board. The Board also believes that the valuable knowledge and experience of these retiring Directors in the businesses of the Group and their general business acumen continue to generate significant contribution to the Company and the Shareholders as a whole.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION AND THE ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

References were made to the announcements of the Company dated March 28, 2024 and May 29, 2024 relating to the Proposed Amendments to the memorandum and articles of association of the Company ("**Memorandum and Articles of Association**").

The Board proposed to: (i) make certain amendments (the "**Proposed Amendments**") to Memorandum and Articles of Association mainly in relation to: (a) the electronic dissemination of corporate communication of the Company, pursuant to the amended Listing Rules with effect from December 31, 2023, and (b) to reflect amendments to the provisions of the Listing Rules relating to treasury shares effective from June 11, 2024; and (ii) adopt the third amended and restated memorandum and articles of association of the Company incorporating and consolidating the Proposed Amendments (the "**Amended and Restated Memorandum and Articles of Association**").

Details of the Proposed Amendments to the existing Memorandum and Articles of Association are set out in Appendix V to this circular.

The legal advisers to the Company as to Hong Kong laws and Cayman Islands law have respectively confirmed that the proposed amended and restated memorandum and articles of association incorporated with the Proposed Amendments conform with the requirements of the Listing Rules and are not inconsistent with the laws of the Cayman Islands. The Company also confirms that there is nothing unusual about the Proposed Amendments for a Cayman Islands company listed on the Stock Exchange.

LETTER FROM THE BOARD

The Proposed Amendments as well as the adoption of the Amended and Restated Memorandum and Articles of Association are subject to the Shareholders' approval by way of special resolution at the AGM, and a special resolution numbered 8 will be proposed at the AGM accordingly.

ANNUAL GENERAL MEETING

Set out on pages 105 to 111 of this circular is a notice convening the AGM to consider and, if thought fit, to pass the resolutions as set out in the notice of AGM.

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, June 20, 2024 to Tuesday, June 25, 2024, (both days inclusive), during which period no transfer of Shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, June 19, 2024. Shareholders whose names appear on the register of members of the Company on June 25, 2024 are entitled to attend the AGM.

A form of proxy for use at the AGM is enclosed herewith. If you are not able to attend and/or vote at the AGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of holding the AGM (i.e. not later than 10:30 a.m. on Sunday, June 23, 2024) or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the AGM or any adjournment thereof (as the case may be) should you so wish and in such event the form of proxy shall be deemed to be revoked.

There is no Shareholder who has any material interest in the proposed resolutions, therefore none of the Shareholders is required to abstain from voting on such resolutions.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to procedural or administrative matter to be voted by a show of hands. Accordingly, each of the resolutions put to vote at the AGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the AGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

In respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate), pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has any material interest on the proposed resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder are required to abstain from voting on such resolution. Mr. XW Huang and his associates have a material interest in the Acquisition and are therefore required to abstain from voting on the proposed resolution to approve the Sale and Purchase Agreement and the transaction contemplated thereunder. As at the Latest Practicable Date, save as disclosed in the section headed “Effect of the Consideration Shares on the Shareholding Structure” in this letter, none of Mr. XW Huang and his associates hold any Shares. Mr. XW Huang and his associates will abstain from voting on such resolutions at the AGM.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she is the holder. A Shareholder entitled to more than one vote need not use all his/her votes or cast all the votes he/she uses in the same way. For the avoidance of doubt and for the purposes of the Listing Rules, holders of treasury Shares (if any) shall abstain from voting on matters that require Shareholders’ approval at the Company’s general meetings.

RECOMMENDATION

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

Your attention is drawn to the (i) letter from the Independent Board Committee set out on pages 32 to 33 of this circular, containing its advice to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate) and (ii) the letter from the Independent Financial Adviser as set out on pages 34 to 66 of this circular, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate).

In respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, the Directors consider that the terms and transactions contemplated under the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate) are fair and reasonable. Accordingly, the Board recommends that the Independent Shareholders vote in favour of the resolution to be proposed at the AGM to approve the Sale and Purchase Agreement and the transactions

LETTER FROM THE BOARD

contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate), and that the Shareholders to vote in favour of all other resolutions to be proposed at the AGM.

The Board (including, in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate), the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) considers that all the resolutions proposed for consideration and approval as set out in this circular are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the resolutions to be proposed at the AGM.

GENERAL

Your attention is also drawn to the appendices to this circular.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

By order of the Board

XD Inc.

HUANG Yimeng

Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

June 3, 2024

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular dated June 3, 2024 (the “**Circular**”) issued by the Company to the Shareholders of which the letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate). CITIC Securities (Hong Kong) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 9 to 31 of the Circular which contains, among others, information in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate), as well as the letter from the Independent Financial Adviser set out on pages 34 to 66 of the Circular which contains its advice and recommendation in this regard.

Having considered the terms of the Sale and Purchase Agreement and taken into account the advice of CITICS HK, we consider that the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate), (i) are in the ordinary and usual course of business of the Group, (ii) are in the interest of the Company and the Shareholders as a whole; and (iii) the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders in vote in favour of the ordinary resolution to be proposed at the AGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate).

Yours faithfully,
For and on behalf of the
XD Inc.
PEI Dapeng
XIN Quandong
LIU Qianli
Independent Board Committee

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from CITIC Securities (Hong Kong) Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in the Circular.



18th Floor,
One Pacific Place,
88 Queensway, Hong Kong

June 3, 2024

To: The Independent Board Committee and the Independent Shareholders

Dear Sir,

**SHARE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF 35% SHAREHOLDING IN X.D. GLOBAL (HK) LIMITED
INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE**

1. INTRODUCTION

We refer to the Acquisition and the transactions contemplated thereunder, details of which are contained in the circular of the Company dated June 3, 2024 (the “**Circular**”) of which this letter forms a part. CITIC Securities (Hong Kong) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate) are fair and reasonable, in so far as the Independent Shareholders are concerned, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how they should vote in relation to the entering into the Sale and Purchase Agreement at the AGM. This letter has been prepared and delivered for the above purpose and for no other reasons or purposes.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On April 9, 2024, the Company entered into the Sale and Purchase Agreement with the Vendors and the Purchaser (being a wholly-owned subsidiary of the Company), pursuant to which, the Purchaser has conditionally agreed to acquire, and EDragon and LY Development have severally and conditionally agreed to sell, the Target Shares, representing in aggregate 35% shareholding in the Target Company, subject to and on the terms and conditions of the Sale and Purchase Agreement.

The Initial Consideration for the Acquisition under the Sale and Purchase Agreement shall be an aggregate of US\$21,639,320 (of which US\$16,693,190 shall be payable to EDragon and US\$4,946,130 shall be payable to LY Development), which will be settled (i) as to an aggregate US\$17,339,320 by the allotment and issue of 7,405,714 and 2,194,286 Consideration Shares by the Company to EDragon and LY Development respectively at the Issue Price of HK\$14.20 per Consideration Share; and (ii) as to US\$3,317,143 and US\$982,857 in cash to be paid by the Purchaser to EDragon and LY Development respectively. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. The Initial Consideration will be subject to further adjustments by the deduction of any Earn Out Adjustment(s) as set out in the Sales and Purchase Agreement.

All the applicable percentage ratios in respect of the Acquisition are less than 5%. However, as part of the consideration under the Sale and Purchase Agreement will be satisfied by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, as (a) EDragon is a substantial shareholder of the Target Company, which is a subsidiary of the Company; and (b) EDragon is an associate of Mr. XW Huang, EDragon is thus a connected person of the Company at the subsidiary level and the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. Mr. XW Huang and his associates shall abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate) at the AGM to be held by the Company.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Pei Dapeng, Mr. Xin Quandong and Ms. Liu Qianli, has been established to advise the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate).

2. OUR INDEPENDENCE

As at the Latest Practicable Date, the CITIC Group Corporation and its subsidiaries and associates (“**the IFA Group**”), which, among others, include CITICS HK and China CITIC Bank Corporation Limited (stock code: 998.HK), held less than 5% of the issued share capital of the Company. In addition, as at the Latest Practicable Date, the Company had an outstanding bank borrowing of RMB 30 million from CITIC Bank and such bank borrowing was less than 10% of CITIC Group Corporation’s total assets in the latest consolidated financial statements. Notwithstanding of the above, we were independent and not connected with the Group in accordance with Rule 13.84 of the Listing Rules as at the Latest Practicable Date. In the last two years prior to the Latest Practicable Date, there was no engagement between the Company and CITICS HK. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we had received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder.

3. BASIS OF OUR OPINION

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have considered, among other things, (i) the Sale and Purchase Agreement; (ii) the annual reports of the Company for the three years ended December 31, 2021, 2022 and 2023; (iii) the Company’s prospectus dated November 29, 2019 (the “**IPO Prospectus**”); (iv) the Company’s announcement regarding its placing of new shares under general mandate dated March 31, 2021; (v) the management accounts of the Target Company for the three years ended December 31, 2021, 2022 and 2023; (vi) valuation report issued by the independent valuer of the Company, AVISTA Valuation Advisory Limited; (vii) other information as set out in the Circular; and (viii) relevant market data and information available from public sources.

We have also relied on all relevant information and representations provided, and the opinions expressed, by the Directors and/or the management of the Company (the “**Management**”). We have assumed that all such information and representations contained or referred to in the Circular are true and accurate in all material respects as at the date thereof.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Directors and the Management have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management, and they have confirmed that no material information has been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the Management and the Vendors, nor have we conducted an independent investigation into the business, affairs, operations, financial position or prospects of each of the Group, the Target Company and any of their respective subsidiaries and associates.

4. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

4.1 Background and financial information of the Group

4.1.1 Background of the Group

The Group develops and operates quality games in China and overseas and operates TapTap, a leading game community and platform. Based on the 2023 annual report of the Company (the “**2023 Annual Report**”), the Group’s portfolio consisted of 20 online games and 31 premium games.

TapTap is the Group’s key competitiveness and one of the cornerstones of its growth. The Group relies 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.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

4.1.2 Financial Information of the Group

Set forth below are the audited financial information of the Group for the two years ended December 31, 2022 and 2023, respectively (“FY2022” and “FY2023”, respectively) extracted from the 2023 Annual Report:

4.1.2.1 Consolidated Financial Performance of the Group

	Year ended December 31,	
	FY2023	FY2022
	RMB'000	RMB'000
Revenue	3,389,144	3,430,936
<i>Games</i>	2,091,685	2,452,706
<i>Game operating</i>	2,082,051	2,434,409
<i>Online games</i>	1,961,469	2,310,757
<i>Premium games</i>	120,582	123,652
<i>Others</i>	9,634	18,297
TapTap platform	1,297,459	978,230
Gross profit	2,068,370	1,835,259
Loss for the year	(65,362)	(574,013)

The Group’s revenue is mainly derived from (i) games, principally operating business where it generates revenue primarily from sales of in-game virtual items in online games and sales of premium games through third-party and Group’s proprietary distribution platforms; and (ii) TapTap platform, where the Group generate revenue primarily from providing online marketing services on TapTap.

The Group’s revenue from game business decreased by 14.7% to RMB2,091.7 million for the year ended December 31, 2023 on a year-on-year basis. In particular,

- The Group’s revenue from online games decreased by 15.1% to RMB1,961.5 million for the year ended December 31, 2023 on a year-on-year basis, primarily due to decrease in revenue from Sausage Man (香腸派對), Ulala (不休的烏拉拉) and Ragnarok M (仙境傳說M), and partially offset by newly launched games, such as Sword of Convallaria (鈴蘭之劍), Torchlight: Infinite (火炬之光：無限) and T3 Arena (火力蘇打); and

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- The Group's revenue from premium games decreased by 2.5% to RMB120.6 million for the year ended December 31, 2023 on a year-on-year basis, primarily due to decrease in revenue from certain existing premium games, and partially offset by newly launched premium games.

The Group's revenue from TapTap platform business increased by 32.6% to RMB1,297.5 million for the year ended December 31, 2023 on a year-on-year basis. The average App MAUs of TapTap PRC decreased by 13.6% to 35.8 million for the year ended December 31, 2023 on a year-over-year basis. The decrease in MAUs on a year-over-year basis was mainly attributable to (i) the decrease in the amount of time that people spent on online games after the lifting of the restrictive policies related to the pandemic in China; and (ii) the decrease in the number of new users on a year-over-year basis due to the reduction of Group's marketing activities for the purpose of cost control in the first half of 2023. The increase in revenue was mainly attributable to (i) more new games launched in the PRC market in 2023 compared to the year of 2022, resulting in increased marketing demand; (ii) the improvements to Group's advertising system and client coverage; and (iii) the increase of non-advertising revenue such as cloud play. For the year ended December 31, 2023, the average App MAUs of TapTap International was 5.8 million, representing a decrease of 36.6% on a year-over-year basis. The decrease in MAUs on a year-over-year basis in this year was mainly attributable to (i) the significant decrease in number of users from India due to the impacts of certain popular games; and (ii) the significant reduction in our overseas marketing and advertising activities for cost control purposes.

The Group's cost of revenue for game business decreased by 16.6% to RMB1,115.5 million for the year ended December 31, 2023 on a year-on-year basis, primarily due to (i) the decreases in sharing of proceeds to game developers and commissions charged by distribution platforms, which were mainly due to the decreases in revenue from Sausage Man (香腸派對), Ulala (不休的烏拉拉) and other licensed games; (ii) the decreases in bandwidth and servers custody fee, which were mainly due to the decrease in online game average MAUs; and (iii) the decrease in employee benefits expenses, which were due to cost control and efficiency improvement measures. The Group's cost of revenue for TapTap platform business decreased by 20.3% to RMB205.2 million for the year ended December 31, 2023 on a year-on-year 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 implementation of cost optimization measures. As a result of the foregoing, the Group's gross profit increased by 12.7% to RMB2,068.4 million for the year ended December 31, 2023 on a year-on-year basis.

The Group's net loss for the year was significantly reduced to RMB65.4 million for the year ended December 31, 2023, comparing a net loss of RMB574.0 million for the year ended December 31, 2022, mainly due to the reduce in cost of revenue, research and development cost and selling and marketing expenses.

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4.1.2.2 Consolidated Financial Position of the Group

	Year ended December 31,	
	FY2023	FY2022
	RMB'000	RMB'000
Total assets	4,409,442	4,796,054
Total liabilities	2,540,691	2,890,405
Net assets	1,868,751	1,905,649

As depicted from the table above, the total assets of the Group decreased by 8.1% from RMB 4,796.1 million as at December 31, 2022 to RMB4,409.4 million as at December 31, 2023 mainly due to decreases in non-current assets such as right of use assets and decreases in current assets such as short-term investment. The total liabilities of the Group decreased by 12.1% from RMB2,890.4 million as at December 31, 2022 to RMB2,540.7 million as at December 31, 2023 mainly due to decreases in convertible bonds. The net assets of the Group remained stable in an amount of approximately RMB1,905.6 million as at December 31, 2022 to approximately RMB1,868.8 million as at December 31, 2023, representing a decrease of approximately RMB36.9 million or approximately 2.9%.

4.2 Background and financial information of the Target Company

The Target Company is a company incorporated in Hong Kong and is principally engaged in publishing and operating quality games in Hong Kong, the Macau Special Administration Region of the PRC, Taiwan and overseas. As at the Latest Practicable Date, the Target Company is held as to 65% by the Purchaser (a direct wholly-owned subsidiary of the Company), and is an indirect non-wholly owned subsidiary of the Company. The financial results of the Target Company are consolidated into the financial results of the Group as at the Latest Practicable Date. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will remain consolidated into the financial results of the Group after the Acquisition.

