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XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended June 30, 2024. The results have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		
	2024	2023	Change
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	%
	(Unaudited)	(Unaudited)	
Revenue	2,220,567	1,753,102	26.7
Gross profit	1,496,811	1,037,261	44.3
Profit for the period	250,579	102,788	143.8
Profit attributable to equity holders of the Company	205,102	90,194	127.4
Adjusted profit for the period*	278,811	129,647	115.1
Adjusted profit attributable to equity holders of the Company*	237,290	112,979	110.0

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

KEY OPERATING INFORMATION

	For the six months ended June 30,		
	2024	2023	Change
	(in thousands)	(in thousands)	%
Online Games			
Average MAUs ⁽¹⁾	9,534	13,269	-28.1
Average MPUs ⁽²⁾	1,092	1,389	-21.4
TapTap			
Average App MAUs in TapTap PRC	43,242	33,967	27.3
Average App MAUs in TapTap International	5,066	7,135	-29.0

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, certain measures previously adopted for cost reduction and efficiency enhancement have achieved encouraging outcome, and the successful launch of new self-developed games has driven the growth in game revenue and accelerated the development of our platform business. With the combined effect of these factors, we recorded significant increase in revenue and gross profit, with appropriate control over our expenses, and we have successfully achieved an adjusted EBITDA of RMB319.3 million, representing an increase of 72.7% on a period-over-period basis.

In terms of game business, we completed the launch of GoGo Muffin (出發吧麥芬) in Hong Kong, Macau, Taiwan market and in Chinese Mainland market in January and May 2024, respectively, which has achieved outstanding results. Albeit the decrease in revenue from some of our existing old games, three new self-developed games, namely GoGo Muffin (出發吧麥芬), Sword of Convallaria (鈴蘭之劍) and Torchlight: Infinite (火炬之光：無限), contributed to new revenue growth, resulting in the increase in our revenue from game business by 29.3% as compared with the corresponding period last year. In July 2024, the launch of our self-developed game Heartopia (心動小鎮) in Chinese Mainland market went viral, with over 25 million downloads in the first month after launch. In respect of our platform business, while TapTap had experienced drop in the App MAUs in TapTap PRC in 2023, we have regained growth momentum upon several adjustments. During the first half of 2024, the average MAUs of the TapTap PRC App increased by 27.3% to 43.2 million on a period-over-period basis. The close cooperation between TapTap and Heartopia (心動小鎮) on its launch helped TapTap attract an enormous number of new users and gained a wider brand recognition. In addition, we have completed the filing procedure for our generative artificial intelligence services TapSight and we hope to further enhance our capability to serve the users through this technology in the future. In the long run, upholding our vision "to impact each and every gamer by promoting the spirit of craftsmanship", we are committed to continuously offering high quality games to players across the world and supporting developers to create and distribute games in a more convenient way.

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

Our Games

As of June 30, 2024, our portfolio consisted of 20 online games and 33 premium games.

Online Games

In the first half of 2024, the average MAUs of our online games decreased by 28.2% on a period-over-period basis, while the average MPUs decreased by 21.4% on a period-over-period basis. The decrease in these two figures was primarily attributable to a decrease in number of users of Sausage Man (香腸派對) as compared with 2023. Such decline was partially offset by an increase in number of users as a result of the launch of two new games, namely GoGo Muffin (出發吧麥芬) and Sword of Convallaria (鈴蘭之劍). For the six months ended June 30, 2024, GoGo Muffin (出發吧麥芬), Sausage Man (香腸派對), Sword of Convallaria (鈴蘭之劍), Torchlight: Infinite (火炬之光：無限) and Ragnarok M (仙境傳說M) were our top five games in terms of its revenue contribution. An overview of our major games at present is as follows:

- GoGo Muffin (出發吧麥芬): this self-developed incremental mobile game was launched in Hong Kong, Macau and Taiwan in January 2024 and in the domestic market in China in May 2024. With a fresh and delightful artwork, coupled with a gameplay that allows for social interaction and strategic planning, the game went viral after its launch and achieved outstanding results. The game is expected to be gradually launched in various overseas countries and regions in the second half of 2024.
- Sausage Man (香腸派對): the game was launched in China in April 2018 and it has been over six years since it was released. During the Chinese New Year of 2023, the game had reached a new peak in terms of active users and revenue. However, after the Chinese New Year, the number of active users and revenue began to decrease, which was due to (i) the decrease in the amount of time that people spent on online games after the lifting of the PRC's restrictive policies related to the pandemic; and (ii) the impact of several competing games being launched. Both MAUs and MPUs of the game declined in the first half of 2024 as compared with the corresponding period last year. However, as a battle arena game, we believe that the game still maintains a huge number of players in the China market and has the potential of bouncing back. Accordingly, we have continued to make adjustments to the research and development and publication plan of the game for 2024, aiming to enhance its performance.
- Sword of Convallaria (鈴蘭之劍): the game was launched in Hong Kong, Macau and Taiwan in August 2023 and was launched in the domestic market in China in November 2023. The game has received widespread acclaim by SLG game players for its exquisite pixel art style and solid gameplay. The game has been launched in various overseas countries and regions in August 2024.

- Torchlight: Infinite (火炬之光：無限): the game was launched in overseas market outside China in October 2022 and launched in the domestic market in China in May 2023. After continuously running for 7 seasons, the game has been recognized by the fans of diablo-like games. In the future, it is hoped that the more attractive seasonal updates will bring more gamers to the game.
- Ragnarok M (仙境傳說M): upon its launch in China in January 2017, the game was subsequently released in many countries and regions worldwide. The game is currently at its maturity stage. Due to the impact of the life cycle of the game, its revenue decreased for a certain extent in the first half of 2024 as compared with the corresponding period last year. In April 2024, the Ragnarok M novice version was released in the domestic market in China and obtained popularity among players. We plan to launch the novice version in overseas market in the future.

