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*Nothing in this announcement constitutes an offer of securities for sale in the United States or any other jurisdiction where it is unlawful to do so. The securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any other place. Accordingly, the securities may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The securities may be offered and sold only in offshore transactions in reliance on Regulation S under the Securities Act (“**Regulation S**”), and in each case, in accordance with any other applicable law. This announcement is not for distribution, directly or indirectly, in or into the United States. There will be no public offering of securities in the United States.*

Notice to Hong Kong investors: *The Issuer (as defined below) confirms that with respect to the Hong Kong market, the Bonds (as defined below) are intended for purchase by professional investors only (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) and have been listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*



XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

(the “Issuer”)

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

(Stock Code: 40646)

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the “Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).**

Please refer to the offering circular dated 31 March 2021 (the “**Offering Circular**”) appended hereto in relation to the US\$280,000,000 in aggregate principal amount of 1.25% Convertible Bonds due 2026 (the “**Bonds**”). As disclosed in the Offering Circular, the Bonds were intended for purchase by professional investors only (as defined in Chapter 37 of the Listing Rules) and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

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

Hong Kong, 13 April 2021

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

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the “**Offering Circular**”) and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer (as defined in the Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO AND ACCESS HAS BEEN LIMITED SO THAT IT SHALL NOT CONSTITUTE A GENERAL ADVERTISEMENT OR GENERAL SOLICITATION (AS THOSE TERMS ARE USED IN REGULATION D UNDER THE SECURITIES ACT) OR DIRECTED SELLING EFFORTS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) IN THE UNITED STATES OR ELSEWHERE. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be outside of the U.S. (within the meaning of Regulation S under the Securities Act). This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to the Joint Managers and the Issuer that (1) you are outside of the U.S., the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not located in the U.S. (2) you consent to delivery of such Offering Circular by electronic transmission, (3) you (and any nominee and any person on whose behalf you are subscribing for the securities to which the attached offering circular relates) are not a “connected person” (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of the issuer, which includes but is not limited to any director, chief executive or substantial shareholder of the issuer or any of its respective subsidiaries or any associate of any of them within the meaning of the Listing Rules, and (4) you (and any nominee and any person on whose behalf you are subscribing for the securities to which the attached offering circular relates) are, and will immediately after completion of the offering of such securities be, independent of and not acting in concert with, any of such connected persons in relation to the control of the issuer.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriter or any affiliate of the underwriter is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Credit Suisse (Hong Kong) Limited and CLSA Limited (the “**Joint Managers**” or “**Joint Bookrunners**”) nor XD Inc. (the “**Issuer**” or the “**Company**”) (in this Offering Circular, all references to “Group”, “the Group” and “the Company” refer to the Issuer and, as the context requires, its subsidiaries and its Consolidated Affiliated Entities (as defined below)) nor any person who controls the Joint Managers, the Issuer, nor any director, officer, employee or agent of the Joint Managers, the Issuer or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Managers.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

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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

Issue Price: 100%

The 1.25 per cent. convertible bonds due 2026 in the aggregate principal amount of US\$280,000,000 (the “Bonds”) will be issued by XD Inc. (the “Issuer” or the “Company”). The issue price will be 100 per cent. of the aggregate principal amount of the Bonds.

The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(A) (*Negative Pledge*) of the Terms and Conditions of the Bonds (the “Terms and Conditions” or the “Conditions”)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the Conditions, at all times rank at least equally with all of its other present and future senior, unsecured and unsubordinated obligations.

Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 23 May 2021 up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on the seventh day prior to 12 April 2026 (the “Maturity Date”) (both days inclusive) into fully paid ordinary shares with a nominal value of US\$0.0001 each of the Company (the “Shares”) at an initial conversion price of HK\$63.45 per Share. The conversion price is subject to adjustment in the circumstances described under “Terms and Conditions of the Bonds — Conversion”.

The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.25 per cent. per annum (the “Interest Rate”), payable semi-annually in arrear in equal instalments of US\$6.25 per Calculation Amount (as defined in the Terms and Conditions) on 12 April and 12 October in each year.

Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions, the Issuer will redeem each Bond at its principal amount, together with accrued and unpaid interest thereon, on the Maturity Date. The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with the Terms and Conditions and in writing to the Trustee and the Principal Agent (which notice shall be irrevocable), on the Tax Redemption Date (as defined in the Terms and Conditions), at their principal amount together with interest accrued but unpaid up to but excluding the date of redemption in the event of any change in, or amendment to, the laws or regulations of the PRC, Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 31 March 2021, subject to the non-redemption option of each holder after the exercise by the Issuer of its tax redemption option as described in the Terms and Conditions. The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time (i) after 26 April 2024 but prior to the Maturity Date, provided that the Closing Price (as defined in the Terms and Conditions) of the Shares of the Company, translated into U.S. dollars at the Prevailing Rate (as defined in the Terms and Conditions) applicable to the relevant Trading Day (as defined in the Terms and Conditions), for 20 out of 30 consecutive Trading Days (as defined in the Terms and Conditions) prior to the date upon which notice of such redemption is published was at least 130 per cent. of the Conversion Price then in effect (translated into U.S. dollars at the Fixed Exchange Rate (as defined in the Terms and Conditions)) or (ii) if prior to the date the relevant Optional Redemption Notice (as defined in the Terms and Conditions) is given, Conversion Rights (as defined in the Terms and Conditions) shall have been exercised and/or purchased (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued, the Bonds at their principal amount together with accrued but unpaid interest to but excluding the Optional Redemption Date (as defined in the Terms and Conditions). The holder of each Bond will also have the right, at such holder’s option, to require the Issuer to redeem all or some only of such holder’s Bonds, on the Relevant Event Redemption Date (as defined in the Terms and Conditions), at their principal amount together with interest accrued up to but excluding the date of redemption, following the occurrence of a Relevant Event (as defined in the Terms and Conditions). The holder of each Bond shall have the right to require the Issuer to redeem all or some only of such holder’s Bonds on 12 April 2024 at its principal amount. See “Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation”.

PRIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); and/or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Application will be made to the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) for (i) the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”)) (the “Professional Investors”) only; and (ii) the listing of, and permission to deal in, the Shares issuable on conversion of the Bonds, and such permissions are expected to become effective on 13 April 2021 and when such Shares are issued, respectively. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Company confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Company confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange in not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer, or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Investors should be aware that the Bonds are unsecured, there are risks attached to the exercise of Conversion Rights of the Bonds, and there are various other risks relating to the Bonds and the Issuer and the Group, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds.

Investing in the Bonds and the Shares involves certain risks. See “Risk Factors” beginning on page 19 for a discussion of certain factors to be considered in connection with an investment in the Bonds and the Shares.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and, or other securities laws and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”). For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see “Transfer Restrictions”.

The Bonds will be represented by beneficial interests in a global certificate (the “Global Certificate”) in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about 12 April 2021 (the “Issue Date” or “Closing Date”) with, a common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

The Bonds are not intended to be initially placed and may not be initially placed to “connected persons” of the Issuer as defined in the Listing Rules (“Connected Persons”). Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer and Credit Suisse (Hong Kong) Limited and CLSA Limited (the “Joint Managers”) that it is not a Connected Person of the Issuer, and will not after completion of the subscription of the Bonds be a Connected Person of the Issuer. Each prospective investor will be deemed to have agreed with the Issuer and the Joint Managers that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission (the “SFC”), disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties.

Joint Bookrunners and Joint Managers



Offering Circular dated 31 March 2021

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IMPORTANT INFORMATION

This Offering Circular is strictly confidential. The Offering Circular is being furnished in connection with an offering exempt from the registration requirements of the Securities Act, solely for the purpose of enabling a prospective investor to consider the purchase of the Bonds as described herein. You are reminded that the information in this Offering Circular is not complete and may be changed. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Bonds. You may not copy, reproduce or distribute this Offering Circular, in whole or in part, and may not disclose any content or use any information in this Offering Circular for any purpose other than considering an investment in the Bonds. By accepting delivery of this Offering Circular, you agree to the foregoing.