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Set out below is the unaudited financial information of the Target Company prepared for the two years ended December 31, 2022 and December 31, 2023 in accordance with the IFRS:

	For the year ended/ As at December 31	
	2023	2022
	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>
Total assets	240,740	341,394
Net assets	47,347	126,441
Net profit before tax	53,735	122,907
Net profit after tax	46,016	102,748

The original investment cost of the 27% shareholding in the Target Company paid by EDragon was HK\$2,700.

4.3 Background information of the Vendors

EDragon is a company incorporated in the British Virgin Islands and is an investment holding company. EDragon is in turn wholly-owned by a family trust of Mr. XW Huang, with Mr. XW Huang being the settlor of such trust and Mr. XW Huang's family members being the beneficiaries of such trust.

LY Development is a company incorporated in the British Virgin Islands and is an investment holding company. LY Development is in turn wholly-owned by Mr. Li Yi. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, LY Development and its ultimate beneficial owner are each an Independent Third Party of the Company.

4.4 Background information of Mr. XW Huang

Mr. XW Huang is a PRC citizen and is a director of certain subsidiaries of the Company and thus a connected person of the Company at the subsidiary level.

4.5 Background information of the Purchaser

The Purchaser, XDG Holding Limited is an investment holding company established in the BVI with limited liability and is a direct wholly-owned subsidiary of the Company.

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4.6 Outlook and strategy of the Group

As stated in the 2023 Annual Report, following the lifting of epidemic-related restrictions in 2023, the challenges confronting the Group's business has evolved. Instead of navigating remote work and limited travel, the Group now contends with the impact of users' diminished gaming time and the imperative to enhance cost efficiency within the Group. The Management noted that while individual businesses have faced pressure, the Group's overall revenue has remained stable, with an increase in gross profit and a reduction in expenses. Consequently, the Group has successfully achieved a turnover from losses to profits on an adjusted EBITDA basis. The Group's adjusted EBITDA in 2023 was RMB158.4 million, while the adjusted EBITDA was a loss of RMB353.0 million in 2022.

The Company is committed to consistently providing high-quality games for players worldwide, while also continuously supporting developers in creating and distributing games more conveniently. As discussed with Management, in 2023, the Group assisted several renowned developers to successfully conduct overseas testing of their new games, and initially established brand recognition and good reputation among overseas developers. The Group will continue to improve the international team and dedicate to the development and operation of versions specifically for certain key overseas markets. Having considered the above strategies, we believe that the Target Company, being one of the players in this market, may potentially capture and strengthen the Group's overseas market and operations.

4.7 Reasons for the benefits of the Acquisition

As stated in the paragraph headed "Reasons for and Benefits of the Acquisition" in the "Letter from the Board" of the Circular, considering the megatrends in the industry, the Group has adopted globalization as one of its core strategies and has been striving to increase its revenue from overseas markets. The Target Company has been engaged in the overseas publishing and operation of high-quality games and has accumulated extensive experience in this field and achieved substantial profits. The Directors believe that the Acquisition is conducive to strengthening the alignment of interests between the core staff of the Target Company and the Group, which will strengthen the Group's overseas operations, and further improve the Group's revenue growth and profitability outlook. As a result of the Acquisition, the Group will be able to capture all earnings from the Target Company without having the need to share it with minority shareholders of the Target Company going forward.

In addition, we noted that in the IPO Prospectus, one of the Group's strategies is to deepen overseas operations by expanding their game publishing and operating business in both existing and new overseas markets. In respect of the Group's then current major overseas markets such as

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South Korea, Taiwan, Hong Kong and Southeast Asia, the Group planned to maintain and further increase their presence by offering quality games and focusing on better game localization, engaging qualified foreign consultants and reaching out to more local partners for collaboration.

Based on our market research and understanding, major challenges faced by gaming companies in the mainland China include, among others, slow user growth due to market saturation, intensifying domestic competition and regulatory scrutiny. In order to achieve better monetization, we understand that one of the key strategies of Chinese gaming companies is to publish and operate games overseas. Among all the overseas markets, the US, Japan and South Korean are the major target markets of Chinese gaming companies while Latin America and Southeast Asia are gaining more and more traction. By adopting localization measures, overseas markets provide new user and revenue growth drivers to a gaming company's existing games and extend a game's life cycle. The Target Company is experienced in publishing and operating quality games overseas and the Group will be able to have even stronger control over the Target Company and capture all earnings from the Target Company after the Acquisition.

Based on the foregoing, we concur with the Management that the Acquisition is in line with the Group's business strategy and in the interests of the Company and Shareholders as a whole.

4.8 Valuation Report

When assessing the fairness and reasonableness of the valuation of the Target Company, we have in particular considered the valuation report (the "**Valuation Report**") issued by Avista Valuation Advisory Limited on the fair value of 100% equity interests in the Target Company. According to the Valuation Report, the details of which are set out in Appendix II to the Circular, the appraised value of the Target Company amounted to RMB479,146,000 as at March 31, 2024 (the "**Valuation Date**"). Accordingly, 35% of the Target Company equals to RMB167,701,100 based on the Valuation Report (the "**Appraised Value**").

We have considered the following factors in assessing the fairness and reasonableness of the Appraised Value:

4.8.1 Valuer's Qualification

We have conducted an independent interview with the Valuer where we have enquired, and the Valuer has confirmed, its independence from the Company. As noted from the Valuation Report, the Valuer confirmed they have neither present nor prospective interest in the Company, the Target Company, their respective subsidiaries and associated companies or the result reported.

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Furthermore, their directors are neither directors nor officers of the Company or the Target Company. Their fees are agreed on a lump-sum basis and are not correlated with the results of their valuation.

In addition to the Valuer's firm wide experience and expertise, we have obtained and reviewed relevant qualifications and credentials of the specific team members involved in this valuation exercise.

We noted that the Valuer is a valuation and consulting firm specialising in the provision of listing, mergers and acquisitions, and financial-related valuation services in the Asia-Pacific region where all aspects of a valuation assignment can be carried out in-house. According to the Valuer, it has been appointed as valuer by over 800 Hong Kong or multinational listed companies or listing applicants in the past. The person who is responsible for signing off the Valuation Report, Mr. Vincent C B Pang, is a Chartered Surveyor who has more than 20 years of experience in the relevant field in Hong Kong, the PRC and the Asia-Pacific region. We also noted that Mr. Vincent C B pang is being supported by other employees of the Valuer who have the necessary qualification and experience for preparation of the Valuation Report.

We have also obtained and reviewed the Valuer's terms of engagement and discussed with the Valuer its work performed in connection with this valuation. We are satisfied that the Valuer is qualified to give the opinion as set out in the Valuation Report having taken into account its relevant experience and expertise, its independence, and its scope of work.

4.8.2 Valuation Methodologies

Based on the Valuation Report, the Valuer has considered the cost approach, income approach and market approach in assessing the fair value of the Target Company and has adopted the market approach in conducting valuation of the Target Company. We have discussed with the Valuer with regards to its rationale for adopting the market approach as follows:

- a) **Income approach:** the income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset. The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the enterprise value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a

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similar business. We understand that the Valuer has not adopted the income approach since such approach relies on numerous subjective assumptions over a long-time horizon and the result may be very sensitive to certain inputs.

- b) **Cost approach:** the cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history. We understand that the Valuer has not adopted the cost approach since such approach focuses on the cost of replacement, while making an assumption the assets and liabilities of the Target Company are separable and can be sold independently. Instead, such approach is more appropriate for industries with highly liquid assets.

- c) **Market approach:** the market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. We understand that the Valuer has adopted such approach for valuing the Target Company based on 1) there exists an established secondary market where information of comparable companies to the Target Company with similar businesses are publicly available; (ii) the limitations for income approach and cost approach; and (iii) the simplicity, clarity and need of fewer assumptions.

Having considered the above and from our experience, it is common for valuers to adopt single methodology in valuation, and the Valuer's rationale for not adopting the income and cost approaches has been explained in the Valuation Report, we concur with the Valuer that the market approach is appropriate for valuing the Target Group, which takes into account the Target Company's economic benefits without having to rely on numerous subjective assumptions.

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4.8.3 Basis and Assumptions

The Valuer's valuation is conducted with reference to the International Valuation Standards published by the International Valuation Standards Council. We understand that the Appraised Value was determined subject to certain valuation assumptions, including no material changes in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company, no material changes in the financial positions of the Target Company and the comparable companies between the respective financial reporting dates and the Valuation Date, and the Target Company will not be constrained by the availability of finance. We also noted that the Valuer relied on the financial and operational information provided by the Company. Based on our interview with the Valuer, we noted that these assumptions adopted in the Valuation Report are commonly adopted in valuation reports for equity interest and nothing has come to our attention that would lead us to doubt the fairness and reasonableness of the assumptions adopted in the Valuation Report.

For the market approach, the Valuer has considered comparable transactions method and comparable companies method. In assessing both methods, we have considered the following aspects:

4.8.3.1 Comparable Transactions Method

Under the comparable transactions method, we understand that the Valuer has tried to screen comparable transactions which were completed and announced between January 2023 and December 2023 with S&P Capital IQ under certain selection criteria, including transactions involving a company with overseas game publishing and game development business and is based in China where financial information of the company involved in the transaction is publicly available. However, the Valuer could not identify any comparable transaction based on the above selection criteria and hence Comparable Transactions Method was not used to assess the valuation of the Target Company.

We consider the above selection period and selection criteria reasonable and have further independently screen comparable transactions with Mergermarket, another analytics platform commonly used in M&A space, between January 2023 and March 2024. With Mergermarket, transactions in specialized industries of 1) Software Gaming Platforms and 2) Leisure & Recreation Gaming Industry from China are selected for review and assessment. Based on the screening criteria adopted, we have identified an exhaustive list of seven comparable transactions. However, based on our analysis on the seven comparable transactions, none of them would be relevant to or could provide sufficient or meaningful information for comparison with the

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Acquisition and hence we do not take comparable transactions into account when we evaluate the valuation of the Target Company. Details of the seven comparable transactions, in particular the reasons for exclusion for consideration, are listed out below:

No	Announced/ Rumored Date	Completed Date	Deal Timeline	Target	Acquirer	Divestor	Reasons for Exclusion for Consideration
1	November 21, 2023	N/A	Lapsed	Shanghai Moonton Technology Co Ltd	Undisclosed Acquirer	Beijing Douyin Information Service Co Ltd	This transaction was lapsed and there is no public financial information of the target
2	September 25, 2023	October 13, 2023	Completed	Jinling Lecai Technology Co Ltd	Guangdong Songyang Recycle Resources Co Ltd 603863.SH	Nankun Industrial (Shenzhen) Co Ltd	The target is engaged in lottery selling platform business which is irrelevant to the Target Company
3	September 15, 2023	N/A	Lapsed	Taomee Holdings Ltd	MultiMetaVerse Holdings Ltd	Orient TM Parent Ltd	This transaction was lapsed and there is no public financial information of the target
4	June 14, 2023	July 28, 2023	Completed	Zhejiang Century Huatong Group Co Ltd 002602.SZ	Zheshang Securities Co Ltd 601878.SH, Jiangxi Tanwan Games Information Technology Co Ltd, Guohua Life Insurance Co Ltd, Jie Wang (Private Individual), Zhejiang Jinqi Network Tech Co Ltd	Zhejiang Huatong Holding Group Co Ltd	The target recorded net loss in financial year 2022, the latest financial year before the announcement of the transaction
5	May 29, 2023	May 29, 2023	Completed	Jilin Xinyue Network Technology Co Ltd	Jilin Shike JuXun Network Technology Ltd, Jilin Baoluo Network Technology Ltd	Homeland Interactive Technology Ltd 3798.HK	There is no public financial information of the target

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No	Announced/ Rumored Date	Completed Date	Deal Timeline	Target	Acquirer	Divestor	Reasons for Exclusion for Consideration
6	February 16, 2023	February 16, 2023	Completed	VSPN Group Ltd	Savvy Games Group	N/A	The target is engaged in operations esports events and provision of pan-entertainment services, such as esports TV shows which is irrelevant to the Target Company
7	January 02, 2023	N/A	Lapsed	Youzu Interactive Co Ltd 002174.SZ	Shanghai Jiayou Enterprise Management Partnership (LP)	N/A	This transaction was lapsed and the terms of the deal were not disclosed

Source: Mergermarket & public information

4.8.3.2 Comparable Companies Method

Under the Comparable Companies Method, the Valuer firstly conducted research to select a group of comparable companies (the “**Comparable Companies**”) and a suitable comparison multiple, which in this case, being the price-to-earnings ratio (the “**P/E Ratio**”). After calculating the median of Comparable Companies’ P/E Ratios based on publicly available information, such median is applied by multiplying with the Target Company’s normalized net profit for the year ended December 31, 2023 to derive the 100% equity value of the Target Company. The Valuer also adjusted for a marketability discount of 25.0%. In assessing the fairness and reasonableness of the valuation basis adopted by the Valuer, we have considered the following aspects:

Selection of Comparable Companies

We understand that the Valuer has adopted the following criteria in selecting Comparable Companies: (1) the primary industry of the company is classified as Interactive Home Entertainment; (2) the company is engaged in game publishing and game development; (3) the company is based in China; (4) the company has revenue generated from overseas operations; (5) a majority of total revenue (i.e. over 50%) is attributable to game publishing and operating related business; (6) the company is listed on the major stock exchange in Hong Kong, China or the United States; (7) the financial information of the companies is available to the public; and (8) the Company’s normalized net profit is positive. As a result of the above, 10 Comparable Companies have been identified by the Valuer which, based on our review, have been selected in accordance to the Valuer’s abovementioned selection criteria.

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We consider the selection criteria adopted are fair and reasonable as they capture companies whose principal businesses and model are comparable to the Target Company, and where market data is publicly and readily accessible.

Selection of multiple

The multiple adopted by the Valuer for comparison, being the P/E Ratio, is calculated based on the market capitalization value of each of the Comparable Companies as at the Valuation Date and divided by their earnings for the year ended December 31, 2023. We are of the view that P/E Ratio is a commonly used valuation yardstick in conducting market comparable analysis for mobile gaming companies.

Further, we noted from the Valuation Report that out of the Comparable Companies selected based on the abovementioned criteria, four of the Comparable Companies, namely Fire Rock Holdings Limited, Zhejiang Century Huatong Group Co., Ltd., Ourpalm Co., Ltd. and Fuchun Technology Co., Ltd., were excluded due to their extreme P/E Ratios of approximately 1.14 times, 400.02 times, 122.89 times and 246.92 times respectively. We have discussed with the Valuer and understand that it is a common market practice to exclude certain outliers when their multiples significantly differ from the rest of the comparable companies as they are considered not representative of the broader market. In this regard, we noted that the P/E Ratios of the excluded Comparable Companies are significantly lower or higher than those of the remaining Comparable Companies ranging from approximately 8.43 times to 57.40 times.

After excluding the four outliers, the median of P/E Ratio of the Comparable Companies of approximately 16.45 times is being adopted to multiply the Target Company's normalized net profit for the year ended December 31, 2023 of approximately RMB38.8 million to derive at the 100% equity value of the Target Company.

We considered that the adoption of P/E Ratio as the valuation multiple, as well as the exclusion of four outliers with extreme P/E Ratios, is fair and reasonable.