Games in Development

We regard our self-developed games as one of the cornerstones of our growth, and we have made a large scale of investment in research and development of games. As at June 30, 2024, we had 727 employees engaged in game development, representing a decrease of 19 employees from December 31, 2023. In 2023, in pursuit of our goal of cost reduction and efficiency enhancement, we gradually ceased or adjusted the research and development of some game projects, while in 2024, our game research and development business experienced stable growth upon the release and the success of some self-developed games as well as the establishment of new research and development projects. As of June 30, 2024, we had 3 online games in development. Among them, our self-developed life simulation game, Heartopia (心動小鎮) has been launched in the domestic market of China in July 2024 and gained high popularity among players, evident by reaching the top of the game download chart of App Store for several times.

Premium Games

Premium games constitutes a special business component of XD that meets the demand of mobile game users for high-quality, pay-to-play games and adds ecological diversity to the TapTap platform. In the first half of 2024, numerous premium games such as Forager (浮島冒險) had been newly launched, while games which had been previously released, namely Rotaeno (旋轉音律) and Terraria (泰拉瑞亞), maintained healthy performance. For the second half of 2024, we plan to publish Hero's Adventure (大俠立誌傳) mobile version, Enter the Gungeon (挺進地牢) mobile version, etc., and will release more excellent games in different platforms.

TapTap

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

TapTap PRC

For the six months ended June 30, 2024, the average App MAUs of TapTap PRC was 43.2 million, representing an increase of 27.3% as compared with the corresponding period last year. Such increase in MAUs was mainly because (i) in the first half of 2024, some highly popular mobile games were launched in the domestic market of China, and among them, some even entered into exclusive or in-depth cooperations with TapTap; and (ii) there were increase of marketing campaigns for TapTap and the introduction of new marketing and promotion strategies. In the first half of 2024, we have restricted ad-load rate on TapTap, which made our advertising system more simple and transparent. Albeit the short-term and mild adverse impact to the advertising revenue, it is beneficial to the improvement of user experience and long-term sustainable growth. We have also strengthened support for high-quality pay-to-play games for gaining more exposure. Meanwhile, TapTap's server and bandwidth costs had been optimized, resulting in reduction of these costs per user compared to the corresponding period last year.

In June and July 2024, we successfully hosted the 5th Annual TapTap Presents and Developers Workshop, which received a positive response.

TapTap International

For the six months ended June 30, 2024, the average App MAUs of TapTap International was 5.1 million, representing a decrease of 29.0% on a period-over-period basis. The decrease in MAUs on a period-over-period basis 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.

In 2024, our international team had been optimized, and we have begun to establish brand awareness and a good reputation in assisting developers to conduct overseas testing and publication of their new games. Currently, our target is not limited to focus on overall MAUs growth, but to build up a good community ambiance and increase the user penetration rate by targeting specific key markets.

FINANCIAL REVIEW

Revenue

Our revenue is mainly derived from (i) games, the principal operating business where we generate revenue primarily from sales of in-game virtual items in online games and sales of premium games through third-party and our proprietary distribution platforms; and (ii) TapTap platform, where we generate revenue primarily from providing online marketing services on TapTap. The following table sets forth our revenue by line of business for the six months ended June 30, 2024 and 2023.

	For the six months ended June 30,			
	2024		2023	
	Amount	% of revenue	Amount	% of revenue
(Unaudited)	<i>(RMB in thousands, except for percentages)</i>			
Games	1,486,257	66.9	1,149,870	65.6
Game operating	1,481,074	66.7	1,144,657	65.3
Online games	1,425,896	64.2	1,080,122	61.6
Premium games	55,178	2.5	64,535	3.7
Others	5,183	0.2	5,213	0.3
TapTap platform	734,310	33.1	603,232	34.4
Total revenue	<u>2,220,567</u>	<u>100.0</u>	<u>1,753,102</u>	<u>100.0</u>

Games

Our revenue from game business increased by 29.3% to RMB1,486.3 million for the six months ended June 30, 2024 on a period-over-period basis. In particular,

- Our revenue from online games increased by 32.0% to RMB1,425.9 million for the six months ended June 30, 2024 on a period-over-period basis, primarily due to (i) the increase in revenue from newly launched games GoGo Muffin (出發吧麥芬) and Sword of Convallaria (鈴蘭之劍), and (ii) partially offset by the decrease in revenue from certain existing games; and
- Our revenue from premium games decreased by 14.5% to RMB55.2 million for the six months ended June 30, 2024 on a period-over-period basis, primarily due to a decrease in revenue from certain existing premium games, and partially offset by newly launched premium games.

The following table sets forth a breakdown of our game operating revenue by revenue recognition method for the six months ended June 30, 2024 and 2023.

	For the six months ended June 30,			
	2024		2023	
(Unaudited)	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
Revenue recognized on a gross basis	1,413,438	95.4	1,044,393	91.2
Revenue recognized on a net basis	67,636	4.6	100,264	8.8
Total game operating revenue	<u>1,481,074</u>	<u>100.0</u>	<u>1,144,657</u>	<u>100.0</u>

Our game operating revenue recognized on a gross basis increased by 35.3% to RMB1,413.4 million for the six months ended June 30, 2024 on a period-over-period basis, primarily due to the increase in revenue from newly launched games GoGo Muffin (出發吧麥芬) and Sword of Convallaria (鈴蘭之劍), and partially offset by the decrease in revenue from certain existing games. Our game operating revenue recognized on a net basis decreased by 32.5% to RMB67.6 million for the six months ended June 30, 2024 on a period-over-period basis, primarily due to the decrease in revenue from Ragnarok M (仙境傳說M).