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offering of the Bonds described herein. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time) for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

You should rely only on the information contained in this Offering Circular. The Issuer has not, and the Joint Managers have not, authorized any other person to provide you with any other information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Offering Circular is accurate only as of the date on the front cover of this Offering Circular or otherwise as of the date specifically referred to in connection with the particular information. The Issuer's business, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the Issuer's affairs since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The Issuer, having made all reasonable inquiries, confirm that this Offering Circular contains all information with respect to the Issuer, the Group and the Bonds, which are convertible into the Shares, which is material in the context of the issue and offering of the Bonds, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions. The Issuer accepts responsibility accordingly. Statements

contained in this Offering Circular as to the contents of any agreement or other document referred to in this Offering Circular may not set forth all of the terms and conditions of such agreements or other documents, and such statements are qualified by reference to the full text of each such agreement or other document. The Issuer has compiled all industry and market information and statistics contained in this Offering Circular from various published and private sources, which may be inconsistent with other information compiled elsewhere. Neither the Issuer nor the Joint Managers, have independently verified the accuracy of any of such information and the Issuer accepts responsibility only for accurately extracting information from such sources.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Joint Managers, the Trustee and the Agents (each as defined in the “Terms and Conditions of the Bonds”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes.

The Bonds are offered in reliance upon certain exemptions from the registration requirements under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering in the United States. This Offering Circular is personal to you and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Bonds. In making a purchase of the Bonds, you will be deemed to have made the acknowledgments, representations and agreements provided in the section of this Offering Circular entitled “Transfer Restrictions.”

No person has been or is authorized to give any information or to make any representation concerning the Issuer, the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Joint Managers, the Trustee or the Agents. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the Issuer’s affairs, the affairs of the Group or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Managers, the Trustee or the Agents to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS —

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); and/or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS —

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification —

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

In making an investment decision regarding the Bonds, you must rely on your own examination of the Company and the terms of this offering, including the merits and risks involved. The contents of this Offering Circular are not to be considered as legal, business, financial or tax advice. You should consult your own counsel, accountants and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Bonds. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted,

by the Joint Managers, Trustee or the Agents or any of their respective affiliates, as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Issuer, the Group, the issue and offering of the Bonds or the Shares. None of the Joint Managers, the Trustee or the Agents has independently verified any of the information contained in this Offering Circular and none of them can give any assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Group, the Joint Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on any of the Joint Managers, the Trustee or the Agents or any person affiliated with any of the Joint Managers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Joint Managers, the Trustee or the Agents accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Managers, the Trustee, the Agents or the Registrar or on their behalf in connection with the Issuer, the Group, the issue and offering of the Bonds or the Shares. The Joint Managers, the Trustee or the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

None of the Joint Managers, the Trustee or the Agents undertakes to review the financial condition or affairs of the Issuer or the Group after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Joint Managers, the Trustee or the Agents. Except as otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industry or to the economic development of China have been extracted or derived from publicly available information and industry publications. Such information has not been independently verified by the Issuer, the Trustee, the Agents or the Joint Managers or by their respective directors and advisers, and none of the Issuer, the Group, the Trustee, the Agents, the Joint Managers or their respective directors and advisers make any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may have not been independently verified.

Each person receiving this Offering Circular acknowledges that: (i) such person has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Joint Managers, the Trustee or the Agents or any person affiliated with any of them in connection with any investigation of the accuracy of such information or its investment decision; (iii) no person has been authorized to give any information or to make any representation concerning the Group, the Bonds or the Shares (other than as contained herein and information given by the Issuer's duly authorized officers and employees in connection with investors' examination of the Group and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied

upon as having been authorized by the Issuer, the Joint Managers, the Trustee or the Agents; (iv) such person (and any nominee and any person on whose behalf such person is subscribing for the Bonds) is not a “connected person” (as defined in the Listing Rules) of the Issuer, which includes but is not limited to any director, chief executive or substantial shareholder of the Issuer or any of their respective subsidiaries or any associate of any of them within the meaning of the Listing Rules; and (v) such person (and any nominee and any person on whose behalf such person is subscribing for the Bonds) is, and will immediately after completion of the offering of the Bonds be, independent of and not acting in concert with, any of such connected persons in relation to the control of the Issuer.