Lack of Marketability Discount ("LOMD")

Marketability is defined as the ability to convert the business interest into cash quickly at a known price with minimum transaction costs. For privately held company, there is usually a cost and a time lag associated with locating interested and capable buyers as there is no established market of readily-available buyers and sellers. All other factors being constant, an interest in a privately held company is worth less than an interest in a publicly traded company because no established market exists. We understand that LOMD is a downward adjustment to the value of the business interest to reflect its reduced level of marketability. Based on our discussion with the

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Valuer, we noted that a LOMD of 25.0% is being adopted with reference to the Black-Scholes put option pricing model to adjust the equity value of the Target Company according to the Valuer's research regarding the Comparable Companies. In this regard, we have referenced to a widely adopted research study named "Stout Restricted Stock Study Companion Guide (2023 edition)" issued by Stout Risius Ross, LLC and noted that based on their research conducted on 776 private placement transactions from July 1980 through December 2022, the average LOMD is 20.5%, which is slightly lower than the LOMD adopted by the Valuer. As the LOMD adopted by the Valuer is 25% which is higher than 20.5% and would be more favourable to the Group, we considered that the LOMD being applied is fair and reasonable.

Conclusion

Taking into account the above, we are of the view that the 100% of the equity value of the Target Company as appraised by the Valuer being RMB479,146,000 is fair and reasonable.

4.9 Financial effects of the Acquisition

Based on our discussion with and the representation from the Directors, we understand from the Directors that they have taken into account the following factors when they considered the potential impact of the Acquisition on the financial positions of the Group, where the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial information of Target Company will remain consolidated into the consolidated financial statements of the Company upon the Completion.

4.9.1 Earnings

According to the 2023 Annual Report, the Group's net loss was approximately RMB 65.4 million. As mentioned above, since (i) the Target Company is profit-making based on the unaudited combined management accounts of the Target Company; (ii) considering the Group is currently consolidating the result of the Target Company, this acquisition will likely to increase the profit attributable to the Company's equity holders; and (iii) based on the Target Company's business nature, it is expected that the Acquisition shall further enhance the business synergy between the Group and Target Company and hence the Group will be able to publish and operate more overseas games, which will have a positive effect of the Group's future profitability.

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4.9.2 Equity attributable to equity holders of the Company

According to the 2023 Annual Report, the Group's equity attributable to equity holders of the Company was approximately RMB1,868.8 million and RMB1,905.7 million as at December 31, 2023 and 2022, respectively. Pursuant to the discussion with the management, the equity attributable to equity holders of the Company will decrease upon Completion due to the cash portion of the Consideration which, however, will not be material.

4.9.3 Cash flow

As disclosed in the Letter from the Board of the Circular, the Consideration shall be payable by the Purchaser to the Vendor upon the Completion and it is expected that approximately the (i) allotment and issue of 7,405,714 and 2,194,286 Consideration Shares by the Company to Vendors at the Issue Price (being HK\$14.20 per Consideration Share); and (ii) as to US\$3,317,143 and US\$982,857 in cash to be paid by the Purchaser to EDragon and LY Development, respectively, which will be funded by the internal resources of the Group.

As referred to the 2023 Annual Report, the Group had cash and cash equivalents of approximately RMB3,206.8 million, which could be utilised by the Group for the Acquisition. It is expected that the Group shall have an immediate net cash outflow equivalent to the part of the total consideration paid in cash, i.e. US\$4.3 million. Based on the above, we are of the view that the Company shall have sufficient financial resources to satisfy the Consideration.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial positions of the Group will be upon the Completion. Considering the potential increase in the profit attributable to the Company's equity holders after the Acquisition due to consolidation of additional 35% interests of the Target, sufficient financial resources of the Company and the Group's deepening overseas operations strategy, the Group's financial results will not be adversely affected in spite of the immaterial decrease in the equity attributable to equity holders of the Company after the Acquisition.

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4.10 Effect of the Consideration Shares on the Shareholding Structure

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after the Completion and the allotment and issue of the Consideration Shares in full as contemplated under the Acquisition (assuming there is no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion and the allotment and issue of the Consideration Shares in full):

Shareholders	As at the Latest Practicable Date		Immediately after Completion and the allotment and issue of the Consideration Shares in full	
	Number of Shares	Approximate %	Number of Shares	Approximate %
EDragon (<i>Note 1</i>)	—	—	7,405,714	1.51
LY Development	—	—	2,194,286	0.45
Happy Today Holding Limited (<i>Note 2</i>)	157,605,000	32.79	157,605,000	32.15
Kros Dai Inc. (<i>Note 3</i>)	53,245,000	11.08	53,245,000	10.86
Other Shareholders	269,789,093	56.13	269,789,093	55.03
Total	480,639,093	100.00	490,239,093	100.00

Notes:

- As at the Latest Practicable Date, EDragon also holds 4,484,865 Shares (representing approximately 0.93% of the issued Shares as at the Latest Practicable Date and approximately 0.91% of the issued Shares immediately after Completion and the issue of Consideration Shares in full), and such Shares were not included in the table for illustration purpose. Mr. XW Huang also holds interest in certain share options granted pursuant to the Share Option Plan.
- Happy Today Holding Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Happy Today Company Limited. Happy Today Company Limited is held by the Happy Today Trust, which was established by Mr. Huang Yimeng (an executive Director) as the settlor. J.P. Morgan Trust Company (Singapore) Pte. Ltd. is the trustee of the Happy Today Trust, and Mr. Huang Yimeng and his family members are the beneficiaries of the Happy Today Trust. Mr. Huang Yimeng is also a director of Happy Today Holding Limited.
- Kros Dai Inc. is a company incorporated in the British Virgin Islands and is wholly-owned by Danger and Sons Inc. Danger and Sons Inc. is held by the Dai & Sons Trust, which was established by Mr. Dai Yunjie (an executive Director) as the settlor. J.P. Morgan Trust Company of Delaware is the trustee of the Dai & Sons Trust, and Mr. Dai Yunjie and his family members are the beneficiaries of the Dai and Sons Trust. Mr. Dai Yunjie is also a director of Kros Dai Inc.

Assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion (save for the issue and allotment of the Consideration Shares), the interest of other Shareholders in the Company's total number of issued Shares will be

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diluted from approximately 56.13% to 55.03%. Meanwhile, it is observed that Happy Today Holding Limited will remain as the controlling Shareholder after the Completion. Taking into account (i) the entering into of the Acquisition is in the interests of the Company and the Shareholders as a whole; (ii) the Consideration under the Sale and Purchase Agreement is fair and reasonable; and (iii) the settlement terms (including the Issue Price) are fair and reasonable, we consider that such potential dilution effect on the shareholding interests of the other Shareholders to be acceptable and justifiable.

5. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

On April 9, 2024 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendors and the Purchaser (being a wholly-owned subsidiary of the Company), pursuant to which, the Purchaser has conditionally agreed to acquire, and EDragon and LY Development have severally and conditionally agreed to sell, the Target Shares, representing in aggregate 35% shareholding in the Target Company, subject to and on the terms and conditions of the Sale and Purchase Agreement. The Initial Consideration for the Acquisition under the Sale and Purchase Agreement shall be an aggregate of US\$21,639,320 (of which US\$16,693,190 shall be payable to EDragon and US\$4,946,130 shall be payable to LY Development), which will be settled (i) as to an aggregate of US\$17,339,320 by the allotment and issue of 7,405,714 and 2,194,286 Consideration Shares by the Company to EDragon and LY Development respectively at the Issue Price of HK\$14.20 per Consideration Share; and (ii) as to US\$3,317,143 and US\$982,857 in cash to be paid by the Purchaser to EDragon and LY Development respectively.

For details of the principal terms of the Sale and Purchase Agreement, please refer to the “Letter from the Board” of the Circular. When considering the fairness and reasonableness of the terms of the Sale and Purchase Agreement, we have taken into account the following factors:

5.1 The Consideration

According to the Sale and Purchase Agreement, the Initial Consideration shall be an aggregate of US\$21,639,320 (of which US\$16,693,190 shall be payable to EDragon and US\$4,946,130 shall be payable to LY Development), taking into account various factors, including (i) the strategic value of the Target Company which will be a synergistic addition to the Group’s gaming ecosystem; (ii) the financial performance and the growth potential outlooks of the Target Company; (iii) the Appraised Value as at March 31, 2024 according to the Valuation Report; and (iv) the price-to-earnings ratios of the Target Company relative to that of the other publicly traded comparable companies which are similarly engaged in the provision of gaming industry. In addition, we noted that the Initial Consideration represents a discount of approximately 8.44% to the Appraised Value as assessed by the Valuer. The Directors are of the view that such discount, which is favourable to the Company, is fair and reasonable taking into account (a) the Target

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Company is already a non-wholly owned subsidiary of the Company prior to the Acquisition; (b) part of the Initial Consideration will be settled by the Consideration Shares which will in turn provide future potential upside to the Vendors; and (c) the recent market and economic environment, including but not limited to the high interest rate environment. Based on the above, we are of the view that the method of arriving at the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. For discussion of the Appraised Value, please refer to the paragraph headed “4.8. Valuation Report” in the section of “4. PRINCIPAL FACTORS AND REASONS CONSIDERED”.

In addition, the Initial Consideration will be subject to Earn Out Adjustments, which represent profit guarantees in respect of the Target Company by EDragon and LY Development respectively. Pursuant to the Sale and Purchase Agreement, the Initial Consideration shall be subject to further adjustments by the deduction of any Earn Out Adjustment(s) to be determined and (if applicable) paid by the Vendors (on the one hand) to the Company and the Purchaser (on the other hand) in the following manner:

- i. In the event that the Pre-Tax Profit for the Earn Out Period is not less than the Reference Pre-Tax Profit, no Earn Out Adjustment is payable by any of the Vendors to the Purchaser and the Company.
- ii. In the event that the Pre-Tax Profit for the Earn Out Period is less than the Reference Pre-Tax Profit, EDragon and LY Development shall pay the EDragon Adjustment Amount and LY Development Adjustment Amount respectively, to be calculated with reference to the following formulae, (i) in cash to the Purchaser and (ii) by returning or delivering the Consideration Shares to the Company or a broker or agent designated by the Company:

In respect of the EDragon Adjustment Amount:

$$\text{EDragon Adjustment} = \frac{\text{Pre-Tax Profit Shortfall}}{\text{Reference Pre-Tax Profit}} \times \text{EDragon Initial Consideration}$$

In respect of the LY Development Adjustment Amount:

$$\text{LY Development Adjustment} = \frac{\text{Pre-Tax Profit Shortfall}}{\text{Reference Pre-Tax Profit}} \times \text{LY Development Initial Consideration}$$

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For details of the Earn Out Adjustments of the Sale and Purchase Agreement, please refer to “SHARE TRANSACTION AND CONNECTED TRANSACTION – ACQUISITION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE” in the “Letter from the Board” section of the Circular.

As discussed with the Management, we understand that the Earn Out Adjustments serve to better align the interests of the Vendors with the Group after the Acquisition and ensure that the Target Company’s financial performance during the Earn Out Period will be in line with the Management’s current assessment and hence meet the Management’s expectations based on the communication with the Vendors. In light of the above, we are of the view that such arrangement will be able to provide additional protection to and are in favour of the Company and the Shareholders as a whole.

5.2 The settlement terms

In relation to the Target Shares held by EDragon, the EDragon Initial Consideration for the Acquisition (being US\$16,693,190) is payable by the Company and the Purchaser to EDragon, which will be settled by the Company and the Purchaser respectively in the following manners upon Completion: (a) as to US\$13,376,047 (representing approximately HK\$105,161,143 using an exchange rate of US\$1 to HK\$7.8619 as set out in the Sale and Purchase Agreement) shall be settled by the allotment and issue of 7,405,714 Consideration Shares by the Company to EDragon at the Issue Price (being HK\$14.20 per Consideration Share); and (b) as to US\$3,317,143 shall be paid by the Purchaser to EDragon in cash which will be funded by the internal resources of the Group.

In relation to the Target Shares held by LY Development, the LY Development Initial Consideration for the Acquisition (being US\$4,946,130) is payable by the Company and the Purchaser to LY Development, which will be settled by the Company in the following manners upon Completion: (a) as to US\$3,963,273 (representing approximately HK\$31,158,857 using an exchange rate of US\$1 to HK\$7.8619 as set out in the Sale and Purchase Agreement) shall be settled by the allotment and issue of 2,194,286 Consideration Shares by the Company to LY Development at the Issue Price (being HK\$14.20 per Consideration Share); and (b) as to US\$982,857 shall be paid by the Purchaser to LY Development in cash which will be funded by the internal resources of the Group.

5.2.1 The cash payment

The Management advised that the portion of Consideration to be settled by cash, shall be funded by internal resources of the Group. In this regard, we noted from the 2023 Annual Report that the Group had unutilized net proceeds from the placing of shares in April 2021 of HK\$116.9

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million as at December 31, 2023, which was raised for potential acquisition and strategic investments. In addition, the Group had a total current assets of RMB3,713.1 million, which primarily includes cash and cash equivalents balance of approximately RMB3,206.8 million as at December 31, 2023, which the cash settlement portion of the Consideration accounted for less than 1% of the aforesaid balance; while the Group had a total current liabilities of RMB2,382.1 million, which primarily includes convertible bonds of RMB1,553.1 million, as at December 31, 2023. In this regard, we concur with the Management's view that the Group has the necessary financial resources to settle the cash settlement portion of Consideration without significantly compromising its liquidity position required for its normal business operations.

5.2.2 The Issue Price

As stated in the paragraph headed "Sale and Purchase Agreement" in the "Letter from the Board" of the Circular, the Company will issue 7,405,714 and 2,194,286 Consideration Shares to EDragon and LY Development, respectively to satisfy part of the Consideration, which represent approximately 2.00% of the issued share capital of the Company as at the Latest Practicable Date and approximately 1.96% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The issue price of HK\$14.20 per Consideration Share:

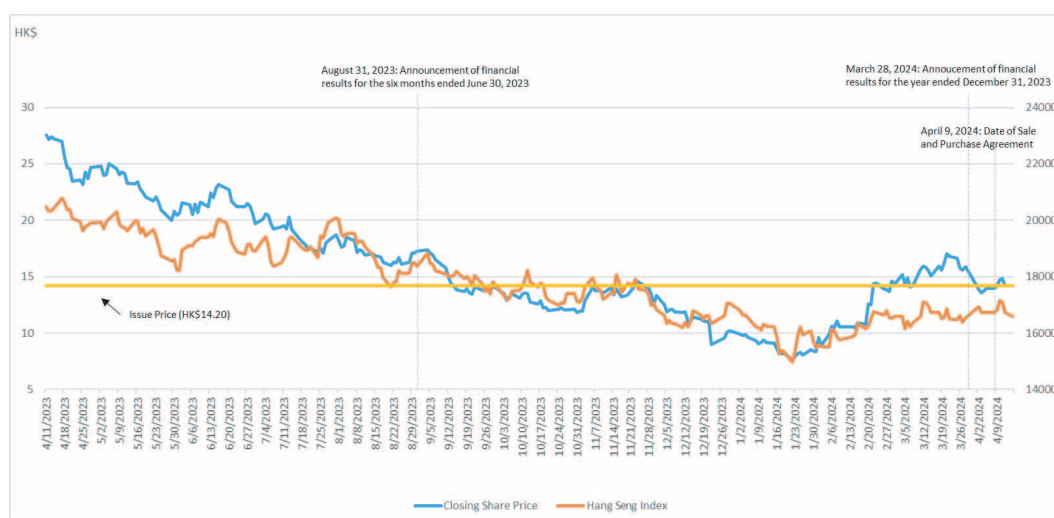
- a) equals to the closing price per Share of HK\$14.20 as quoted on the Stock Exchange on April 9, 2024, being the date of the Sale and Purchase Agreement;
- b) a premium of approximately 1.72% to the closing price per Share of HK\$13.96 as quoted of the Stock Exchange on the last trading day prior to the date of the Sale and Purchase Agreement;
- c) a discount of approximately 0.36% to the average closing price per Share of HK\$14.25 as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Sale and Purchase Agreement;
- d) a discount of approximately 7.53% to the average closing price per Share of HK\$15.36 as quoted on the Stock Exchange for the 20 consecutive trading days immediately preceding the date of the Sale and Purchase Agreement;
- e) a discount of approximately 5.50% to the average closing price per Share of HK\$15.03 as quoted on the Stock Exchange for the 30 consecutive trading days immediately preceding the date of the Sale and Purchase Agreement; and

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- f) a discount of approximately 26.88 % to the closing price on the Latest Practicable Date of approximately HK\$19.42 per Share.