TapTap platform

Our revenue from TapTap platform business increased by 21.7% to RMB734.3 million for the six months ended June 30, 2024 on a period-over-period basis. This increase in revenue is mainly attributable to (i) the average App MAUs of TapTap PRC increased by 27.3% to 43.2 million for the six months ended June 30, 2024 on a period-over-period basis, and (ii) partially offset by the effect of reduction in advertising revenue as a result of lowered ad-load rate, by our own volition, to enhance user experience and ensure long-term success.

We have yet monetized TapTap International.

Cost of Revenues

Our cost of revenues increased by 1.1% to RMB723.8 million for the six months ended June 30, 2024 on a period-over-period basis. The following table sets forth our cost of revenues by line of business for the six months ended June 30, 2024 and 2023.

	For the six months ended June 30,			
	2024		2023	
	Amount	% of segment revenue	Amount	% of segment revenue
(Unaudited)	<i>(RMB in thousands, except for percentages)</i>			
Games	595,409	40.1	606,367	52.7
TapTap platform	128,347	17.5	109,474	18.1
Total	723,756	32.6	715,841	40.8

Our cost of revenues for game business primarily consists of sharing of proceeds to game developers and commissions charged by distribution platforms and payment channels where we act as a principal, bandwidth and servers custody fee and employee benefits expenses. Our cost of revenues for TapTap platform business primarily consists of bandwidth and servers custody fee and employee benefits expenses. The following table sets forth our cost of revenues by nature for the six months ended June 30, 2024 and 2023.

	For the six months ended June 30,			
	2024		2023	
	Amount	%	Amount	%
(Unaudited)	<i>(RMB in thousands, except for percentages)</i>			
Sharing of proceeds to game developers	184,852	25.5	295,049	41.2
Commissions charged by distribution platforms and payment channels	303,830	42.0	172,765	24.1
Bandwidth and servers custody fee	119,451	16.5	120,495	16.8
Employee benefits expenses	67,332	9.3	60,268	8.4
Professional and technical services fee	31,886	4.4	37,231	5.2
Amortization of intangible assets	10,837	1.5	16,357	2.3
Others	5,568	0.8	13,676	2.0
Total	723,756	100.0	715,841	100.0

Our cost of revenues for game business decreased by 1.8% to RMB595.4 million for the six months ended June 30, 2024 on a period-over-period basis, primarily attributable to (i) the decrease 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) partially offset by the increase in commissions charged by distribution platforms and payment channels, which was in line with the increase in our game revenue.

Our cost of revenues for TapTap platform business increased by 17.2% to RMB128.3 million for the six months ended June 30, 2024 on a period-over-period basis, primarily attributable to (i) the increase in bandwidth and servers custody fee, which was due to the increase in the average App MAUs of TapTap PRC, and partially offset by the implementation of technical optimization measure, and (ii) the increase in employee benefits expenses.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 44.3% to RMB1,496.8 million for the six months ended June 30, 2024 on a period-over-period basis. Our gross margin was 67.4% for the six months ended June 30, 2024, which was higher than the gross margin for the six months ended June 30, 2023, primarily due to (i) the improvement in the gross margin of game segment from 47.3% for the six months ended June 30, 2023 to 59.9% in the corresponding period of 2024, as a result of the increases in revenues from self-developed games such as GoGo Muffin (出發吧麥芬), Sword of Convallaria (鈴蘭之劍) and Torchlight: Infinite (火炬之光:無限), which generally enjoyed higher gross margins than licensed games; and (ii) an improvement in gross margin of TapTap platform segment from 81.9% for the six months ended June 30, 2023 to 82.5% in the corresponding period of 2024. This improvement in gross margin was partially offset by the decrease in the contribution of revenue from our TapTap platform business to our total revenue from 34.4% for the six months ended June 30, 2023 to 33.1% in the same corresponding period of 2024, which generally enjoyed a higher gross margin than the game business.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) promotion and advertising expenses paid to external advertising agencies and professional information dissemination companies; and (ii) employee benefit expenses relating to our selling and marketing personnel.

Our selling and marketing expenses increased by 110.4% to RMB695.3 million for the six months ended June 30, 2024 on a period-over-period basis. This was primarily attributable to (i) promotion and advertising expenses for newly launched games GoGo Muffin (出發吧麥芬) and Sword of Convallaria (鈴蘭之劍); and (ii) the increased marketing expenses of TapTap PRC.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefits expenses relating to our research and development employees; and (ii) professional and technical services fees including art design and technical support for our games.

Our research and development expenses decreased by 20.5% to RMB419.5 million for the six months ended June 30, 2024 on a period-over-period basis. This was primarily due to (i) the decrease in the number of our research and development personnel from 1,143 as at June 30, 2023 to 997 as at June 30, 2024, as a result of game projects restructuring and staff optimization; and (ii) in the first half of 2024, we recorded a one-off share option claw-back of RMB20.8 million in relating to certain former research and development employees.

General and Administrative Expenses

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

Our general and administrative expenses increased by 35.9% to RMB138.3 million for the six months ended June 30, 2024 on a period-over-period basis. This was primarily due to the increase of RMB31.8 million in share-based compensation expenses.

Other Gains, Net

Our other gains, net primarily consist of net foreign exchange gains and net gain on repurchase of convertible bonds.

Our net foreign exchange gains was RMB11.8 million for the six months ended June 30, 2024, comparing a net foreign exchange gains of RMB1.2 million for the six months ended June 30, 2023. This was primarily due to appreciation of USD/RMB and USD/SGD exchange rates in the first half of 2024. Our net gain on repurchase of convertible bonds was RMB5.0 million for the six months ended June 30, 2024.