The laws of some jurisdictions may restrict the distribution of this Offering Circular and the offer and sale of the Bonds or the Shares. To purchase the Bonds, you must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or resell the Bonds or possess this Offering Circular. You must also obtain any consent, approval or permission required for your purchase, offer or sale of the Bonds under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchase, offer or resale. None of the Issuer, the Joint Managers and their respective representatives is making any representation to you or any person regarding the legality of any investment in the Bonds, or the Shares, by you or any person under applicable legal investment or similar laws or regulations. This Offering Circular does not constitute an offer to sell to you or any person, or a solicitation of an offer from you or any person to buy any of the Bonds or the Shares, in any jurisdiction where it is unlawful to make such an offer or solicitation. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular:

- “**BVI**” means the British Virgin Islands.
- “**connected person(s)**” has the meaning ascribed to it under the Listing Rules.
- “**Contractual Arrangements**” are the series of contractual arrangements entered into by, among others, WFOE, X.D. Network and the Registered Shareholders, details of which are described in the section headed “Contractual Arrangements”.
- “**Controlling Shareholder(s)**” has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Huang and Happy Today Holding Limited.
- “**CSRC**” means the China Securities Regulatory Commission (中國證券監督管理委員會).
- “**Director(s)**” means the directors of the Company.
- “**Dream Network**” means The Dream Network Technology Co., Ltd. (上海駿夢網絡科技有限公司).
- “**EIT Law**” means the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) adopted by the National People’s Congress on March 16, 2007, and became effective on 1 January 2008 and amended on 24 February 2017 and on 29 December 2018.
- “**Foreign Investment Law**” means the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) adopted by the National People’s Congress on 15 March 2019 with effect from 1 January 2020.
- “**Gravity**” means GRAVITY Co., Ltd., a company established in South Korea on April 4, 2000 and listed on NASDAQ (ticker symbol: GRVY).
- “**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China.
- “**IFRS**” means the International Financial Reporting Standards, which include standards and interpretations as issued from time to time by the International Accounting Standards Board.

- **“Implementation Programme”** means the Implementation Programme on Comprehensive Prevention and Control of Juveniles Myopia (《綜合防控兒童青少年近視實施方案》) released by eight PRC government authorities at national government level, including NAPP and the Ministry of Education on August 30, 2018.
- **“Longcheng”** means Shanghai Longcheng Network Technology Co., Ltd. (上海龍成網絡科技有限公司).
- **“MIIT”** means the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部).
- **“MOC”** and **“MCT”** means the Ministry of Culture of the PRC (中華人民共和國文化部), which is reformed and known as the Ministry of Culture and Tourism (中華人民共和國文化和旅遊部) since March 2018.
- **“MOFCOM”** means the Ministry of Commerce of the PRC (中華人民共和國商務部).
- **“NAPP”** means the National Administration of Press and Publication (國家新聞出版總署).
- **“NDRC”** means the National Development and Reform Commission (中華人民共和國發展與改革委員會) of the PRC.
- **“NEEQ”** means the National Equities Exchange and Quotations (全國中小企業股份轉讓系統).
- **“Negative List”** means the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019 Edition) (外商投資准入特別管理措施(負面清單)(2019年版)).
- **“New Anti-addiction Notice”** means the Notice on Preventing Minors from Indulging in Online Games (《關於防止未成年人沉迷網絡遊戲的通知》) issued by NAPP on October 25, 2019, which took effect from November 1, 2019.
- **“PBOC”** means the People’s Bank of China (中國人民銀行).
- **“PRC”** or **“China”** and **“mainland China”** means the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan).
- **“PRC Consolidated Affiliated Entities”** means the entities the Company controls through the Contractual Arrangements, namely X.D. Network and its respective subsidiaries.