Analysis of historical price performance of the Share

In assessing the reasonableness of the Issue Price, we have considered the historical movement of the Share closing price. Set out below is a chart illustrating the historical closing prices of Shares from April 11, 2023 (i.e. approximately one year prior to the date of the Sale and Purchase Agreement) to the last trading date immediately preceding the date of the Sale and Purchase Agreement (i.e. April 8, 2024, the “**Last Trading Day**”) and subsequent to that up to the Latest Practicable Date (the “**Review Period**”). We consider that a review period of around one year is adequate to illustrate the historical Share price movements for conducting a reasonable comparison between the closing prices of Shares and the Issue Price.



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the highest and lowest closing prices of the Shares were HK\$7.60 and HK\$27.55 per Share recorded on January 22, 2024 and April 11, 2023, respectively.

As illustrated in the graph above, the share price movement of the Company was generally in line with Hang Seng Index. Both the share price of the Company and Hang Seng Index were on a downward trend at the start of the Review Period and before the 2023 Interim Results announcement. The closing price of the Company and Hang Seng Index went from HK\$27.55 and 20,485 respectively at the start of the Review Period to HK\$17.08 and 18,483 at the preceding the date of the 2023 Interim Results announcement. After the 2023 Interim Results announcement, the Share closing price hovered between HK\$13.42 per Share and HK\$17.36 per Share from August 31, 2023 to September 29, 2023. Since then, the Share closing price was generally on a downward

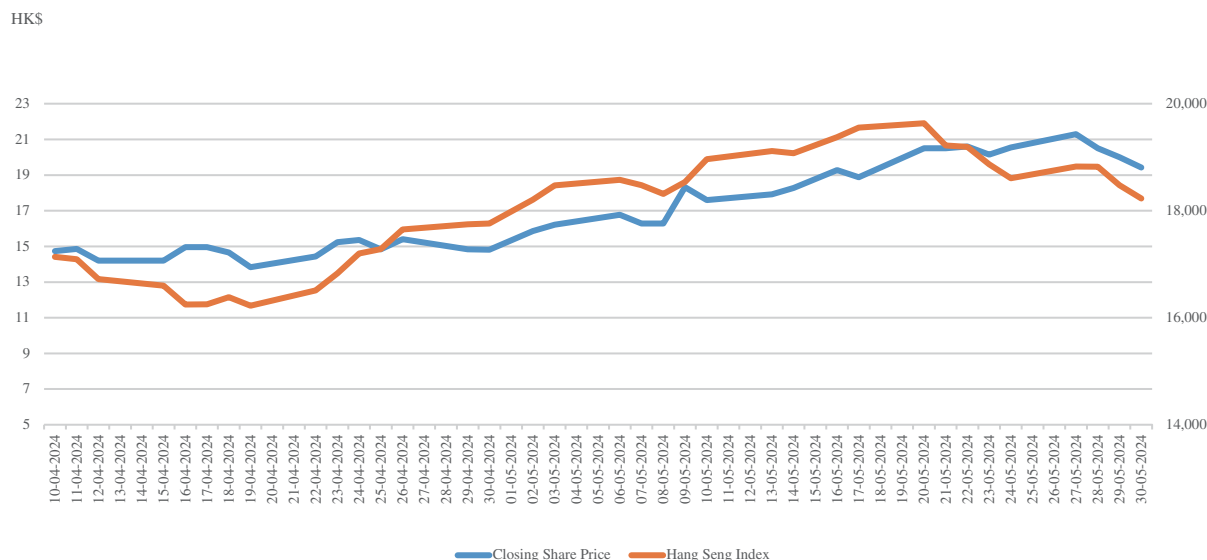
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trend and rise to a level around the Issue Price on February 22, 2024. We noted that the aforesaid decreasing trend in Share closing price was highly correlated to the overall market movements as shown by the performance of Hang Seng Index, which decreased from 18,382 on August 31, 2023 to 14,961 on January 22, 2024. The Share price then traded around the Issue Price and closed between HK\$7.97 per Share and HK\$17.04 per Share during the period from January 23, 2024 to April 8, 2024. As at the Last Trading Day, the Share closing price was HK\$13.96 per Share. The Share closing price subsequently was HK\$19.42 per Share as at the Latest Practicable Date.

The Issue Price, being HK\$14.20 per Share, is within the range of the lowest and highest closing prices of Shares during the Review Period and close to the levels of Share closing price in the recent one month and equals to the closing price per Share of HK\$14.20 as quoted on the Stock Exchange on April 9, 2024, being the date of the Sale and purchase Agreement. The Issue Price also represents a premium of approximately 1.72% to the closing price per Share of HK\$13.96 as quoted of the Stock Exchange on the Last Trading Day, a discount of approximately 0.36% to the average closing price per Share of HK\$14.25 as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Sale and Purchase Agreement, a discount of approximately 7.53% to the average closing price per Share of HK\$15.36 as quoted on the Stock Exchange for the 20 consecutive trading days immediately preceding the date of the Sale and Purchase Agreement and a discount of approximately 5.50% to the average closing price per Share of HK\$15.03 as quoted on the Stock Exchange for the 30 consecutive trading days immediately preceding the date of the Sale and Purchase Agreement.

In addition, as shown on the chart below, the closing price of the Shares was in an increasing trend in general after the Announcement on April 9, 2024 up to May 7, 2024. On May 30, 2024, the closing price of Shares was HK\$19.42, representing a premium over the Issue Price of 36.8%. Meanwhile, we also noted the Hang Seng Index was in an increasing trend in general since April 9, 2024 up to May 30, 2024. Please refer to the graph below for the movement of closing price of Shares and Hang Seng Index during the period from April 9, 2024 up to May 30, 2024. Other than the Announcement, we are unable to identify any market news nor announcement of the Company which might have triggered the price movements. Having made enquiry with the Company, the Management confirmed that they are not aware of any reason which could lead to the aforesaid movements of the closing prices of the Shares after the Announcement. As such, the upward movements of the closing price of Shares may be a result of recent improvement in market sentiment as shown by Hang Seng Index or a positive reaction to the Acquisition by the Company despite the fact that Completion remains subject to satisfaction of the conditions precedent as set out in the Sale and Purchase Agreement.

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Source: The website of the Stock Exchange (www.hkex.com.hk)

Shareholders and potential investors of the Company should note that completion of the Acquisition is subject to the satisfaction of the conditions precedent as set out in the Sale and Purchase Agreement. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Comparable issues analysis

To assess the fairness and reasonableness of the Issue Price, we have also conducted a comparable analysis through identifying companies listed on the Main Board of the Stock Exchange which announced issuance of consideration shares for acquisition activities during the period from October 9, 2023 up to and including April 9, 2024, being the date of the Sale and Purchase Agreement. On such basis, we have identified 13 comparable companies (the “**Consideration Shares Comparables**”), which we consider to be an exhaustive list of the relevant comparable companies based on the abovementioned criteria. Among the 13 Consideration Shares Comparables, two outliers are excluded due to their significantly high premium issue price over their average closing price as shown below. We consider that a review period of around six months prior to the date of the Sale and Purchase Agreement is a reasonable timeframe for identifying recent Consideration Shares Comparables that reflect the prevailing market sentiment, economic conditions, and financial market cycles for the purpose of assessing the reasonableness of the Issue Price. As such, we believe the 11 Consideration Shares Comparables identified based on the abovementioned selection criteria provide a representative sample for our comparable issues analysis purpose.

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It should be noted that the Consideration Shares Comparables may have different principal activities, market capitalization, profitability and financial position as compared with those of the Company. Circumstances leading the Consideration Shares Comparables to issue consideration shares may differ from that of the Company. Notwithstanding this, considering the similarity in nature of the issue of the Consideration Shares and the Consideration Shares Comparables that both involved issuing new shares to satisfy transaction consideration, we consider that the Consideration Shares Comparables can provide a valid general reference for similar type of transactions in the Hong Kong market under the recent market environment.

The following table sets out the consideration of the transaction, the percentage of consideration shares to the existing share capital, relationship with the counterparty (connected or not), status of transaction (completed, lapsed or pending):

Number	Date of announcement	Company name	Stock code	The percentage of		Relationship with the counterparty	Status of transaction
				Total consideration of the transaction HK\$	consideration shares to the existing share capital %		
1	February 29, 2024	Pak Tak International Ltd.	2668	319,200,000	16.87	Independent	Pending
2	February 21, 2024	VS International Group Limited	1002	69,000,000	8.82	Connected	Pending
3	February 2, 2024	Meitu, Inc.	1357	309,905,426	1.27	Independent	Pending
4	January 22, 2024	International Genius Company	33	620,520,000	19.54	Independent	Completed
5	December 29, 2023	Huili Resources (Group) Ltd.	1303	100,000,000	8.76	Independent	Completed
6	December 28, 2023	C-Link Squared Limited	1463	474,251,497	19.76	Independent	Completed
7	December 21, 2023	China HK Power Smart Energy Group Limited	931	100,000,000	4.05	Independent	Completed
8	November 28, 2023	Alibaba Health Information Technology Ltd.	241	13,512,000,000	18.90	Connected	Completed

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Number	Date of announcement	Company name	Stock code	Total consideration of the transaction <i>HK\$</i>	The percentage of consideration shares to the existing share capital	Relationship with the counterparty	Status of transaction
					%		
9	November 13, 2023	Sanergy Group Limited	2459	43,000,000	1.00	Independent	Pending
10	October 31, 2023	Vongroup Ltd.	318	5,627,097	9.39	Independent	Completed
11	October 30, 2023	China Rongzhong Financial Holdings Co. Ltd.	3963	17,500,000	10.95	Connected	Completed
12	October 16, 2023	Gome Finance Technology Co., Ltd.	628	174,800,000	92.55	Connected	Pending
13	October 14, 2023	Tongguan Gold Group Limited	340	100,000,000	3.07	Independent	Pending

Source: The website of the Stock Exchange (www.hkex.com.hk)

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The following table sets out the issue price of the consideration shares and the discount/premium of issue price to the respective (average) closing price on the last trading day prior to the date of the relevant agreement, and for the last five, 20 and 30 consecutive trading days prior to the date of the relevant agreement of the Consideration Shares Comparables:

Number	Date of announcement	Company name	Stock code	Issue price <i>HK\$</i>	(Discount)/Premium of the issue price to			
					the closing price on the last trading day prior to the date of the relevant agreement %	the average closing price over the last five consecutive trading days prior to the date of the relevant agreement %	the average closing price over the last 20 consecutive trading days prior to the date of the relevant agreement %	the average closing price over the last 30 consecutive trading days prior to the date of the relevant agreement %
1	February 29, 2024	Pak Tak International Ltd.	2668	0.34	5.00	3.07	1.13	5.04
2	February 21, 2024	VS International Group Limited ¹	1002	0.28	191.67	196.61	212.67	230.58
3	February 2, 2024	Meitu, Inc.	1357	2.62	11.65	6.31	(8.45)	(15.00)
4	January 22, 2024	International Genius Company	33	5.62	6.31	(2.46)	(12.38)	(8.27)
5	December 29, 2023	Huili Resources (Group) Ltd.	1303	0.40	31.15	31.15	31.36	28.69
6	December 28, 2023	C-Link Squared Limited	1463	1.00	—	—	(2.91)	(7.38)
7	December 21, 2023	China HK Power Smart Energy Group Limited	931	0.43	—	(1.15)	(2.82)	(4.30)
8	November 28, 2023	Alibaba Health Information Technology Ltd.	241	4.50	(3.23)	(3.10)	(5.33)	(4.28)
9	November 13, 2023	Sanergy Group Limited	2459	3.60	(17.62)	(16.74)	(18.44)	(19.07)
10	October 31, 2023	Vongroup Ltd.	318	0.24	(13.57)	(14.79)	(16.98)	(16.55)

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Number	Date of announcement	Company name	Stock code	Issue price HK\$	(Discount)/Premium of the issue price to			
					the closing price on the last trading day prior to the date of the relevant agreement	the average closing price over the last five consecutive trading days prior to the date of the relevant agreement	the average closing price over the last 20 consecutive trading days prior to the date of the relevant agreement	the average closing price over the last 30 consecutive trading days prior to the date of the relevant agreement
					%	%	%	%
11	October 30, 2023	China Rongzhong Financial Holdings Co. Ltd.	3963	0.38	(9.52)	(8.21)	(7.88)	(7.32)
12	October 16, 2023	Gome Finance Technology Co., Ltd.	628	0.08	—	(2.68)	(6.98)	(10.11)
13	October 14, 2023	Tongguan Gold Group Limited ¹	340	0.80	81.82	85.61	72.51	69.25
				Maximum	31.15	31.15	31.36	28.69
				Minimum	(17.62)	(16.74)	(18.44)	(19.07)
				Mean	0.92	(0.78)	(4.52)	(5.32)
				Median	—	(2.46)	(6.98)	(7.38)
N/A	April 9, 2024	The Company	2400	14.20	1.72	(0.36)	(7.53)	(5.50)

Note 1: These transactions are deemed as outliers and were excluded in our analysis. VS International Group Limited presents an extreme value and is excluded in order not to cause distortion among the rest of the sample. Statistical analysis has been applied on the remaining 12 consideration Shares Comparables and Tongguan Gold Group Limited is located more than two standard deviation from the mean and hence is also excluded in our analysis.

Source: The website of the Stock Exchange (www.hkex.com.hk)

As shown in the above table, the issue prices of the Consideration Shares Comparables to the respective (average) closing price on the last trading day prior to the date of the relevant agreement, and for the last five, 20 and 30 consecutive trading days prior to the date of the

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relevant agreement are in a range of premium of approximately 31.36% to discount of approximately 19.07%, with mean in a range of premium of approximately 0.92% to discount of approximately 5.32%, and median discount between approximately 0% and 7.38%.

Based on the above table, we noted the following:

- (a) the Issue Price to the closing price on the Last Trading Day represents a premium of approximately 1.72% is (i) within the range of premium of approximately 31.15% to discount of approximately 17.62%; (ii) higher than the mean premium of approximately 0.92%; and (iii) is higher than the median premium of approximately 0.00%;
- (b) the discount of Issue Price to the average closing price for the last five trading days up to and including the Last Trading Day of approximately 0.36% is (i) within the range of premium of approximately 31.15% to discount of approximately 16.74%; (ii) lower than the mean discount of approximately 0.78%; and (iii) lower than the median discount of approximately 2.46%;
- (c) the discount of Issue Price to the average closing price for the last 20 trading days up to and including the Last Trading Day of approximately 7.53% is (i) within the range of premium of approximately 31.36% to discount of approximately 18.44%; (ii) higher than the mean discount of approximately 4.52%; and (iii) slightly higher than the median discount of approximately 6.98%; and
- (d) the discount of Issue Price to the average closing price for the last 30 trading days up to and including the Last Trading Day of approximately 5.50% is (i) within the range of premium of approximately 28.69% to discount of approximately 19.07%; (ii) more or less the same as the mean discount of approximately 5.32%; and (iii) lower than the median discount of approximately 7.38%.