Income Tax Expenses

We recorded income tax expenses of RMB31.5 million for the six months ended June 30, 2024, compared to income tax expenses of RMB45.0 million for the corresponding period in 2023. Among which, we recorded a current income tax expense of RMB3.9 million and a deferred income tax expense of RMB27.6 million in relation to the deferred tax assets we recognized in previous years.

Profit for the Period

Our profit for the period was RMB250.6 million for the six months ended June 30, 2024, comparing a net profit of RMB102.8 million for the six months ended June 30, 2023.

Profit for the Period Attributable to Equity Holders of the Company

Our profit for the period attributable to equity holders of the Company was RMB205.1 million for the six months ended June 30, 2024, comparing a net profit for the period attributable to equity holders of the Company of RMB90.2 million for the corresponding period of 2023.

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

Other Financial Information

The following table reconciles our operating profit to our EBITDA and adjusted EBITDA for the periods presented:

	For the six months ended	
	June 30,	
	2024	2023
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Operating profit	270,513	122,693
Adjustments		
Other income	(5,440)	(39,365)
Other gains, net	(20,523)	(4,170)
Depreciation of property, plant and equipment and right-of-use assets	32,625	57,666
Amortization of intangible assets	13,847	21,352
EBITDA	291,022	158,176
Share-based compensation expenses	28,232	26,636
Adjusted EBITDA	319,254	184,812

Non-IFRS Measures

To supplement our consolidated financial information which is presented in accordance with IFRS, we set forth below our adjusted profit for the period and adjusted profit attributable to equity holders of the Company as an additional financial measure which is not presented in accordance with IFRS. We believe those non-IFRS financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain items, namely (i) fair value changes on long-term investments measured at fair value through profit or loss; and (ii) share-based compensation expenses. The following table reconciles our adjusted profit for the period and adjusted profit attributable to equity holders of the Company indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	For the six months ended	
	June 30,	
	2024	2023
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Profit for the period	250,579	102,788
Add:		
Fair value changes on long-term investments measured at fair value through profit or loss	—	298
Share-based compensation expenses	28,232	26,636
Less:		
Income tax effects	—	(75)
Adjusted profit for the period	<u>278,811</u>	<u>129,647</u>

	For the six months ended	
	June 30,	
	2024	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	205,102	90,194
Add:		
Fair value changes on long-term investments measured at fair value through profit or loss	—	242
Share-based compensation expenses	32,188	22,603
Less:		
Income tax effects	—	(60)
	<u> </u>	<u> </u>
Profit attributable to equity holders of the Company	<u>237,290</u>	<u>112,979</u>

These unaudited non-IFRS financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

Liquidity and Capital Resources

Our cash positions and short-term investments as at June 30, 2024 and December 31, 2023 are as follows:

	As at	As at
	June 30,	December 31,
	2024	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Audited)
Cash and cash equivalents	2,163,500	3,206,821
Short-term investments		
— Wealth management products	118,214	147,657
	<u> </u>	<u> </u>
	<u>2,281,714</u>	<u>3,354,478</u>

As at June 30, 2024, our short-term investments mainly consisted of wealth management products issued by large reputable commercial banks. These wealth management products invest principally in low-risk and liquid fixed-income instruments that are quoted on the interbank market or exchanges in China. The returns of such wealth management products are not guaranteed or protected by the issuing banks.

The effective rates of return of these wealth management products ranges from 2.30% to 3.19% per annum. The decrease of our cash positions and short-term investments was primarily due to (i) redemption of Convertible Bonds of RMB1,137.3 million and repurchase of Convertible Bonds of RMB422.7 million; and (ii) partially offset by the net cash flows generated from operating activities of RMB379.4 million for the six months ended June 30, 2024, and the proceeds from bank borrowings of RMB130.6 million.

As of June 30, 2024, our borrowings of RMB130.6 million are unsecured bank loans, to be matured until 2025 and bear annual interest rates ranging from 3.00% to 3.45%.

As of June 30, 2024, all of the outstanding Convertible Bonds have been redeemed and cancelled, and there are no outstanding Convertible Bonds in issue.

Gearing Ratio

Our gearing ratio was 42.9% as at June 30, 2024, comparing a gearing ratio of 57.6% as at December 31, 2023. This ratio was calculated as total liabilities divided by total assets.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	Notes	Six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenues	4	2,220,567	1,753,102
Cost of revenues	4, 5	(723,756)	(715,841)
Gross profit		1,496,811	1,037,261
Selling and marketing expenses	5	(695,322)	(330,402)
Research and development expenses	5	(419,489)	(527,784)
General and administrative expenses	5	(138,323)	(101,785)
Net impairment reversal on financial assets	5	873	1,868
Other income	6	5,440	39,365
Other gains, net	7	20,523	4,170
Operating profit		270,513	122,693
Finance income		18,381	45,022
Finance costs		(15,607)	(34,246)
Finance income, net	8	2,774	10,776
Share of results of investments accounted for using the equity method		8,746	14,348
Profit before income tax		282,033	147,817
Income tax expenses	9	(31,454)	(45,029)
Profit for the period		250,579	102,788
Other comprehensive income:			
<i>Items that may not be reclassified to profit or loss</i>			
— Currency translation differences		(9,457)	8,774
<i>Items that may be reclassified to profit or loss</i>			
— Currency translation differences		3,493	2,878
Total comprehensive income for the period		244,615	114,440

