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XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 18.34% EQUITY INTEREST IN YIWAN

SOLE FINANCIAL ADVISOR



INTRODUCTION

The Board is pleased to announce that, on August 27, 2020, X.D. Network (a PRC Consolidated Affiliated Entity of the Company) entered into the Equity Transfer Agreement with the Vendors, pursuant to which, X.D. Network has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, an aggregate of 18.34% equity interest in Yiwan held by them for a total consideration of RMB330,188,964. Upon the Completion, X.D. Network will hold 74.12% equity interest in Yiwan.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but all percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As of the date of this announcement, (i) Mr. Huang Xiwei is a director of certain subsidiaries of the Company and directly holds 10.85% equity interest in Yiwan, being a substantial shareholder of Yiwan; (ii) Mr. Zhang Qian is also a director of certain subsidiaries of the Company; and (iii) Mr. Huang Xiwei holds 99.62% equity interest in Huzhou Yixin and the sole limited partner of Huzhou Yixin is Mr. Huang Xiwei, and Huzhou Yixin is thus an associate of Mr. Huang Xiwei. Therefore, the Vendors are connected persons of the Company at the subsidiary level and the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Equity Transfer Agreement is more than 5% but all percentage ratios are less than 25%, the Equity Transfer Agreement and the transaction contemplated thereunder are subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. However, given that the Acquisition is a connected transaction between the Group and connected persons only at the subsidiary level on normal commercial terms, the Acquisition is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules considering that (i) the Board has approved the Acquisition and (ii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, the Acquisition is on normal commercial terms and in the interests of the Company and Shareholders as a whole. Therefore, the Acquisition is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on August 27, 2020, X.D. Network (a PRC Consolidated Affiliated Entity of the Company) entered into the Equity Transfer Agreement with Mr. Huang Xiwei, Mr. Zhang Qian and Huzhou Yixin, pursuant to which, X.D. Network has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, 18.34% equity interest in Yiwan held by them for a total consideration of RMB330,188,964. Upon the Completion, X.D. Network will hold 74.12% equity interest in Yiwan.

THE EQUITY TRANSFER AGREEMENT

Date

August 27, 2020

Parties

- (1) X.D. Network (as the purchaser);
- (2) Mr. Huang Xiwei (as one of the Vendors);

- (3) Mr. Zhang Qian (as one of the Vendors); and
- (4) Huzhou Yixin (as one of the Vendors).

Subject Matter

X.D. Network entered into the Equity Transfer Agreement with the Vendors, pursuant to which, X.D. Network has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, an aggregate of 18.34% equity interest in Yiwan held by them for a total consideration of RMB330,188,964, among which, Mr. Huang Xiwei has conditionally agreed to sell 9.03% equity interest in Yiwan (“**Mr. Huang’s Shares**”) in consideration of RMB162,601,062, Mr. Zhang Qian has conditionally agreed to sell 5.16% equity interest in Yiwan (“**Mr. Zhang’s Shares**”) in consideration of RMB92,867,408 and Huzhou Yixin has conditionally agreed to sell 4.15% equity interest in Yiwan (“**Huzhou Yixin’s Shares**”) in consideration of RMB74,720,494.

As of the date of this announcement, Yiwan was held as to 55.77% by X.D. Network and was a non-wholly owned subsidiary of X.D. Network immediately before the Completion. Upon the Completion, X.D. Network will hold 74.12% equity interest in Yiwan.

Consideration

The total consideration payable by X.D. Network for the Acquisition is RMB330,188,964, among which RMB162,601,062, RMB92,867,408 and RMB74,720,494 would be paid for Mr. Huang’s Shares, Mr. Zhang’s Shares and Huzhou Yixin’s Shares, respectively. The consideration for the Acquisition will be financed by proceeds raised from the initial public offering on December 12, 2019 and the top-up placing completed on July 3, 2020, and/or by other internal financial resources.

Basis of consideration

The consideration was determined by the parties after arm’s length negotiations and with reference to the implied valuation in the recent transfer of equity interest in Yiwan in 2019 and the valuation of the entire equity interest in Yiwan as at June 30, 2020 appraised by an independent qualified valuer engaged by the Company based on the market approach.

Payment terms

X.D. Network shall pay the Vendors 30% of their respective considerations under the Equity Transfer Agreement within ten Business Days after all the following conditions are satisfied: (i) the representations and warranties are true, accurate, complete and not misleading; (ii) the Vendors have executed and delivered to X.D. Network, among others, all documents required to complete the Acquisition or requested by X.D. Network; (iii) the Vendors have obtained all approvals, consents and waivers required to complete the Acquisitions; (iv) the spouses of Mr. Huang Xiwei and Mr. Zhang Qian have executed the relevant spouse consent letters; and (v) the Vendors have executed and delivered to X.D. Network the completion certificates.

Upon completion of the registration with the relevant administration for industry and commerce required in connection with the Acquisition, X.D. Network shall pay Mr. Huang Xiwei and Mr. Zhang Qian 50% of their respective considerations under the Equity Transfer Agreement, and shall pay Huzhou Yixin the remaining 70% of its consideration under the Equity Transfer Agreement.

After Mr. Huang Xiwei and Mr. Zhang Qian have paid their taxes and fees involved in the Acquisition and have submitted their tax payment certificates to X.D. Network, X.D. Network shall pay Mr. Huang Xiwei and Mr. Zhang Qian 20% their respective considerations under the Equity Transfer Agreement within five Business Days (“**Last Instalment**”).

Completion

Completion of the Acquisition shall take place when the Last Instalment was paid.