In assessing the fairness and reasonableness of the Issue Price, we have considered, amongst others, (i) the Issue Price is within the range of closing prices of the Shares during the Review Period and close to the levels of Share closing price in the recent one month; (ii) the Issue Price represents a premium/discount which is better off for the Group when compared with the median discount of the 11 Consideration Shares Comparables to the respective (median) closing price on the last trading day prior to the date of the relevant agreement, and for the last five and 30 consecutive trading days prior to the date of the relevant agreement while the Issue Price represents a slightly higher discount to the Consideration Shares Comparables to the respective (median) closing price for the last 20 consecutive trading days prior to the date of the relevant agreement; (iii) the Issue Price represents a premium/discount which is better off for the Group

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when compared with the average discount of the 11 Consideration Shares Comparables to the respective (average) closing price on the last trading day prior to the date of the relevant agreement and for the last five consecutive trading days prior to the date of the relevant agreement while the Issue Price represents a higher discount to the Consideration Shares Comparables to the respective (average) closing price for the last 20 consecutive trading days prior to the date of the relevant agreement and is more or less the same as the respective (average) closing price for the last 30 consecutive trading days prior to the date of the relevant agreement; and (iv) the issue of Consideration Shares is construed as a means to finance part of the Acquisition without having significant cash outlay to the Group.

Based on the above, we are of the view that the Issue Price is fair and reasonable. Overall, we are of the view that the settlement terms are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

5.3 The lock-up of Consideration Shares

Pursuant to the Sale and Purchase Agreement, EDragon and LY Development severally and individually undertake that each of them shall not, and shall procure his/her/its affiliate(s) shall not, without the prior written consent of the Company sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer (including but not limited to dividend/distribution in specie) or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in the Consideration Shares issued to the Vendors, enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Consideration Shares issued to it or any interest therein, enter into any transaction with the same economic effect, sell or permit to be sold any shares or interests in any company or entity holding or controlling (directly or indirectly) any Consideration Shares issued to it, or offer to or agree to or announce any intention to effect any of the aforementioned transactions, for the period commencing on the Completion and ending on the date which is three years after the date of Completion (both days inclusive), save for the purpose of returning or delivering such number of Consideration Shares as part of the Earn Out Adjustment(s).

As discussed with the Management, we understand that the above lock-up arrangement was reached after arm's length negotiation among the parties and such arrangement will be able to prevent share price fluctuations after the Completion and convey a positive signal to the market. We also noted that the lock-up period of three years commencing on the Completion is longer than

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the Earn Out Period, which would further prevent share price fluctuations after the Earn Out Period. As such, we are of the view that such arrangement is in favour of the Company and the Shareholders as a whole.

6. OPINION AND RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the terms of the Acquisition are in the ordinary and usual course of business of the Company and on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) in this approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate).

Yours faithfully,
for and on behalf of
CITIC Securities (Hong Kong) Limited
Edmund Chan
Managing Director, Head of M&A

Mr. Edmund Chan is a licensed person and a responsible officer of CITIC Securities (Hong Kong) Limited registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activities under the SFO since 2008 and has been involved in a wide range of takeover, merger and acquisitions, restructuring and other corporate finance advisory work for Hong Kong listed companies.

APPENDIX I EXPLANATORY STATEMENT ON BUY-BACK MANDATE

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide the Shareholders with requisite information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the AGM to approve the Buy-back Mandate.

1. LISTING RULES RELATING TO THE BUY-BACK OF SHARES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to buy back their shares on the Stock Exchange subject to certain restrictions.

2. SHARE CAPITAL

As at the Latest Practicable Date, the number of total issued Shares was 480,639,093 Shares with a nominal value of US\$0.0001 each which have been fully paid. Subject to the passing of the resolution for buy-back of Shares and on the basis of no further new Shares will be issued or purchased by the Company up to the AGM, the Company would be allowed under the Buy-back Mandate to buy back a maximum of 48,063,909 Shares, representing up to 10% of the total number of issued Shares (excluding treasury Shares, if any) as at the date of passing the relevant resolution for granting the Buy-back Mandate. During the period ending on the earlier of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held; or (iii) the date on which such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

With effect from June 11, 2024, the Listing Rules will be amended to introduce flexibility for listed companies to cancel shares repurchased and/or hold repurchased shares as treasury Shares. Following such changes to the Listing Rules and the relevant amendments to the articles of the association of the Company take effect, if the Company repurchases Shares pursuant to the Buy-back Mandate, the Company may (i) cancel the repurchased Shares and/or (ii) hold such Shares as treasury Shares, subject to market conditions and the capital management needs of the Company at the relevant time such repurchases of Shares are made.

For any treasury Shares deposited with CCASS pending resale on the Stock Exchange, the Company shall (i) procure its broker not to give any instructions to HKSCC to vote at general meetings of the Company for the treasury Shares deposited with CCASS; and (ii) in the case of dividends or distributions, withdraw the treasury Shares from CCASS, and either re-register them in its own name as treasury Shares or cancel them, in each case before the record date for the dividends or distributions, or take any other measures to ensure that it will not exercise any shareholders' rights or receive any entitlements which would otherwise be suspended under the applicable laws if those Shares were registered in its own name as treasury Shares.

3. REASONS FOR BUY-BACK OF SHARES

The Directors believe that the Buy-back Mandate is in the best interests of the Company and the Shareholders as a whole. Such buy-back may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets of the Company and/or its earnings per share and will only be made when the Directors believe that such a buy-back will benefit the Company and the Shareholders as a whole.

4. FUNDING OF BUY-BACK OF SHARES

Any buy-back of Shares of the Company would be funded entirely from the cash flow or working capital facilities available to the Company, and will, in any event be made out of funds legally available for the purpose in accordance with the Articles and the applicable laws of the Cayman Islands and the Listing Rules. Such funds include, but are not limited to, profits available for distribution. Purchases may only be effected out of the profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose, or, if so authorized by its Articles and subject to the provisions of the Companies Act, out of capital. Any premium payable on a purchase over the par value of the Shares to be Buy-back must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorized by the Articles and subject to the provisions of the Companies Act, out of capital.

5. GENERAL

The Directors believe that if the Buy-back Mandate is exercised in full, it may not have a material adverse impact on the working capital and gearing position of the Company, as compared with the positions disclosed in the audited consolidated financial statements of the Company as at December 31, 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The Directors do not intend to exercise the Buy-back Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

APPENDIX I EXPLANATORY STATEMENT ON BUY-BACK MANDATE

6. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous 12 months and up to the Latest Practicable Date were as follow:

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2023		
May	25.60	19.92
June	23.45	19.66
July	20.75	16.60
August	19.24	15.84
September	17.74	13.24
October	14.04	11.68
November	14.94	11.60
December	13.62	8.88
2024		
January	10.68	7.47
February	14.88	8.34
March	17.48	13.56
April	16.00	13.32
May (up to the Latest Practicable Date)	21.70	14.66

7. UNDERTAKING

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their close associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company under the Buy-back Mandate if the same is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make repurchases under the Buy-back Mandate in accordance with the Listing Rules, the Articles and the applicable laws, rules and regulations of Cayman Islands.

8. CORE CONNECTED PERSON

None of the Directors nor, to the best of their knowledge having made reasonable enquiries, any of their respective close associates has any present intention, in the event that the Buy-back Mandate is approved by Shareholders and the conditions (if any) which the Buy-back Mandate are fulfilled, to sell Shares to the Company under the Buy-back Mandate. No core connected person (as defined in the Listing Rules) has notified the Company that he/she/it has any present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Buy-back Mandate is approved by the Shareholders and the conditions (if any) which the Buy-back Mandate are fulfilled.

9. TAKEOVERS CODE AND MINIMUM PUBLIC SHAREHOLDING

If on exercise of the powers of buy-back pursuant to the Buy-back Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, Mr. Huang Yimeng had an aggregate interest in 163,538,404 Shares which comprised (i) a personal interest in 2,606,000 Shares, (ii) a spouse's interest in 2,100,000 Shares, (iii) interested in 157,605,000 Shares as a beneficiary of the Happy Today Trust and (iv) entitled to 1,227,404 Shares underlying the share options granted pursuant to the Share Option Plan. In the event that the Directors exercise in full the power to buy back Shares under the Buy-back Mandate, the attributable interest of Mr. Huang Yimeng would increase from approximately 34.03% to 37.81% of the total number of Shares in issue. Such increase would give rise to general offer obligation under the Takeovers Code. The Directors have no present intention to exercise the Buy-back Mandate to such extent which would trigger Mr. Huang's general offer obligation under the Takeovers Code.

The Company confirms that neither this explanatory statement nor the proposed share repurchase has any unusual features.

10. SHARE PURCHASE MADE BY THE COMPANY

The Company has not purchased any of the Shares (whether on the Stock Exchange or otherwise) in the six months preceding and up to the Latest Practicable Date.



STRICTLY CONFIDENTIAL

Ref. No: J24-00139

The Board of Directors
XD INC.

9 April 2024

Room A1,
No. 700 Wanrong Road,
Jing'an District,
Shanghai
China

Dear Sirs/Madams,

Re: Valuation of the Equity Interest of X.D. Global (HK) Limited

In accordance with your instructions, we understand that XD INC. (the “**Company**” or “**XD**”) intends to acquire 35% equity interest (the “**Equity Interest**”) of X.D. Global (HK) Limited (the “**XDGHK**”, or the “**Target**”). AVISTA Valuation Advisory Limited (“**AVISTA**” or “**we**”) has conducted fair value valuation in connection with the Equity Interest of XDGHK as of 31 March 2024 (the “**Valuation Date**”).

It is our understanding that this report (the “**Report**”) will have the opportunity to be forwarded to the management of the Company (the “**Management**”) and board of directors of the Company (the “**Directors**”), external auditors, and other professional teams related to this project, including the sponsor appointed by the Company, financial advisors, legal advisors of the Company and the sponsor for review, as well as regulatory personnel from The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission. We assure that our valuation results are supported by appropriate evidence, the report will be submitted on time, and the results will meet the purposes of your Company.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions and explains the analysis methodology adopted in this appraisal process to calculate the value.

BASIS OF ANALYSIS

We have appraised the fair value of 35% equity interest of the Target.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

COMPANY AND TRANSACTION BACKGROUND

XD INC. is a well-known domestic game Company listed on the Hong Kong Stock Exchange, a Top 100 Internet Company in China, with its main business focusing on game development and operations. It was listed on the Main Board of the Hong Kong Stock Exchange on December 12, 2019, with the stock code HK.02400.

XDGHK is a subsidiary of XD, specializing in game publishing and game operations.

We understand that XD currently holds 65% equity interest of XDGHK, and the Company intends to acquire the remaining 35% equity interest of XDGHK.

SCOPE OF WORK

In conducting this valuation exercise, we have

- Coordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target, including the legal documents, financial statements, etc. made available to us;
- Discussed with the Company to understand the history, business model, operations, business development plan, etc. of the Target for valuation purpose;
- Carried out research in the sectors concerned and collected relevant market data from reliable sources for analysis;

- Studied the information of the Target made available to us and considered the bases and assumptions of our conclusion of value;
- Selected an appropriate valuation method to analyze the market data and derived the estimated fair value of the Target; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target and their authorized representatives.

ECONOMIC OVERVIEW

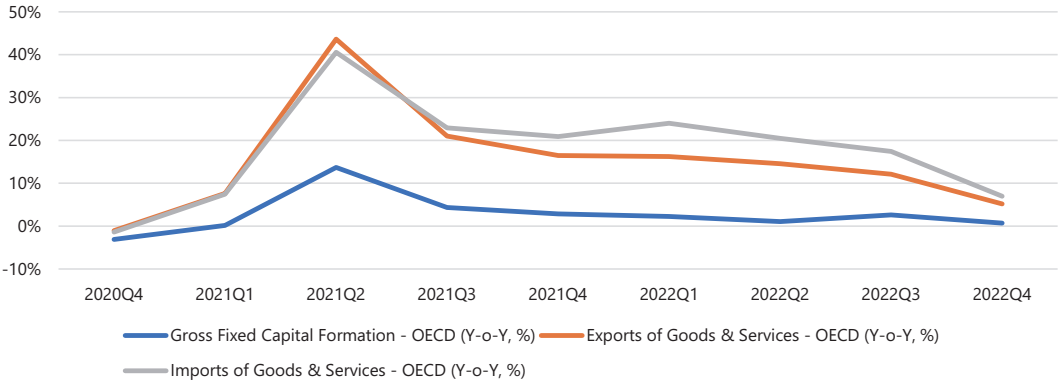
Macroeconomic overview of global economy

Despite the gradual recovery of global economy in 2023Q1 brought by the reopening of China and falling energy prices, factors like the Russia-Ukraine war, interest rate hike cycles and the U.S. banking sector crisis still lead to uncertainty of world economic growth in the short term.

Contractionary monetary policies have been imposed in different countries to cope with the sticky inflation, which have adversely affected global investment. The International Monetary Fund (“IMF”) stated that central banks have tightened their money supply, which resulted in rising interest rates. According to the Organization for Economic Co-operation and Development (“OECD”), gross fixed capital formation, which reflects the value of investments made in fixed assets, increased by 0.7% year-over-year (“y-o-y”) in 2022Q4. On the other hand, the exports and imports of goods of OECD countries only grew by 5.2% and 7.0% y-o-y in 2022Q4, respectively, indicating subdued growth in international trade activities.

With reference to the IMF, actual real gross domestic product (“GDP”) growth rate in 2022 reached 3.4%, which was slightly higher than the predicted growth rate of 3.2% projected in 2022Q3. However, the IMF stated that the supply shortages under the Russia-Ukraine war and banking crisis will cast doubt on the recovery of economic growth in the short term. It is expected that the world’s real GDP growth rate will fall to 2.8% in 2023.

Figure 1: Y-o-Y Growth in Gross Fixed Capital Formation and International Trade of OECD



Source: OECD

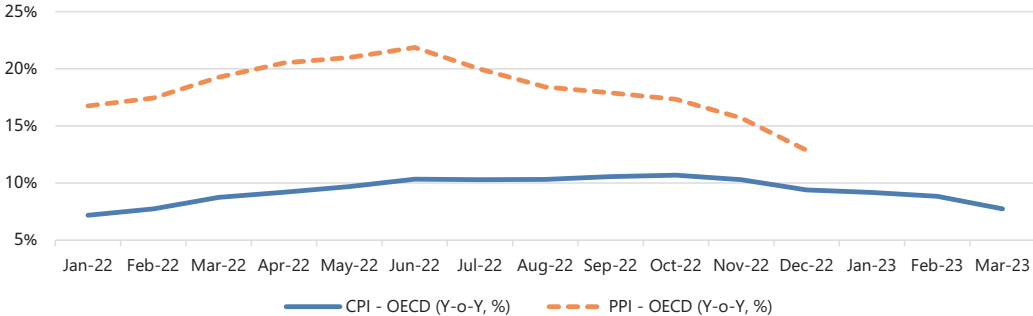
In order to control inflation, different central banks have been raising the interest rates. From December 2022 to March 2023, the U.S. Federal Reserve (the “Fed”) has raised interest rate from 4.0% to 5.0%, the European central bank benchmark rate has been boosted by 1.5% to 3.5% and the Bank of England (“BoE”) has raised the interest rate from 3.0% to 4.3%. Nonetheless, consumer price index (“CPI”) in OECD countries still increased by 7.4% y-o-y in March 2023, while producer price index (“PPI”) in OECD countries grew by 12.9% in December 2022.

Over the long term, global economic growth is expected to exhibit an upward trajectory. Referring to the IMF, the world GDP per capita will reach USD16,384 by 2028, representing a steady compound annual growth rate (“CAGR”) of 4.1% between 2022 and 2028. GDP per capita of emerging markets and developing economies (“EMDE”), such as China and India, will exhibit a CAGR of 5.3% from 2022 to 2028, reaching USD8,689.