		Six months ended June 30,	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		205,102	90,194
Non-controlling interests		45,477	12,594
		<u>250,579</u>	<u>102,788</u>
Total comprehensive profit for the period attributable to:			
Equity holders of the Company		199,358	102,104
Non-controlling interests		45,257	12,336
		<u>244,615</u>	<u>114,440</u>
Earnings per share for profit for the period attributable to the equity holders of the Company			
Basic earnings per share (<i>RMB</i>)	<i>10</i>	0.43	0.19
Diluted earnings per share (<i>RMB</i>)	<i>10</i>	0.43	0.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

		As at June 30, 2024	As at December 31, 2023
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		31,583	43,693
Right-of-use assets		171,198	192,680
Intangible assets		241,363	233,416
Deferred tax assets		21,321	48,920
Investments accounted for using the equity method		113,315	122,561
Long term investments measured at fair value through profit or loss		18,841	18,840
Prepayments, deposits and other non-current assets		32,673	36,225
		630,294	696,335
Current assets			
Trade receivables	<i>11</i>	408,933	286,809
Prepayments, deposits and other current assets		59,217	71,820
Short-term investments		118,214	147,657
Cash and cash equivalents		2,163,500	3,206,821
		2,749,864	3,713,107
Total assets		3,380,158	4,409,442

		As at June 30, 2024	As at December 31, 2023
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
EQUITY			
Share capital	12	329	329
Share premium	12	7,038,938	7,036,290
Shares held for share award schemes	12	(6)	(6)
Other reserves		(4,720,147)	(4,490,917)
Accumulated deficit		(576,792)	(836,523)
Equity attributable to equity holders of the Company		1,742,322	1,709,173
Non-controlling interests		188,671	159,578
Total equity		<u>1,930,993</u>	<u>1,868,751</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		142,298	158,636
		<u>142,298</u>	<u>158,636</u>
Current liabilities			
Trade payables	13	231,352	194,906
Advance from customers		63,280	53,008
Borrowings		130,564	—
Other payables and accruals		403,220	275,239
Contract liabilities		351,056	180,780
Current income tax liabilities		83,744	80,352
Lease liabilities		43,651	44,623
Convertible bonds		—	1,553,147
		<u>1,306,867</u>	<u>2,382,055</u>
Total liabilities		<u>1,449,165</u>	<u>2,540,691</u>
Total equity and liabilities		<u>3,380,158</u>	<u>4,409,442</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 General information

XD Inc. (the “**Company**”) is an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 25, 2019, and was listed on the Stock Exchange of Hong Kong Limited on December 12, 2019.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “**Group**”) are principally engaged in the development, operation, publishing and distribution of mobile and web games and operation of Taptap, a game community and platform, in the People’s Republic of China (the “**PRC**”) and other countries and regions.

The condensed consolidated financial statements for the six months ended June 30, 2024 (the “**Interim Financial Statements**”) are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) unless otherwise stated.

2 Basis of preparation

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”), “Interim Financial Reporting”.

The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2023, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as set out in 2023 annual report of the Company dated March 28, 2024 (the “**2023 Financial Statements**”).

3 Accounting policy information

Except for the estimation of income tax (Note 9) and described as below, the accounting policies adopted in the Interim Financial Statements are generally consistent with those applied in the preparation of 2023 Financial Statements in all material aspects.

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2024:

- Classification of Liabilities as current and non-current — Amendments to IAS 1
- Non-current Liabilities with Covenants — Amendments to IAS 1
- Lease Liability in a Sale and Leaseback — Amendments to IFRS 16
- Supplier Finance Arrangements — Amendments to IAS 7 and IFRS 7

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

A number of new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2024 and have not been early adopted by the Group in preparing the Interim Financial Statements. None of these is expected to have a significant effect on the Interim Financial Statements based on the preliminary assessment made by management.

4 Segment information and revenue

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

Game segment

The game segment offers game publishing and operating services on its own and via other distribution channels. Revenues from the game segment are primarily derived from game publishing and operating services.

TapTap platform segment (previously known as “information service segment”)

The TapTap platform segment offers online marketing services to game developers, game publishers or their agents, through the Group’s self developed leading game community and platform. Revenues from Taptap platform segment are primarily derived from performance-based online marketing services.

The CODM assesses the performance of the operating segments mainly based on segment revenues and cost of revenues of each operating segment. Thus, segment result would present revenues, cost of revenues and gross profit for each segment, which is in line with CODM’s performance review.

The Group’s cost of revenues for the game segment primarily consists of (a) commission paid to payment channels and distribution channels; (b) sharing of proceeds to game developers; (c) bandwidth and server custody fees; (d) amortization of intangible assets; and (e) employee benefit expenses.

The Group’s cost of revenues for the Taptap platform segment primarily consists of (a) bandwidth and server custody fees; (b) employee benefits expenses; and (c) amortization of intangible assets.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

As at June 30, 2024, substantially all of the non-current assets of the Group were located in the PRC.

The reconciliation of gross profit to profit before income tax is shown in the condensed consolidated statement of comprehensive income.

