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XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

US\$280,000,000 1.25% Convertible Bonds due 2026

(Stock Code: 40646)

PROFIT WARNING

This announcement is made by XD Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholder(s)**”) and potential investors that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended December 31, 2021, the Group is expected to record a net loss of approximately RMB870 million to RMB930 million for the year ended December 31, 2021 (“**FY 2021**”), as compared to a net profit of approximately RMB56 million recorded for the year ended December 31, 2020 (“**FY 2020**”).

The expected loss for FY 2021 is mainly attributable to (i) a significant increase of approximately RMB550 million to RMB600 million in research and development expenses for FY 2021 as compared to FY 2020, which was mainly due to the increased research and development personnel and increased levels of employee benefits in order to satisfy the Group’s business needs for game development and TapTap’s product upgrades and international expanding; (ii) a decrease of approximately RMB265 million to RMB315 million in gross profit for FY 2021 as compared to FY 2020, which was mainly resulted from (a) a moderate decrease in total revenues of the Group for FY 2021 as compared to FY 2020 since the revenue derived from certain existing games at the maturity stage had decreased and has partially offset the increase in revenue derived from TapTap. The revenue

derived from TapTap is expected to be approximately RMB700 million for FY 2021, and (b) a decrease in gross margin for FY 2021 as compared to FY 2020, which was primarily due to the increase in the contribution ratio from the licensed games of the Group to the total game operating revenues of the Group, as licensed games generally have lower gross margin than self-developed games; and (iii) an increase in selling and marketing expenses and general and administrative expenses of approximately RMB175 million to RMB225 million, which was mainly due to the increases in (a) the promotion expenses for TapTap's PRC version and international version, and (b) the employee benefit expenses and office expenses in relevant departments. In the year of 2021, the Group had invested a large number of resources in games under development and TapTap's international expanding. The Board considers that, although such investments did not generate revenue in 2021, the investments are in the interest of the Group in the long term and are expected to gradually realize returns in this year and next year.

The Board wishes to emphasize that the results of the Company for FY 2021 have not yet been finalized. The information contained in this announcement is only based on the preliminary assessment by the Board with reference to the information currently available to the Board and the unaudited management accounts of the Group for FY 2021, which have not been audited or reviewed by the Company's independent auditors and/or the audit committee of the Company, and may be subject to adjustments. Shareholders and potential investors are advised to read carefully the results announcement of the Company for FY 2021, which is expected to be published by the end of March 2022.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board

XD Inc.

HUANG Yimeng

Chairman and Chief Executive Officer

Shanghai, the PRC

25 February 2022

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