Technological innovation is another driver of economic growth. Breakthroughs in areas such as artificial intelligence (“AI”) and biotechnology have been a revolution to boost productivity and improve work efficiency.

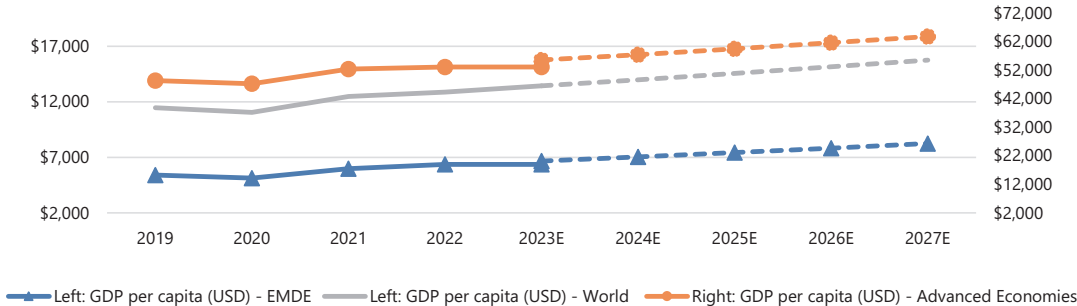
In conclusion, short-term economic growth remains uncertain. Nonetheless, it is expected that economic growth rate will pick up its pace over the long-term, driven by positive economic outlook of EMDE and advancement of AI and biotechnology.

Figure 2: Y-o-Y Growth Rate in CPI and PPI of OECD



Source: OECD

Figure 3: GDP per capita of World, Advanced Economies and EMDE (2019–2027E)

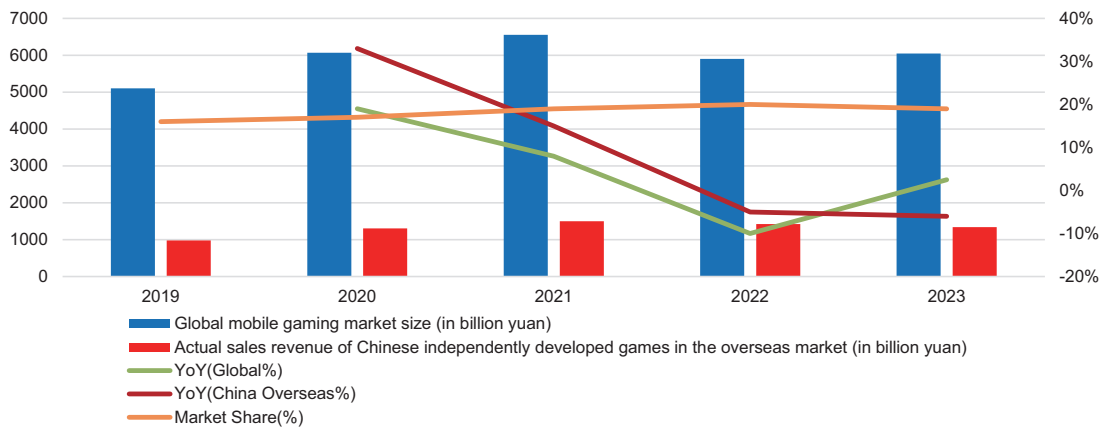


Source: IMF

INDUSTRY OVERVIEW

With the rapid development of overseas gaming market, The market share of Chinese gaming companies was experiencing increased fluctuations. Chinese game companies have leveraged their advantages in the mobile gaming sector and actively expanded into overseas markets to tap into incremental growth opportunities. In 2023, the actual sales revenue of Chinese independently developed games in the overseas market reached 16.366 billion US dollars, a slight decrease of 5.65% compared to the previous year, mainly due to external factors such as international situations, market competition, and changes in privacy policies. However, looking at the overall trend, the overseas market continues to grow rapidly, with revenue exceeding 100 billion RMB for four consecutive years, and a revenue CAGR of 20.39% from 2014 to 2023 (compared to a Chinese market growth rate of 15% during the same period). Percentage of market share has also shown an upward trend, with a market share of 19% in 2023 compared to 16% in 2019.

**Figure 4: Global and Chinese gaming market size
(in billion yuan, %, global including China)**



Source: *Hua Chuang Securities*

The United States, Japan, and South Korea are the main destinations for overseas expansion. In 2023, the United States and Japan remain the primary markets for China's mobile game exports, with market shares of 32.51% and 18.87% respectively. South Korea continues to hold the third position with a market share of 8.18%. Additionally, the combined market share of Germany, the United Kingdom, and Canada reaches 9.45%. Furthermore, the diversification of overseas regions is increasing, with a rising proportion of revenue coming from regions such as Europe, the Americas, and emerging markets.

LIMITATIONS OF THE REPORT

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Transaction. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Transaction. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Transaction and such remain the sole responsibility of the Directors and the management.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report, especially for the historical financial information of the Target for the financial year ended 31 December 2023 provided by the Management, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

Moreover, our valuation has also relied upon other information obtained from public sources which we believe to be reliable. We accept no responsibility for accuracy and reliability of any information obtained from public sources.

VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target and specific competitive environments affecting the industry;
- the business risks of the Target;
- the selected comparable companies are engaging in business operations similar to the Target;
- the experience of the management team of the Target and support from their shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material changes in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target;
- There are no material changes in the financial positions of the Target and the comparable companies between the respective financial reporting dates and the Valuation Date;
- The Target will not be constrained by the availability of finance;

- The Target will retain competent management, key personnel and technical staff to support their ongoing operations; and
- There are no hidden or unexpected conditions associated with the business entity valued that might adversely affect the reported value.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the Equity Interest of the Target, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuations of the Target.

Income Approach The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for income approach is the discounted cash flow (“DCF”) method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the enterprise value is calculated as the present value of the future free cash flow of a Company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Cost Approach The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the comparable Company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair value of the Equity Interest, we applied the Market Approach due to the following reasons:

- Cost Approach is not appropriate in current appraisal as it assumed the assets and liabilities of the Target are separable and can be sold separately. This methodology is more appropriate for the industries that their assets are highly liquid, like property development and financial institution. Thus, Cost Approach is not adopted in this valuation.
- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projections of the Target, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target. Given that improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.
- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target, their market values are good indicators of the industry of the Target. Therefore, Market Approach has been adopted in this valuation.

There are two methods commonly used in performing market approach, namely comparable transactions and comparable companies.

Comparable Transactions Method

The comparable transactions are selected with reference to the following selection criteria:

- The primary industry of the acquiree is being in industry of Interactive Home Entertainment under Global Industry Classification Standard, as extracted from S&P Capital IQ;
- The company is engaged in game publishing and game development overseas;
- The company is based in China;
- The transaction was completed and announced between January 2023 and December 2023; and
- The financial information of the companies is available to the public.

Based on the above selection criteria, there was no comparable transaction with the acquiree engaging in similar businesses as the Target during the selected period. Given the fact that no recent comparable transaction can be identified, we consider that the comparable transactions method is not appropriate for this valuation exercise.

Comparable Companies Method

Comparable companies method is therefore selected as the primary method for the valuation of the total Equity interest of the Target. By adopting comparable companies method, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The comparable public companies are selected with reference to the following selection criteria:

- The primary industry of the Company is classified as Interactive Home Entertainment;

- The company is engaged in game publishing and game development;
- The company is based in China;
- The company has revenue generated from overseas operations;
- A majority of total revenue (i.e. over 50%) is attributable to game publishing and operating related business;
- The company is listed on the major stock exchange in Hong Kong, China or the United States;
- The financial information of the companies is available to the public; and
- The company's normalized net profit is positive.

During our research process, as obtained on the best effort basis, we have identified an exhaustive list of ten comparable companies that engaged in game publishing or game operating or game licensing. As mentioned above, since no two companies are ever exactly alike, the differences should not overshadow the similarities of the business nature of the companies. We consider that the selected companies are fair and representative comparable companies to the Target. Details of the selected comparable companies are listed as follows:

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s)
1	Feiyu Technology International Company Ltd.	SEHK: 1022	Hong Kong	Feiyu Technology International Company Ltd. engages in the operation and development of web and mobile games in Mainland China.	Game Operation: 80.3% Advertising: 11.3% Online Game Services: 4.0% Licensing Income: 3.0% Goods: 1.0% Online Game Distribution: 0.2% Technical Service Income: 0.2%
2	Fire Rock Holdings Limited	SEHK: 1909	Hong Kong	Fire Rock Holdings Limited develops mobile games in China and internationally.	Game and Software Development and Publishing: 0.1%; Game Operation and Publishing: 99.9%

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s)
3	Kingnet Network Co., Ltd.	SZSE: 002517	China	Kingnet Network Co., Ltd. engages in the development, operation, and distribution of web and mobile games.	Mobile Game: 84.8% Information Service: 12.4% Web Game: 2.3% Other Application Product: 0.5%
4	37 Interactive Entertainment Network Technology Group Co., Ltd.	SZSE: 002555	China	37 Interactive Entertainment Network Technology Group Co., Ltd. researches, develops, distributes, and operates online games in China and internationally.	Mobile Game Business: 95.3%; Web Game Business: 3.7%; Others: 1.1%
5	Zhejiang Century Huatong Group Co., Ltd	SZSE: 002602	China	Zhejiang Century Huatong Group Co., Ltd engages in mobile games, PC games, web games, auto parts and cloud data businesses in China and internationally.	Mobile Game: 49.2% PC Game: 25.7% Auto Parts: 14.0% Copper Wire Processing: 6.8% Others: 2.2% Web Game: 2.2%
6	Ourpalm Co., Ltd.	SZSE: 300315	China	Ourpalm Co., Ltd. focuses on the development, distribution, and operation of online games in China and internationally.	Mobile Terminal Game: 93.9% Internet Web Page Game: 5.6% Others: 0.5%
7	Perfect World Co., Ltd.	SZSE: 002624	China	Perfect World Co., Ltd. engages in the online games, and movies and television businesses in China and internationally.	Film, Television and Other: 7.4% Gaming Segment: 92.6%
8	Fuchun Technology Co., Ltd.	SZSE: 300299	China	Fuchun Technology Co., Ltd. offers digital game development services. The company mainly develops and sells digital games. Fuchun Technology also provides communication technology services.	Game Products: 51.9% Technical Services & Accessories: 43.1% Other Business: 2.7% Integrated Business: 2.3%

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s)
9	G-bits Network Technology (Xiamen) Co., Ltd.	SHSE: 603444	China	G-bits Network Technology (Xiamen) Co., Ltd. develops and operates of video games.	Game: 98.9% Others: 1.1%
10	Hangzhou Electronic Soul Network Technology Co., Ltd.	SHSE: 603258	China	Hangzhou Electronic Soul Network Technology Co., Ltd., develops and publishes online and mobile games in Asia.	PC Game: 67.4% Mobile Game: 32.6%

Source: S&P Capital IQ and Bloomberg

As majority of revenue of the above comparable companies are generated from game publishing, game operating or game licensing, these comparable companies, together with the Target, are similarly subject to fluctuations in the economy and performance of Interactive Home Entertainment, among other factors. Thus, we consider they are confronted with similar industry risks and rewards.

Below are the financial details of the Target and the comparable companies:

Comparable Companies	Ticker	Currency (million)	Revenue	Net Income	Normalized Net Income	Net Asset
Target Company	NA	CNY	302	46	39	47
Feiyu Technology International Company Ltd.	SEHK: 1022	CNY	226	52	44	511
Fire Rock Holdings Limited ³	SEHK: 1909	CNY	122	507	494	119
Kingnet Network Co., Ltd.	SZSE: 002517	CNY	3,930	1,194	1,217	5,021
37 Interactive Entertainment Network Technology Group Co., Ltd.	SZSE: 002555	CNY	16,771	2,890	2,879	12,340

Comparable Companies	Ticker	Currency (million)	Revenue	Net Income	Normalized Net Income	Net Asset
Zhejiang Century Huatong Group Co., Ltd ³	SZSE: 002602	CNY	12,121	(6,353)	88	25,387
Ourpalm Co., Ltd. ³	SZSE: 300315	CNY	971	126	123	4,871
Perfect World Co., Ltd.	SZSE: 002624	CNY	8,155	550	356	9,086
Fuchun Technology Co., Ltd. ³	SZSE: 300299	CNY	375	22	14	578
G-bits Network Technology (Xiamen) Co., Ltd.	SHSE: 603444	CNY	3,968	1,125	1,155	4,464
Hangzhou Electronic Soul Network Technology Co., Ltd.	SHSE: 603258	CNY	679	120	185	2,336

Notes: Data sourced from Bloomberg.

Adopted Valuation Multiple

After selecting the abovementioned comparable companies, we have to determine the appropriate valuation multiples for the valuation of the Target, in which we have considered price-to-earnings (“P/E”), price-to-book (“P/B”), enterprise value/sales (“EV/S”) and enterprise value/earnings before interests, taxes, depreciation and amortization (“EV/EBITDA”) multiples.

P/B multiple is considered not appropriate for the valuation of the Target because book value captures only the tangible assets of a Company which, if a company creates any added market value (as reflected by a P/B multiple of larger than one), should have its own intangible competencies and advantages. These intangible Company-specific competencies and advantages are not captured in the P/B multiple and so in general, the equity’s book value has little bearing with its fair value. Thus, the P/B multiple is not a good measurement of the fair value of a Company.

EV/S multiple is commonly used in the valuation of start-up enterprises. However, it ignores the cost structure of a Company and hence the profitability of a Company, which is critical in reflecting the fair value. Hence, we are of the view that it is not appropriate to adopt the EV/S multiple to assess the fair value of a Company.

EV/EBITDA multiple uses market capitalization of the Company as the starting point, takes into account the value of debt, minority interest, preferred shares and excludes excess cash and cash equivalents to represent enterprise value, which is then divided by EBITDA amount. As enterprise value generally requires normalized adjustments on debts and/or non-operating assets/liabilities on the Target which may be subjective, this multiple was not adopted.

Since the Target Company has been making profit in the latest three consecutive years, price-to-earning (“**P/E**”) multiple of comparable companies under market approach has been adopted in the valuation of the Target Company. P/E multiple is one of the most commonly used valuation multiples in the market. It is intuitive which directly relates the price of a share to the proportion of the Company’s profits that belong to the owner of that share. P/E multiple is considered to be most appropriate to be adopted.

The P/E multiples of comparable companies of the Target are as follows:

(in CNY million unless otherwise specified)

No.	Company Name	Market Capitalization as of		P/E Multiple
		31 March 2024 ⁽¹⁾	Normalized Net Profit ⁽²⁾	
1	Feiyu Technology International Company Ltd.	375	44	8.43x
2	Fire Rock Holdings Limited	564	494	N/A ⁽³⁾
3	Kingnet Network Co., Ltd.	23,721	1,217	19.48x
4	37 Interactive Entertainment Network Technology Group Co., Ltd.	38,613	2,879	13.41x
5	Zhejiang Century Huatong Group Co., Ltd.	35,176	88	N/A ⁽³⁾
6	Ourpalm Co., Ltd.	15,119	123	N/A ⁽³⁾
7	Perfect World Co., Ltd.	20,428	356	57.40x
8	Fuchun Technology Co., Ltd.	3,401	14	N/A ⁽³⁾
9	G-bits Network Technology (Xiamen) Co., Ltd.	13,743	1,155	11.90x
10	Hangzhou Electronic Soul Network Technology Co., Ltd.	4,726	185	25.53x
			Maximum	57.40x
			Median	16.45x
			Minimum	8.43x

Notes:

- (1) Data sourced from Bloomberg. The market capitalization of the companies are all source from 31 March 2024.
- (2) Data sourced from Bloomberg. The comparable companies' Normalized Net Profit are derived from pre-tax profit by adjusting income tax expenses, minority interests/non-controlling interests, preferred dividends, abnormal/unusual gain or loss and other adjustments (e.g. membership interest buyback premium, earnings allocated to participating securities, interest expense for hybrid securities, accretion of preferred stock issuance cost, and net income allocated to general partners, etc.).
- (3) Among the trading P/E multiples of the comparable companies, Zhejiang Century Huatong Group Co., Ltd with a P/E multiple of 400.02x is considered to be not meaningful as such extreme value is unjustifiable in valuation perspective. In addition, statistical analysis has been applied on the remaining comparable companies, in which data that located more than one standard deviation away from the mean are defined as outliers and excluded in the analysis (i.e. Fire Rock Holdings Limited, Ourpalm Co., Ltd. and Fuchun Technology Co., Ltd. with P/E multiples of 1.04x, 122.89x and 246.92x respectively).