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

(Unaudited)	Six months ended June 30, 2024		
	Game segment <i>RMB'000</i>	TapTap platform segment <i>RMB'000</i>	Total <i>RMB'000</i>
Game operating revenues			
— Online Games (free-to-play)	1,425,896	—	1,425,896
— Premium Games (pay-to-play)	55,178	—	55,178
Subtotal	1,481,074	—	1,481,074
Online marketing service revenue	—	706,968	706,968
Others	5,183	27,342	32,525
Total revenues	1,486,257	734,310	2,220,567
Cost of revenues	(595,409)	(128,347)	(723,756)
Gross profit	890,848	605,963	1,496,811
Gross margin	60%	83%	67%
	Six months ended June 30, 2023		
(Unaudited)	Game segment <i>RMB'000</i>	TapTap platform segment <i>RMB'000</i>	Total <i>RMB'000</i>
Game operating revenues			
— Online Games (free-to-play)	1,080,122	—	1,080,122
— Premium Games (pay-to-play)	64,535	—	64,535
Subtotal	1,144,657	—	1,144,657
Online marketing service revenue	—	582,107	582,107
Others	5,213	21,125	26,338
Total revenues	1,149,870	603,232	1,753,102
Cost of revenues	(606,367)	(109,474)	(715,841)
Gross profit	543,503	493,758	1,037,261
Gross margin	47%	82%	59%

Revenues of approximately RMB712 million and RMB614 million for the six months ended June 30, 2024 and 2023, respectively, were from five largest single external customers.

Revenue from one customer in TapTap platform segment accounts for 15% and 19% of the Group's total revenue during the six months ended June 30, 2024 and 2023, respectively.

The table below sets forth a breakdown of the Group's revenue by timing of recognition for the six months ended June 30, 2024 and 2023, respectively:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Service transferred at a point of time	1,224,261	1,118,159
Service transferred overtime	996,306	634,943
	<u>2,220,567</u>	<u>1,753,102</u>

The table below sets forth a breakdown of the Group's game operating revenue by geographical areas for the six months ended June 30, 2024 and 2023, respectively:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mainland China	862,829	769,973
Other areas (<i>Note a</i>)	618,245	374,684
Total	<u>1,481,074</u>	<u>1,144,657</u>

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

5 Expenses by nature

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Promotion and advertising expenses	633,437	273,306
Employee benefits expenses	537,378	570,811
Commissions charged by payment channels and distribution channels	303,830	172,765
Sharing of proceeds to game developers	184,852	295,049
Bandwidth and server custody fee	120,092	122,385
Professional and technical service fee	78,970	84,132
Share-based compensation expenses	28,232	26,636
Depreciation of right-of-use assets	19,894	24,553
Office expenses	18,439	19,312
Amortization of intangible assets	13,847	21,352
Depreciation of property, plant and equipment	12,731	33,113
VAT input transfer out and tax surcharges	12,319	13,820
Rental expenses and utilities	6,128	5,335
Auditor's remuneration		
— Audit service	2,070	2,120
— Non-audit service	195	390
Impairment of non-financial assets	1,458	6,025
Net impairment reversal on financial assets	(873)	(1,868)
Others	3,018	4,708
	<hr/>	<hr/>
Total	<u>1,976,017</u>	<u>1,673,944</u>

6 Other income

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government subsidies	5,440	36,957
Interest income from short-term investments measured at amortized cost	—	2,212
Others	—	196
	<hr/>	<hr/>
Total	<u>5,440</u>	<u>39,365</u>

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

7 Other gains, net

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Foreign exchange gains, net	11,830	1,236
Net gain on repurchase of convertible bonds	4,975	—
Fair value changes of long-term investments measured at fair value through profit or loss	—	(298)
Fair value changes of wealth management products issued by commercial banks	1,861	3,737
Others	1,857	(505)
	<hr/>	<hr/>
Total	<u>20,523</u>	<u>4,170</u>

8 Finance income, net

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income from bank deposits	18,381	45,022
Finance costs		
Interest expenses on convertible bond	(8,701)	(24,757)
Interest expenses on lease liabilities	(4,283)	(6,073)
Interest expenses on borrowings	(1,715)	—
Bank charges	(908)	(3,416)
Finance income, net	2,774	10,776

9 Income tax expenses

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

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are not subject to tax on their income or capital gains.

Hong Kong

Hong Kong profits tax rate is 16.5%.

Singapore

Singapore profits tax rate is 17%.

PRC corporate income tax (“CIT”)

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the six months ended June 30, 2024 and 2023.

Certain subsidiaries of the Group in the PRC, accordingly, are qualified as “high and new technology enterprise” and entitled to a preferential income tax rate of 15% during the six months ended June 30, 2024 and 2023.

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

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaged in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). According to the relevant laws and regulations that was effective from 2022, the tax deductible ratio was increased to 200%. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during six months ended June 30, 2024 and 2023.

PRC Withholding Tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors.

Since the Group intends to permanently reinvest earnings to further expand its businesses in PRC, it does not intend to declare dividends to its immediate foreign holding entities in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued at the end of each reporting period. Cumulative undistributed earnings of the Company's PRC subsidiaries intended to be permanently reinvested were RMB1,541 million as of June 30, 2024.

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	3,854	7,321
Deferred income tax	27,600	37,708
	<hr/>	<hr/>
Total income tax expenses	<u>31,454</u>	<u>45,029</u>

10 Earnings per share

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

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company <i>(RMB'000)</i>	205,102	90,194
Weighted average number of shares in issue <i>(thousands)</i>	472,092	472,014
	<hr/>	<hr/>
Basic earnings per share (in RMB)	<u>0.43</u>	<u>0.19</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. For the six months ended June 30, 2024 and 2023, the Group had potential dilutive ordinary shares arising from convertible bonds and share options.