FINANCIAL INFORMATION AND VALUATION OF YIWAN

Set out below is the unaudited financial information of Yiwan prepared for the two years ended December 31, 2019 and six months ended June 30, 2020 in accordance with the IFRS:

	For the year ended/As at		For the six months ended/
	December 31, 2018	December 31, 2019	As at June 30, 2020
	(Unaudited)	(Unaudited)	(Unaudited)
	(RMB)	(RMB)	(RMB)
Total assets	417,089,406	635,850,326	721,772,404
Net assets	385,897,304	579,674,408	654,377,151
Net profit/(loss) before tax	83,376,123	194,914,713	82,872,625
Net profit/(loss) after tax	72,658,272	194,674,463	74,702,743

The original investment cost of the 18.34% of total equity interest of Yiwan paid by the Vendors was RMB333,775.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The online game business of the Company has a natural and powerful synergy with TapTap. On the one hand, the diversified game portfolios of the Company have attracted more and more users who are keen to discuss games and share game experiences on TapTap. On the other hand, TapTap's gaming community enables the Company to better understand and satisfy gamers' demand for high-quality games and also to effectively follow market trends. The Acquisition will enable the Company to further strengthen the synergy between the game business and the TapTap platform.

OPINION FROM THE BOARD

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

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable, the Acquisition is on normal commercial terms and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but all percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As of the date of this announcement, (i) Mr. Huang Xiwei is a director of certain subsidiaries of the Company and holds 10.85% equity interest in Yiwan, being a substantial shareholder of Yiwan; (ii) Mr. Zhang Qian is also a director of certain subsidiaries of the Company; and (iii) Mr. Huang Xiwei holds 99.62% equity interest in Huzhou Yixin and the sole limited partner of Huzhou Yixin is Mr. Huang Xiwei, and Huzhou Yixin is thus an associate of Mr. Huang Xiwei. Therefore, the Vendors are connected persons of the Company at the subsidiary level and the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Equity Transfer Agreement is more than 5% but all percentage ratios are less than 25%, the Equity Transfer Agreement and the transaction contemplated thereunder are subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. However, given that the Acquisition is a connected transaction between the Group and connected persons only at the subsidiary level on normal commercial terms,

the Acquisition is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules considering that (i) the Board has approved the Acquisition and (ii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, the Acquisition is on normal commercial terms and in the interests of the Company and Shareholders as a whole. Therefore, the Acquisition is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE PARTIES

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

X.D. Network is a company established in China and the Group's consolidated affiliated entity under contractual arrangements. It is principally engaged in game publishing and development.

Yiwan operates TapTap, a leading game community and platform in China.

Mr. Huang Xiwei is a PRC citizen, being one of the founders of Yiwan and a director of the certain subsidiaries of the Company.

Mr. Zhang Qian is a PRC citizen, being one of the founders of Yiwan and a director of the certain subsidiaries of the Company.

Huzhou Yixin is a limited partnership whose limited partner was Huang Xiwei and general partner was a supervisor of Yiwan. The principal business of Huzhou Yixin is a special purpose vehicle of Huang Xiwei to hold Yiwan's shares indirectly.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the transaction contemplated under the Equity Transfer Agreement pursuant to which, X.D. Network has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, 18.34% equity interest in Yiwan held by them for a total consideration of RMB330,188,964
“associate(s)”	has the meaning ascribed thereto under the Listing Rules

“Board”	the board of Directors
“Business Day”	means any day (excluding a Saturday) on which banks are generally open for business in China
“Company”	XD Inc. (心动有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2400)
“Completion”	the completion of the Acquisition
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement to be entered into between X.D. Network, Mr. Huang Xiwei, Mr. Zhang Qian and Huzhou Yixin on August 27, 2020 in relation to X.D. Network’s acquisition of 18.34% equity interest in Yiwan
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huzhou Yixin”	Huzhou Yixin Investment Management Partnership (Limited Partnership) (湖州易心投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on 10 April 2017, whose limited partner was Huang Xiwei (holding 99.62% equity interest therein) and general partner was an independent third party as of the date of this announcement
“independent third party”	any person who is not a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“percentage ratio”	has the meaning ascribed thereto under the Listing Rules
“PRC” or “China”	the People’s Republic of China. For the purposes of this announcement only and except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“PRC Consolidated Affiliated Entity(ies)”	the entities the Company controls through the contractual arrangements, namely X.D. Network and its respective subsidiaries. For further details of these entities and the contractual arrangements, see “History, Reorganization and Corporate Structure” and “Contractual Arrangements” of the Company’s prospectus dated November 29, 2019
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of the Company with a par value of US\$0.0001 per Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Vendors”	Mr. Huang Xiwei, Mr. Zhang Qian and Huzhou Yixin
“X.D. Network”	X.D. Network Inc. (心動網絡股份有限公司), a company established in the PRC on July 29, 2011 and our PRC Consolidated Affiliated Entity
“Yiwan”	Yiwan (Shanghai) Network Science and Technology Co., Ltd. (易玩(上海)網絡科技有限公司), a company established in the PRC on March 28, 2016, and our PRC Consolidated Affiliated Entity
“%”	per cent

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

Shanghai, the PRC
August 27, 2020

As at the date of this announcement, the Board comprises Mr. HUANG Yimeng, Mr. DAI Yunjie, Mr. SHEN Sheng, and Mr. FAN Shuyang as executive Directors, Mr. TONG Weiliang, and Mr. CHEN Feng as non-executive Directors and Mr. PEI Dapeng, Mr. XIN Quandong and Mr. GAO Shaoxing as independent non-executive Directors.