Valuation Results

	<i>CNY'000</i>
FY2023 Normalized Net Profit of the Target ⁽¹⁾	38,837
Adopted P/E Multiple	16.45x
100% Equity Value of the Target on Marketable Basis	638,861
Less: Lack of Marketability Discount ⁽²⁾	(159,715)
100% Equity Value of the Target on Non-marketable Basis	479,146
Holding Percentage	35%
Fair Value of the Equity Interest	167,701

Notes:

- (1) The data is based on financial report as of 31 December 2023 provided by the Company. Normalized Net Profit = Gross Profit – Research and development expenses – Selling, general and administrative expenses – General and administrative expenses – Financial costs – Exchange gain/loss – Current Income Tax Expenses – Deferred Income Tax Expenses.
- (2) Lack of Marketability Discount (“**LOMD**”) reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

The P/E multiples adopted in the valuation were calculated from public listed companies, which represent marketable ownership interest. Fair values calculated using such P/E multiples, therefore, represent the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

LOMD is estimated based on the Black-Scholes put option pricing model which is a commonly and widely adopted method in estimating LOMD. A LOMD of 25.0% is considered appropriate and suitable for the valuation of the Target as we understand that the Target is a privately held company.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

$$\text{Fair Value of Non-Marketable Interest} = \text{Fair Value of Marketable Interest} \times (1 - \text{LOMD})$$

CONCLUSION OF VALUES

Based on our investigation and analysis method employed, it is our opinion that as of the Valuation Date, the fair value of the Equity Interest is CNY167,701,000.

Our valuation is prepared in compliance with the requirements of International Valuation Standards published by the International Valuation Standards Council, with the conclusion of the fair value relying extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interest in the Company, the Target Company, their respective subsidiaries and associated companies or the result reported. In addition, our directors are neither directors nor officers of the Company or the Target Company. In the course of our valuation, we are acting independently of all parties. Our fees are agreed on a lump-sum basis and are not correlated with the results of our valuation.

Yours faithfully,

For and on behalf of

AVISTA Valuation Advisory Limited

Vincent C B Pang

*CFA, FCPA(HK), FCPA (Aus.), MRICS, RICS Registered Valuer
Managing Partner*

Analysed and Reported by:

Leo Lee

CFA

Associate Director

Rocky Cao

CFA, FRM

Assistant Manager

Note: Mr. Vincent Pang is a member of CFA Institute and CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. Vincent has over 20-year experience in financial valuation and business consulting in the PRC, Hong Kong, United States, Canada, Netherlands, Germany, Italy, Sweden, United Kingdom, Australia, Japan, Indonesia, Singapore, South Korea and Thailand.

APPENDIX — GENERAL LIMITATIONS AND CONDITIONS

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.
- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the total enterprise value of the Target appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.
- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.
- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Transaction, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.
- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for disclosure in the Announcement and/or the Circular in relation to the Proposed Transaction, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

- We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

1. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as disclosed below, no person, not being a Director nor chief executive of the Company had an interest or short position in the Shares or underlying Shares or which were recorded in the register of interests kept under Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Long/short position	Number of Shares	Approximate percentage of shareholding
J.P. Morgan Trust Company (Singapore) Pte. Ltd.	Trustee	Long	157,605,000	32.79%
Happy Today Company Limited	Interest in controlled corporation	Long	157,605,000	32.79%
Happy Today Holding Limited	Beneficial owner	Long	157,605,000	32.79%
J.P. Morgan Trust Company of Delaware	Trustee	Long	53,245,000	11.08%
Danger and Sons Inc.	Interest in controlled corporation	Long	53,245,000	11.08%
Kros Dai Inc.	Beneficial owner	Long	53,245,000	11.08%

As at the Latest Practicable Date, save that Mr. Huang Yimeng (an executive Director) is a director of Happy Today Company Limited and Mr. Dai Yunjie (an executive Director) is a director of Kros Dai Inc, each as disclosed in the section headed "2. Director's interest in Shares" below, none of the Directors is a director or employee of any substantial shareholder of the Company.

2. DIRECTOR'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as disclosed below, none of the Directors of the Company has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO which

will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

Interest in Shares and underlying Shares

Name of Director	Nature of Interest	Long/short position	Number of Shares	Approximate percentage of shareholding
Mr. Huang Yimeng ("Mr. Huang")	Settlor of a discretionary trust ⁽¹⁾	Long	157,605,000	32.79%
	Beneficial owner	Long	3,833,404 ⁽²⁾	0.80%
	Interest of spouse	Long	2,100,000	0.44%
Mr. Dai Yunjie ("Mr. Dai")	Settlor of a discretionary trust ⁽³⁾	Long	53,245,000	11.08%
	Beneficial owner	Long	1,846,104 ⁽⁴⁾	0.38%

Notes:

- (1) Happy Today Holding Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Happy Today Company Limited. Happy Today Company Limited is held by the Happy Today Trust, which was established by Mr. Huang as the settlor. J.P. Morgan Trust Company (Singapore) Pte. Ltd. is the trustee of the Happy Today Trust, and Mr. Huang and his family members are the beneficiaries of the Happy Today Trust. Mr. Huang is also a director of Happy Today Holding Limited. As such, each of Mr. Huang, J.P. Morgan Trust Company (Singapore) Pte. Ltd. and Happy Today Company Limited is deemed to be interested in our Shares held by Happy Today Holding Limited under the SFO.
- (2) Mr. Huang Yimeng was interested in 3,833,404 Shares, of which inclusive of the interest in 1,227,404 Shares underlying the share options granted pursuant to the Share Option Plan.
- (3) Kros Dai Inc. is a company incorporated in the British Virgin Islands and is wholly-owned by Danger and Sons Inc. Danger and Sons Inc. is held by the Dai & Sons Trust, which was established by Mr. Dai as the settlor. J.P. Morgan Trust Company of Delaware is the trustee of the Dai & Sons Trust, and Mr. Dai and his family members are the beneficiaries of the Dai and Sons Trust. Mr. Dai is also a director of Kros Dai Inc. As such, each of Mr. Dai, J.P. Morgan Trust Company of Delaware and Danger & Sons Inc. is deemed to be interested in our Shares held by Kros Dai Inc. under the SFO.

- (4) Mr. Dai Yunjie was interested in 1,846,104 Shares, of which inclusive of the interest in 980,304 Shares underlying the share options granted pursuant to the Share Option Plan.

Interest in associated corporation

Name of Director	Nature of Interest	Associated corporation	Number of Shares	Approximate percentage of shareholding	Long/short position
Mr. Huang Yimeng ("Mr. Huang")	Interest in controlled corporation	X.D. Network	165,900,000	77.82%	Long
	Beneficial owner	X.D. Network	47,281,500	22.18%	Long

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTOR'S INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement entered into by the Company since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up or subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Company.

6. EXPERTS AND CONSENTS

The following are the qualifications of the professional adviser who has given opinions, letter or advice contained in this circular:

Name	Qualifications
AVISTA Valuation Advisory Limited (艾華迪評估諮詢有限公司)	Independent valuer
CITIC Securities (Hong Kong) Limited (中信證券(香港)有限公司)	A licensed corporation to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the abovementioned experts:

- (i) had given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice and opinion and references to its name in the form and context in which it appeared; and
- (ii) save as disclosed in the letter from Independent Financial Adviser above in respect of the Independent Financial Adviser, did not have any beneficial shareholding in the share capital of any member of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

7. INTERESTS IN ASSETS

As at the Latest Practicable Date, (i) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and (ii) none of the Directors or, so far as the Company is aware, any experts named in paragraph 6 of this Appendix had any direct or indirect interest in any assets which had been, since 31 December 2023 (being the date of which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change to the financial or trading position or prospect of the Group since 31 December 2023, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (2400.hk) and the Stock Exchange (www.hkexnews.hk) during the period of 14 days from the date of this circular:

- (i) the Acquisition Agreement;
- (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular; and
- (iii) the written consent referred to in the section headed “EXPERTS AND CONSENTS” in this Appendix II.

The following are the particulars of the retiring Directors (as required by the Listing Rules) proposed to be re-elected at the AGM.

1. Mr. FAN Shuyang

Mr. Fan Shuyang (樊舒陽), aged 40, is an executive Director and one of the joint company secretaries of our Company. Mr. Fan has also served as the secretary to the board of directors, the product manager and project manager of X.D. Network since February 2012. Mr. Fan has more than 16 years of experience in game and consultancy industries and is primarily responsible for daily operations, corporate governance and legal and compliance affairs of our Group. Prior to joining our Group, Mr. Fan served as a project manager at SEGA Shanghai (世嘉(上海)) from January 2010 to January 2012, a transfer pricing consultant at KPMG China from July 2009 to December 2009 and a software engineer at SEGA Shanghai from July 2006 to July 2007. Mr. Fan obtained his bachelor's degree in automation from Tongji University in China in July 2007 and his master's degree in electronic business management from University of Warwick in the United Kingdom in January 2009.

Save as disclosed above, Mr. Fan does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company and has not held any other directorships in other listed public companies in the last three years. As at the Latest Practicable Date, Mr. Fan did not have any interest in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Fan has entered into a service contract with our Company on November 29, 2019. The initial term for the service contract commenced from the date of his appointment and shall continue for three years. Either party has the right to give not less than three months' written notice to terminate the agreement. The term is also subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles. The director remuneration and discretionary bonus will be adjusted from time to time with reference to the recommendation by the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee will take the Group's operating results and the individual performance into consideration. For the year ended December 31, 2023, Mr. Fan received total emoluments of RMB1.39 million.

2. Mr. WU Meng

Mr. Wu Meng (吳萌), aged 39, is a non-executive Director of our Company. Mr. Wu started his business since 2005 and has over 18 years of experience in the gaming and Internet industry. From February 2012 to June 2022, Mr. Wu worked at Giant Network Group Co., Ltd. (巨人網路集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002558), where he consecutively served as the vice president from February 2012 to December 2019, and as the chief executive officer from January 2020 to June 2022. Mr. Wu is the founder of Shanghai MiAO Worlds Technology Co., Ltd. (上海妙世界科技有限公司) and has served as the chief executive officer since July 2022. Mr. Wu graduated from Shuangyashan City Forestry School in Heilongjiang Province (黑龍江省雙鴨山市林業學校) in 2004.

Save as disclosed above, Mr. Wu does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company and has not held any other directorships in other listed public companies in the last three years. As at the Latest Practicable Date, Mr. Wu did not have any interest in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Wu has entered into a service contract with the Company on December 17, 2023. The initial term for the service contract shall be three years from December 17, 2023 (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing. Under the service contract, Mr. Wu will receive no remuneration as non-executive Director of the Company.

3. Mr. PEI Dapeng

Mr. Pei Dapeng (裴大鵬), aged 46, is our independent non-executive Director. Mr. Pei has also been an independent director of X.D. Network since October 2017. Mr. Pei has extensive industry experience in E-commerce and network technology. In addition to his positions in our Group, Mr. Pei has been the chairman of the board of directors and chief executive officer in Shopex Software Co., Ltd. (商派軟件有限公司) since March 2019. Mr. Pei also served as the general manager in Shopex Software Co., Ltd. (商派軟件有限公司) from June 2017 to February 2019. Mr. Pei served as the general manager in Youliang (Shanghai) Information Technology Co., Ltd. (有量(上海)信息技術有限公司) from April 2015 to May 2017. Mr. Pei served as the general manager in Shanghai Youliang Marketing Co., Ltd. (上海有量市場營銷策劃有限公司) from November 2014 to March 2015. Mr. Pei served as the general manager in Ku Mei (Shanghai) Information Technology Co., Ltd. (酷美(上海)信息技術有限公司) from January 2009 to October

2014. Mr. Pei served as the general manager of Shanghai Shopex Network Technology Co., Ltd. (上海商派網絡科技有限公司) from November 2006 to December 2008. Mr. Pei obtained his bachelor's degree in Informatics from East China Normal University in China in July 2000.

Save as disclosed above, as at the Latest Practicable Date, Mr. Pei does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company and has not held any other directorships in other listed public companies in the last three years. As at the Latest Practicable Date, Mr. Pei did not have any interest in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Pei has entered into an appointment letter with the Company on December 17, 2023 for a term of three years. The initial term for the appointment letter shall be three years from December 12, 2019 (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other party not less than three months' prior notice in writing. Under the appointment letter, Mr. Pei is entitled to a director's fee of HK\$150,000 per annum.

GENERAL

- (i) The emoluments of the executive Director and independent non-executive Directors are determined with reference to the Directors' duties and responsibilities, the individual Director's overall performance, the Company's performance, as well as the prevailing market conditions for similar senior positions.
- (ii) Save for the information set out in this section, there are no other matters that need to be brought to the attention of the Shareholders in respect of re-election of the retiring Directors and there is no other information relating to the above Directors that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

APPENDIX V PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

In order to bring the Memorandum and Articles of Association in line with the amended Listing Rules in relation to the electronic dissemination of corporate communication with effect from December 31, 2023, and the amendments to the provisions of the Listing Rules relating to treasury shares with effect from June 11, 2024, the Board resolved on March 28, 2024 and May 29, 2024, respectively, to propose to make the Proposed Amendments.