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	205,102	90,194
Weighted average number of shares in issue (thousands)	472,092	472,014
Adjustments for share options (thousands)	2,235	915
	<hr/>	<hr/>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	474,327	472,929
	<hr/>	<hr/>
Diluted earnings per share (in RMB)	0.43	0.19
	<hr/> <hr/>	<hr/> <hr/>

11 Trade receivables

	As at	As at
	June 30,	December 31,
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Distribution Channels and game publishers	275,247	166,925
Online marketing service customers	136,559	122,778
Others	631	1,428
	<hr/>	<hr/>
	412,437	291,131
	<hr/>	<hr/>
Less: allowance for impairment	(3,504)	(4,322)
	<hr/>	<hr/>
	408,933	286,809
	<hr/> <hr/>	<hr/> <hr/>

- (a) Distribution channels and game publishers and online marketing service customers usually settle the amounts within 30–120 days. Related parties are granted with a credit period of 90 days. Aging analysis of trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates are as follows:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Within 3 months	388,255	273,431
3 months to 6 months	20,989	13,109
6 months to 1 year	1,086	1,640
1 to 2 years	1,480	2,284
Over 2 years	627	667
	<u>412,437</u>	<u>291,131</u>

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. The expected loss rates are based on the payment profiles of sales over a period of 36 months before June 30, 2024 and December 31, 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the consumer price index (CPI) and gross domestic product (GDP) of the countries in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
At the beginning of the period	4,322	3,918
Reversal	(779)	(1,966)
Write-off	(40)	(3)
Currency translation differences	1	6
	<u>1</u>	<u>6</u>
At the end of the period	3,504	1,955
	<u>3,504</u>	<u>1,955</u>

The reversal of provisions for impaired receivables have been included in "Net impairment reversal on financial assets" in the consolidated statement of comprehensive income.

- (c) The Directors of the Group considered that the carrying amounts of the trade receivables balances approximated their fair value as at June 30, 2024 and December 31, 2023.
- (d) The carrying amount of the Group's trade receivables is denominated in the following currencies:

	As at	As at
	June 30,	December 31,
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
USD	249,497	135,537
RMB	152,901	139,978
HKD	5,808	9,788
Others	4,231	5,828
	<u>4,231</u>	<u>5,828</u>
	412,437	291,131
	<u>412,437</u>	<u>291,131</u>

- (e) The maximum exposure to credit risk as at June 30, 2024 and December 31, 2023 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

12 Share capital, share premium and shares held for share award scheme

	Number of shares '000	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Shares held for share award schemes (Note a) RMB'000
(Unaudited)					
Authorized					
As at June 30, 2024 and December 31, 2023	1,000,000	100	—	—	—
Issued and fully paid					
As at January 1, 2023	480,431	48	329	7,035,801	(6)
Exercise of share options	22	—*	—*	489	—
As at June 30, 2023	480,453	48	329	7,036,290	(6)
As at January 1, 2024	480,453	48	329	7,036,290	(6)
Exercise of share options	186	—*	—*	2,648	—
As at June 30, 2024	480,639	48	329	7,038,938	(6)

* The amount is less than 1,000

Note:

- (a) On June 17, 2019, the Company allotted and issued an aggregate of 8,437,540 shares to Heart Assets Limited, which hold shares on trust for and on behalf of the Company. As at June 30, 2024 and December 31, 2023, the shares are presented as treasury shares of the Group and will be used for future share-based compensation to employee.

13 Trade payables

	As at June 30, 2024	As at December 31, 2023
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Trade payables	<u>231,352</u>	<u>194,906</u>

Trade payables are primarily related to the purchase of services for server custody, advertisement and sharing of proceeds due to game developers. The credit terms of trade payables granted to the Group are usually 0 to 90 days.

Aging analysis of trade payables based on the recognition date of the trade payables at the respective reporting dates are as follows:

	As at June 30, 2024	As at December 31, 2023
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Within 3 months	230,480	194,846
Over 3 months	<u>872</u>	<u>60</u>
	<u>231,352</u>	<u>194,906</u>

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

	As at June 30, 2024	As at December 31, 2023
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
RMB	204,782	131,223
USD	22,311	53,800
SGD	<u>4,259</u>	<u>9,883</u>
	<u>231,352</u>	<u>194,906</u>

As at June 30, 2024 and December 31, 2023, the fair value of trade payables approximated to their carrying amount.

14 Dividends

No dividends have been paid or declared by the Company during the six months ended June 30, 2024 and 2023.

In April 2024, pursuant to the resolution of the shareholders' meeting of X.D. Global (HK) Limited, a subsidiary of the Group, a dividend of US\$6.5 million was approved and paid, US\$2.28 million (equivalent to RMB16.16 million) of which was paid to the non-controlling shareholders.

In May 2023, pursuant to the resolution of the shareholders' meeting of X.D. Global (HK) Limited, a subsidiary of the Group, a dividend of US\$15 million was approved and paid, US\$5.25 million (equivalent to RMB36.38 million) of which was paid to the non-controlling shareholders.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities (including sale of treasury shares) of the Company during the six months ended June 30, 2024.

As at 30 June 2024, the Company did not hold any treasury shares.

During the Reporting Period, the Company has redeemed all the outstanding Convertible Bonds with an aggregate principal amount of US\$219,600,000. As at June 30, 2024, all the Convertible Bonds (Convertible Bonds Code: 40646) have been redeemed and cancelled, and there are no outstanding Convertible Bonds in issue. For further information, please see the paragraph below headed “Events after the Reporting Period” in this announcement.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2024.