- “**Ragnarok M**” means Ragnarok M: Eternal Love (仙境傳說：守護永恆的愛).
- “**Registered Shareholders**” means the shareholders of X.D. Network.
- “**Reorganisation**” means the offshore and onshore reorganisation of the Group in January 2019 in preparation for the listing of the Company on the Stock Exchange of Hong Kong.
- “**RSU Scheme**” means the restricted share unit scheme of the Company adopted on 3 June 2019.
- “**SAFE**” means the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局).
- “**SAIC**” means the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which is reformed and known as the State Administration of Market Regulation of the PRC (中華人民共和國市場監督管理總局) since 21 March 2018.
- “**SAT**” or “State Administration of Taxation” means the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局).
- “**Share(s)**” means the ordinary shares in the share capital of the Company with a par value of US\$0.0001.
- “**Shareholder(s)**” means holder(s) of the Company’s Shares.
- “**United States**” or “**U.S.**” means the United States of America.
- “**VAT**” means the PRC value-added tax.
- “**WFOE**” or “**XD Interactive**” means XD Interactive Entertainment Co., Ltd. (心動互動娛樂有限公司), a wholly foreign-owned enterprise established in the PRC on June 6, 2019 by XD (HK) Limited, an indirect wholly-owned company of the Company.
- “**X.D. Network**” means 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 the Company’s PRC Consolidated Affiliated Entity.
- “**Yiwan**” means 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 the Company’s PRC Consolidated Affiliated Entity.

In this Offering Circular, the technical terms have the following meanings:

- “ACT” means action game, which emphasises physical challenges where real-time hand-eye coordination is usually required and usually include a series of subdivisions, such as shooting games, platform games and battle arena games.
- “Android” is a mobile operating system developed and maintained by Google Inc. used in smartphones and tablets.
- “App Store” is a digital distribution platform operated and developed by Apple Inc., which is the official app store for the iOS operating system.
- “ARPG” means action role-playing game, which incorporates elements of action or action-adventure games and normally has real-time combat system rather than turn-based or menu-based combat system.
- “ARPPU” means average revenue per month per paying user, which represents the revenue recognised for a particular game or all of the Company’s games, as applicable, in the period divided by the number of paying users of the game or all of the Company’s games, as applicable, in such period.
- “CAGR” means compound annual growth rate.
- “CCG” means collective card games, in which players acquire cards into a personal collection from which they create customized decks of cards and challenge other players in matches by strategically crafting customized decks that play to synergies of card combinations.
- “CPA” means cost per acquisition, also known as cost per action, which refers to an online advertising pricing model where the advertiser pays for a specified acquisition, for example a sale, click, or form submit.
- “CPS” means cost per sale, which refers to an online advertisement pricing model where the advertiser pays on the basis of the number of sales that are directly generated by an advertisement.
- “DAUs” means daily active users, which measures the stickiness of an online product by measuring how many unique product users visit the product daily.
- “Google Play” is a digital distribution platform operated and developed by Google LLC. It serves as both the official app store for the Android operating system, and a digital media store offering music, books, movies, and television programs.

- “iOS” is a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple devices, such as iPhones and iPads.
- “MAUs” means monthly active users, which refers to the number of users who log into a particular game or all of the Company’s games, as applicable, in the relevant calendar month for games, and refers to the number of users who access the TapTap mobile app in the relevant calendar month for TapTap, both of which include multiple accounts held by one single user. Average MAUs for a particular period are calculated by dividing the aggregate of the MAUs during that period by the number of months of that period.
- “MMORPG” means massively multiplayer online-role-playing games.
- “MPUs” means monthly paying users, which refers to the number of paying users in the relevant calendar month in the Company’s games.
- “nijigen” is a Romanised Japanese word which literally means second dimension, which refers in particular to anime, manga and video games, or the fictional world or characters created in such works.
- “PC” means personal computer.
- “RPG” means role-playing games, which refers to games that involve a large number of users who interact with each other in an evolving fictional world; each user adopts skill sets (such as melee combat or casting magic spells) and controls the avatars’ actions; there are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the users, and the storyline continuously evolves even while the users are offline and away from the games.
- “SLG” means simulation games, which refers to, in a broad sense, games designed to closely simulate aspects of real-world activities and, in a narrow sense and for purpose of this prospectus, turn-based strategy games.

The term “**Issuer**” and “**Company**” refers to XD Inc., and the term “**Group**” refers to the Company and its subsidiaries taken as a whole.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications (“**Third Party Information**”). Although the Group believes this information to be reliable, it has not been independently verified by the Group, the Joint Managers or the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates, and neither the Group, the Joint Managers, the Trustee or the Agents nor any of their respective directors, officers, employees, agents, advisers, representatives or affiliates make any representation as to the accuracy or completeness of Third

Party Information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of the Group and the terms of the offering and the Bonds, including the merits and risks involved.