Currently in force		Proposed to be amended as	
Article No.	Articles of Association	Article No.	Articles of Association
2.2	—	2.2	... <u>“Treasury Share” means a treasury share as defined under the Companies Act.</u>
	—	<u>3.9</u>	<u>Subject to the Listing Rules, the Directors may, prior to the purchase, redemption or surrender of any share, determine that such share shall be held as a Treasury Share or cancelled, and may resolve to cancel, sell or transfer a Treasury Share on such terms as they deem proper.</u>
3.13	The holder of the shares being purchased, surrendered or redeemed shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Board shall specify the certificate(s) thereof, if any, for cancellation and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof.	<u>3.14</u>	<u>The holder of the shares being purchased, surrendered or redeemed shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Board shall specify the certificate(s) thereof, if any, for cancellation and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof. The Board shall have discretion to cancel such certificate(s).</u>

APPENDIX V PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

Currently in force		Proposed to be amended as	
Article No.	Articles of Association	Article No.	Articles of Association
12.3	<p>The Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened and resolutions to a meeting agenda shall be added on the written requisition of any one or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital, on a one vote per share basis, of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital, on a one vote per share basis, of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.</p>	12.3	<p>The Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened and resolutions to a meeting agenda shall be added on the written requisition of any one or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital, on a one vote per share basis, of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened <u>and resolutions to a meeting agenda shall be added on the</u> written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital, on a one vote per share basis, of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.</p>

APPENDIX V PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

Currently in force		Proposed to be amended as	
Article No.	Articles of Association	Article No.	Articles of Association
13.1	For all purposes the quorum for a general meeting shall be two members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy. No business (except the appointment of a Chairman) shall be transacted at any general meeting unless the requisite quorum shall be present at the commencement of the business.	13.1	For all purposes the quorum for a general meeting shall be two members (excluding the holder of Treasury Share(s)) present in person (or in the case of a corporation, by its duly authorised representative) or by proxy provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy. No business (except the appointment of a Chairman) shall be transacted at any general meeting unless the requisite quorum shall be present at the commencement of the business.
14.1	Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting where a show of hands is allowed, every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register. On a poll a member entitled to more than one vote is under no obligation to cast all his votes in the same way. For the avoidance of doubt, where more than one proxy is appointed by a recognised clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands and is under no obligation to cast all his votes in the same way on a poll.	14.1	Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting where a show of hands is allowed, every member (except the holder of Treasury Share(s)) present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register. On a poll a member (except the holder of Treasury Share(s)) entitled to more than one vote is under no obligation to cast all his votes in the same way. For the avoidance of doubt, where more than one proxy is appointed by a recognised clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands and is under no obligation to cast all his votes in the same way on a poll.
14.3	Any person entitled under Article 8.2 to be registered as a member may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least 48 hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposed to vote, he shall satisfy the Board of his right to be registered as the holder of such shares or the Board shall have previously admitted his right to vote at such meeting in respect thereof.	14.3	Any person entitled under Article 8.2 to be registered as a member (except the holder of Treasury Share(s)) may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least 48 hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposed to vote, he shall satisfy the Board of his right to be registered as the holder of such shares or the Board shall have previously admitted his right to vote at such meeting in respect thereof.
—	—	14.16	A Treasury Share shall not be voted, directly or indirectly, at any general meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of these Articles or the Companies Act.

APPENDIX V PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

Currently in force		Proposed to be amended as	
Article No.	Articles of Association	Article No.	Articles of Association
	—	<u>24.26</u>	No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be declared or paid in respect of a Treasury Share. Notwithstanding the foregoing, nothing in these Articles prevent an allotment of shares as fully paid up bonus shares in respect of a Treasury Share and shares allotted as fully paid up bonus shares in respect of a Treasury Share shall be treated as Treasury Shares.
28.6	To the extent permitted by and subject to due compliance with these Articles, the Companies Act and all applicable rules and regulations, including, without limitation, the rules of the Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Article 28.5 shall be deemed satisfied in relation to any member or any holder of debentures of the Company by sending to such person instead of such copies, not less than 21 days before the date of the annual general meeting, in any manner not prohibited by these Articles and the Companies Act, a summary financial statement derived from the Company's annual accounts, together with the Directors' report and the Auditors' report on such accounts, which shall be in the form and containing the information required by these Articles, the Companies Act and all applicable laws and regulations, provided that any person who is otherwise entitled to the annual accounts of the Company, together with the Director's report and the Auditor's report thereon may, if he so requires, by notice in writing served on the Company, demand that the Company sends to him, in addition to the summary financial statement, a complete printed copy of the Company's annual accounts, together with the Directors' report and the Auditor's report thereon.	28.6	To the extent permitted by and subject to due compliance with these Articles, the Companies Act and all applicable rules and regulations, including, without limitation, the rules of the Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Article 28.5 shall be deemed satisfied in relation to any member or any holder of debentures of the Company by sending to such person instead of such copies, not less than 21 days before the date of the annual general meeting, in any manner not prohibited by these Articles and the Companies Act, a summary financial statement derived from the Company's annual accounts, together with the Directors' report and the Auditors' report on such accounts, which shall be in the form and containing the information required by these Articles, the Companies Act and all applicable laws and regulations, provided that any person who is otherwise entitled to the annual accounts of the Company, together with the Director's report and the Auditor's report thereon may, if he so requires, by notice in writing served on the Company, demand that the Company sends to him, in addition to the summary financial statement, a complete printed copy of the Company's annual accounts, together with the Directors' report and the Auditor's report thereon.

APPENDIX V PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

Currently in force		Proposed to be amended as	
Article No.	Articles of Association	Article No.	Articles of Association
30.1	<p>Except as otherwise provided in these Articles, any notice or document may be served by the Company and any notices may be served by the Board on any member either personally or by sending it through the post in a prepaid letter addressed to such member at his registered address as appearing in the register or, to the extent permitted by the Listing Rules and all applicable laws and regulations, by electronic means by transmitting it to any electronic number or address or website supplied by the member to the Company or by placing it on the Company's Website provided that the Company has obtained either (a) the member's prior express positive confirmation in writing or (b) the member's deemed consent, in the manner specified in the Listing Rules to receive or otherwise have made available to him notices and documents to be given or issued to him by the Company by such electronic means, or (in the case of notice) by advertisement published in the manner prescribed under the Listing Rules. In the case of joint holders of a share, all notices shall be given to that holder for the time being whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders.</p>	30.1	<p>Except as otherwise provided in these Articles, any notice or document may be served by the Company and any notices may be served by the Board on any member either personally or by sending it through the post in a prepaid letter addressed to such member at his registered address as appearing in the register or, to the extent permitted by the Listing Rules and all applicable laws and regulations, by electronic means by transmitting it to any electronic number or address <u>contact details</u> or website supplied by the member to the Company or by placing it on the Company's Website provided that the Company has obtained either (a) the member's prior express positive confirmation in writing or (b) the member's deemed consent, in the manner specified in <u>having it published on the Exchange's website in accordance with the Listing Rules to receive or otherwise have made available to him notices and documents to be given or issued to him by the Company by such electronic means, or (in the case of notice) by</u> advertisement published in the manner prescribed under the Listing Rules. In the case of joint holders of a share, all notices shall be given to that holder for the time being whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders.</p>
30.4	<p>A member shall be entitled to have notice served on him at any address within Hong Kong. Any member who has not given an express positive confirmation in writing to the Company in the manner specified in the Listing Rules to receive or otherwise have made available to him notices and documents to be given or issued to him by the Company by electronic means and whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. A member who has no registered address in Hong Kong shall be deemed to have received any notice which shall have been displayed at the transfer office and shall have remained there for a period of 24 hours and such notice shall be deemed to have been received by such member on the day following that on which it shall have been first so displayed, provided that, without prejudice to the other provisions of these Articles, nothing in this Article shall be construed as prohibiting the Company from sending, or entitling the Company not to send, notices or other documents of the Company to any member whose registered address is outside Hong Kong.</p>	30.4	<p>A member shall be entitled to have notice served on him at any address within Hong Kong. Any member who has not given an express positive confirmation in writing to the Company in the manner specified in the Listing Rules to receive or otherwise have made available to him notices and documents to be given or issued to him by the Company by electronic means and whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. A member who has no registered address in Hong Kong shall be deemed to have received any notice which shall have been displayed at the transfer office and shall have remained there for a period of 24 hours and such notice shall be deemed to have been received by such member on the day following that on which it shall have been first so displayed, provided that, without prejudice to the other provisions of these Articles, nothing in this Article shall be construed as prohibiting the Company from sending, or entitling the Company not to send, notices or other documents of the Company to any member whose registered address is outside Hong Kong.</p>

APPENDIX V PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

Currently in force		Proposed to be amended as	
Article No.	Articles of Association	Article No.	Articles of Association
	—	30.8	Any notice or document served by placing on the Company's Website and/or the Exchange's website shall be deemed to be served on the day it first so appears on the relevant website, unless otherwise prescribed by the Listing Rules.
30.8	Any notice given by electronic means as provided herein shall be deemed to have been served and delivered on the day following that on which it is successfully transmitted or at such later time as may be prescribed by the Listing Rules or any applicable laws or regulations.	30.9	Any notice or document given by electronic means as provided herein shall be deemed to have been served and delivered on the day following that on which it is successfully transmitted or at such later time as may be prescribed by the Listing Rules or any applicable laws or regulations, and it shall not be necessary for the receipt of the electronic transmission to be acknowledged by the recipient.

Note 1: The Proposed Amendments are prepared in the English language and the Chinese language translation of the Proposed Amendments is for reference only. In the event of any inconsistencies between the English language version and the Chinese language version of the Proposed Amendments, the English language version shall prevail.

Note 2: The adjustments to the numbering and references to the numbering of articles above due to provisions added into or removed from the Proposed Amendments are not separately reflected in the tables above.

NOTICE OF ANNUAL GENERAL MEETING



XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

NOTICE OF 2024 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Annual General Meeting of XD Inc. (the “**Company**”) will be physically held at Unit A1, No. 700 Wanrong Road, Shanghai, China on Tuesday, June 25, 2024 at 10:30 a.m. to transact the following businesses. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated June 3, 2024 (the “**Circular**”):

ORDINARY RESOLUTIONS

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries, the reports of the directors and auditor of the Company for the year ended December 31, 2023.
2.
 - i) To re-elect Mr. Fan Shuyang as an executive Director.
 - ii) To re-elect Mr. Wu Meng as a non-executive Director.
 - iii) To re-elect Mr. Pei Dapeng as an independent non-executive Director.
 - iv) To authorize the Board to fix the remuneration of the Directors.
3. To re-appoint PricewaterhouseCoopers as auditor of the Company and to authorize the Board to fix its remuneration.

And to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

4. “**THAT:**
 - (a) subject to paragraph (b) of this resolution, pursuant to the Listing Rules, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional

NOTICE OF ANNUAL GENERAL MEETING

Shares (including any sale or transfer of shares out of treasury that are held as treasury Shares) (which shall have the meaning ascribed to it under the Listing Rules coming into effect on June 11, 2024) of US\$0.0001 each in the share capital of the Company or securities convertible into Shares, and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, rules and regulations, be and is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise, and including any sale or transfer of treasury Shares) and issued by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below); or (ii) the exercise of the conversion rights attaching to any convertible securities issued by the Company; or (iii) any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by the shareholders of the Company; or (iv) the exercise of any subscription rights which may be granted under any share option scheme or similar arrangement for the time being adopted by the Company; or (v) an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company; shall not exceed 20% of the total number of Shares in issue (excluding treasury Shares, if any) as at the date of the passing of this resolution (subject to adjustment in the case of any consolidation or subdivision of Shares of the Company after the date of passing this resolution), and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution,

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law of the Cayman Islands to be held; or
- (iii) the date on which such mandate is revoked or varied the authority given the Directors by the passing of an ordinary resolution of the Shareholders in general meeting.

“Rights Issue” means an offer of Shares or offer or issue of warrants, options or other securities giving rights to subscribe for shares of the Company open for a period fixed by the Directors to the holders of Shares whose names appear on the registers of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

5. **“THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to buy back the Shares on Stock Exchange or any other stock exchange on which Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules or those of any other recognised stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of Shares to be purchased or agreed to be bought back by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the total number of Shares in issue (excluding treasury Shares, if any) as at the date of the passing of this resolution (subject to adjustment in the case of any consolidation or subdivision of Shares after the date of passing this resolution), and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law of the Cayman Islands to be held; or
 - (iii) the date on which such mandate is revoked or varied the authority given to the Directors by the passing of an ordinary resolution of the Shareholders in general meeting.”

- 6. “**THAT** conditional upon resolutions numbered 4 and 5 above being passed, the general mandate granted to the Directors to allot, issue and deal with additional Shares (including any sale or transfer of treasury Shares) or securities convertible into Shares and to make or grant offers, agreements, and options which might require the exercise of such powers pursuant to resolution numbered 4 above be and is hereby extended by the addition to the number of the issued Shares of the Company which may be allotted or agreed conditional or unconditionally to be allotted by Directors pursuant to such general mandate of an amount representing the aggregate number of Shares purchased by the Company under the authority granted pursuant to resolution numbered 5 above, provided that such amount shall not exceed 10% of the total number of Shares in issue (excluding treasury Shares, if any) as at the date of passing the resolution (subject to adjustment in the case of any consolidation or subdivision of Shares of the Company after the date of passing this resolution).”

- 7. “**THAT**:
 - (a) the Sale and Purchase Agreement dated April 9, 2024 between EDragon and LY Development, the Purchaser and the Company, pursuant to which, the Purchaser has conditionally agreed to acquire, and EDragon and LY Development have severally and conditionally agreed to sell, respectively, 2,700 and 800 ordinary shares in the Target Company, representing in aggregate 35% of the shareholding of the Target Company, subject to and on the terms and conditions of the Sale and Purchase Agreement, and all the transactions contemplated thereunder, be and are hereby generally and unconditionally approved, confirmed and ratified;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the allotment and issue of 7,405,714 and 2,194,286 Consideration Shares at the Issue Price of HK\$14.20 per Consideration Share to EDragon and LY Development respectively as part of the consideration to purchase the relevant Target Shares respectively held by them pursuant and subject to the terms and conditions of the Sale and Purchase Agreement being hereby approved; the Directors be and are hereby granted the Specific Mandate to allot and issue the Consideration Shares accordingly, provided that the Specific Mandate shall be in addition to, and shall not prejudice or revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and
- (c) any Director(s) be and is/are hereby authorised to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or appropriate for the purpose of, or in connection with (i) the implementation and completion of the Sale and Purchase Agreement and transactions contemplated thereunder and (ii) any amendment, variation or modification of the Sale and Purchase Agreement and the transactions contemplated thereunder.”

SPECIAL RESOLUTION

To consider and, if thought fit, to pass with or without amendments, the following resolution as a special resolution:

8. **“THAT:**
- (a) the proposed amendments to the existing memorandum and articles of association of the Company as set out in the circular of the Company dated June 3, 2024 be and are hereby approved;
- (b) the amended and restated memorandum and articles of association of the Company reflecting such proposed amendments, in the form tabled at the Annual General Meeting, marked “A” and for the purpose of identification signed by a Director, be approved and adopted in substitution for and to the exclusion of the existing memorandum and articles of association of the Company with immediate effect; and

NOTICE OF ANNUAL GENERAL MEETING

- (c) any Director or officer of the Company be and is hereby authorised to do all such acts, deeds and things and execute all such documents and make all such arrangements that he/she shall, in his/her absolute discretion, deem necessary or expedient to give effect to the Proposed Amendments and the adoption of the Amended and Restated Memorandum and Articles of Association, including without limitation, attending to the necessary filings with the Registrar of Companies in Hong Kong and the Cayman Islands.”

By order of the Board

XD Inc.

HUANG Yimeng

Chairman and Chief Executive Officer

Shanghai, the People’s Republic of China,
June 3, 2024

Notes:

1. For the purpose of determining the identity of the shareholders entitled to attend and vote at the meeting, the register of members of the Company will be closed from Thursday, June 20, 2024 to Tuesday, June 25, 2024 (both days inclusive), during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, June 19, 2024. Shareholders whose names appear on the register of members of the Company on June 25, 2024 are entitled to attend the AGM.
2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or, if he is the holder of two or more Shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending the annual general meeting and vote in person. In such event, his form of proxy will be deemed to have been revoked. For the avoidance of doubt and for the purposes of the Listing Rules, holders of treasury Shares of the Company (if any) are not entitled to vote at the Company’s general meetings.
3. In the case of there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose, seniority being determined by the order in which names stand in the register of members in respect to the join holding.
4. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the AGM (i.e. not later than 10:30 a.m. on Sunday, June 23, 2024) or any adjournment thereof (as the case may be).

NOTICE OF ANNUAL GENERAL MEETING

5. With respect to resolution numbered 2 of this notice, Mr. Fan Shuyang, Mr. Wu Meng and Mr. Pei Dapeng shall retire from office of directorship and shall offer themselves for re-election in accordance with the Articles. Details of their information which are required to be disclosed under the Listing Rules are set out in the Circular.

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