USE OF PROCEEDS

Placing of shares in April 2021

The net proceeds received from the placing of shares was approximately HK\$1,113.0 million. The amount of net proceeds brought forward as of January 1, 2024 was HK\$116.9 million. The table below sets out the details of actual usage of the net proceeds as of June 30, 2024:

Use of proceeds	Amount of net proceeds received from the placing of shares (HK\$ million)	Amount of net proceeds brought forward as of January 1, 2024 (HK\$ million)	Actual usage for the six months ended June 30, 2024 (HK\$ million)	Unutilized net proceeds as of June 30, 2024 (HK\$ million)	Expected timeline of full utilization
• further enhancing the Company's R&D capability and game portfolios	556.5	—	—	—	—
• potential acquisition and strategic investments	222.6	116.9	—	116.9	By December 31, 2024
• general corporate purposes	333.9	—	—	—	—
	<u>1,113.0</u>	<u>116.9</u>	<u>—</u>	<u>116.9</u>	

THE 2024 RSU SCHEME

The Company has adopted the 2024 RSU Scheme on May 7, 2024, to, among others, recognise the contributions by the participants with an opportunity to acquire a proprietary interest in the Company and encourage and retain such individuals for the continual operation and development of the Group. The 2024 RSU Scheme shall be solely funded by existing shares to be purchased by the trustee engaged by the Company for the purpose of the 2024 RSU Scheme (“**Trustee**”) on the market.

During the Reporting Period, the Trustee has not purchased any Share. As at the date of this announcement, the Trustee has purchased in total 1,311,600 shares on the Stock Exchange at the total consideration of HK\$24.8 million pursuant to the terms of the trust deed entered into by the Company and the Trustee in connection with the 2024 RSU Scheme.

NO MATERIAL CHANGES

Save as disclosed in this announcement, during the Reporting Period, there were no material changes affecting the Group's performance that needs to be disclosed under Paragraphs 32 and 40(2) of Appendix D2 to the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

On July 8, 2024, a total of 252,911 share options (the “**Options**”) were granted by the Company under the Share Option Plan to certain eligible participants, including 120,000 Options granted to Mr. Huang Yimeng, an executive Director. For details, please refer to the announcement of the Company dated July 8, 2024.

During the Reporting Period, the Company has redeemed all the outstanding Convertible Bonds with an aggregate principal amount of US\$219,600,000. All the Convertible Bonds have been redeemed and cancelled, and there are no outstanding Convertible Bonds in issue. For details, please refer to the announcement of the Company dated July 8, 2024.

Subsequent to the Reporting Period, 28,100 Options were exercised by certain eligible participants to subscribe for 28,100 ordinary shares of the Company.

Save as disclosed above, there are no other material events after the reporting period undertaken by the Group after June 30, 2024 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance the corporate value as well as the responsibility commitments. The Company has adopted the CG Code as its own code of corporate governance.

The Company has complied with all applicable code provisions of the CG Code during the six months ended June 30, 2024 except for a deviation from code provision C.2.1 of part 2 of the CG Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Huang Yimeng is currently the chairman and chief executive officer of the Company.

In view of his substantial contribution to the Group since its establishment and his extensive experience in the game industry, the Board considers that vesting the roles of chairman and chief executive officer in the same individual provides the Group with strong and consistent leadership in the development and execution of long-term business strategies and does not impair the balance of power and authority between the Board and the management of the Company. The Board currently comprises three executive Directors (including Mr. Huang Yimeng), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review the effectiveness of the corporate governance structure in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code for dealing in securities in the Company by the Directors. The Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the six months ended June 30, 2024.

REVIEW OF THE INTERIM RESULTS BY THE AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision D.3 of part 2 of the CG Code, and has adopted written terms of reference. The Audit Committee comprises three members, including Mr. Xin Quandong, Mr. Pei Dapeng and Ms. Liu Qianli. The Audit Committee is currently chaired by Mr. Xin Quandong, who possesses suitable professional qualifications.

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited consolidated financial statements for the six months ended June 30, 2024. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

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

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (2400.hk). The interim report of the Group for the six months ended June 30, 2024 will be available on the website of the Stock Exchange and that of the Company in due course.

DEFINITIONS

Unless the context otherwise requires, the following expressions in this announcement shall have the following meanings:

- “2024 RSU Scheme” the restricted share unit scheme adopted by the Company on May 7, 2024;
- “associate(s)” has the meaning ascribed thereto under the Listing Rules;
- “Audit Committee” the audit committee of the Company;
- “Auditor” PricewaterhouseCoopers, the independent auditor of the Company;
- “Board” the board of Directors of the Company;
- “CG Code” the Corporate Governance Code set out in Appendix C1 to the Listing Rules;
- “Company” XD Inc. (心动有限公司), an exempted company incorporated in the Cayman Islands with limited liability on January 25, 2019, the shares of which are listed on the Stock Exchange under stock code 2400;
- “Convertible Bonds” the issuance of the US\$280,000,000 1.25% convertible bonds by the Company due 2026;
- “Director(s)” the director(s) of the Company;
- “Group” the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time;
- “HK\$” or “HKD” Hong Kong dollars, the lawful currency of Hong Kong;
- “Hong Kong” the Hong Kong Special Administrative Region of the People’s Republic of China;
- “IFRS” International Financial Reporting Standards, which include standards and interpretations as issued from time to time by the International Accounting Standards Board;

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“MAU(s)”	monthly active user(s), which refers to the number of users who log into a particular game or all of our games, as applicable, in the relevant calendar month for games, and refers to the number of users who access the TapTap mobile app in the relevant calendar month for TapTap, both of which include multiple accounts held by one single user. Average MAUs for a particular period are calculated by dividing the aggregate of the MAUs during that period by the number of months of that period;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules;
“MPUs”	monthly paying users, which refers to the number of paying users in the relevant calendar month in our games;
“PRC” or “China”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan, China;
“Reporting Period”	the financial period for the six months ended June 30, 2024;
“RMB”	Renminbi, the lawful currency of the PRC;
“RSU(s)”	restricted share unit(s);
“SGD”	Singapore dollars, the lawful currency of Singapore;
“Share Option Plan”	the share option plan of our Company adopted on June 25, 2021;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;

“US\$” or “USD” United States dollars, the lawful currency of the United States of America; and

“%” per cent.

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

Shanghai, China, August 30, 2024

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