The statistics set forth in this Offering Circular relating to the PRC and the gaming industry in the PRC were taken or derived from various government and private publications. None of the Joint Managers, the Trustee and the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates do not make any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

In this Offering Circular, all references to “**U.S.\$**” and “**U.S. dollars**” are to United States dollars; all references to “**HK\$**” and “**H.K. dollars**” are to Hong Kong dollars, the official currency of Hong Kong; and all references to “**RMB**” or “**Renminbi**” are to Renminbi, the official currency of the PRC. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be exchanged into Renminbi at those rates or any other rate at all.

The Group records and publishes its financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.5250 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 31 December 2020, and all translations from HK dollars into U.S. dollars were made at the rate of HK\$7.7534 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on 31 December 2020. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “*Exchange Rate Information*”.

In this Offering Circular, the English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations or transliterations of their Chinese names and are included for identification purposes only.

INCORPORATION BY REFERENCE

The audited consolidated financial statements of the Group (including the notes thereto) which are contained in pages 66 to 143 of the annual report of the Company as at and the year ended 31 December 2019, and pages 12 to 29 of the annual results announcement of the Company as at and for the year ended 31 December 2020 (the “**Annual Financial Statements**”) are incorporated by reference in this Offering Circular. Copies of the Annual Financial Statements are available and may be downloaded free of charge from the website of the Hong Kong Stock Exchange at www.hkex.com.hk. The Annual Financial Statements have been prepared and presented in accordance with the International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board and have been audited by PricewaterhouseCoopers in accordance with International Standards on Auditing (“**ISAs**”) issued by the International Auditing and Assurance Standards Board (the “**IAASB**”).

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements that state the Issuer's or the Group's beliefs, expectations or predictions for the future that are, by their nature, subject to significant risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:

- the Group's operations and business prospects;
- the Group's business and operating strategies and the Group's ability to implement such strategies;
- the Group's ability to develop and manage the Group's operations and business;
- the Group's ability to maintain or increase utilization of the Group's facilities;
- the Group's capital expenditure programs and future capital requirements;
- the Group's future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel;
- the Group's ability to control costs;
- the Group's dividend policy;
- general economic conditions;
- the actions and developments of the Group's competitors;
- changes to regulatory and operating conditions in the industry and geographical markets in which the Issuer operates; and
- other factors beyond the Group's control.

When used herein, the words "aim," "anticipate," "believe," "can," "could," "estimate," "expect," "going forward," "intend," "may," "ought to," "plan," "potential," "project," "prospects," "seek," "should," "sustain," "will," "would" and similar expressions, as they relate to the Issuer and the Group, are intended to identify these forward looking statements. All statements (other than statements of historical facts included in this Offering Circular), including statements regarding the Group's strategy, plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements reflect the current views of the

Group's management as of the date of this Offering Circular with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described under "*Risk Factors*" and elsewhere in this Offering Circular. One or more of these risks or uncertainties may materialize, or the underlying assumptions may prove to be incorrect. Actual results and events may differ materially from information contained in the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, the Group's results of operations and financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by the Issuer or the Group that the Issuer's or the Group's plans and objectives will be achieved or realized.

Subject to the requirements of applicable laws, the Issuer undertakes no obligation to update or otherwise revise any forward-looking statements contained in this Offering Circular, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Offering Circular might not occur in the way the Issuer expects or at all. All forward-looking statements contained in this Offering Circular are qualified by reference to this cautionary statement.

SUMMARY

This summary aims to give you an overview of the information contained in this Offering Circular. As it is a summary, it does not contain all the information that may be important to you. You should read this entire Offering Circular carefully, including the “Risk Factors” section and the financial statements and related notes.

Overview

The Group is a national and international game developer and operator of quality games, with a diverse portfolio of games across different genres. TapTap, which was co-founded by the Group in 2016, is the largest by MAU and fast-growing online game community and platform in China.

Leveraging the Group’s deep understanding of gamers’ needs for high-quality games and the Group’s insights in latest market trends, the Group has been able to consistently develop and operate popular games in China, such as Ragnarok M, Shen Xian Dao (HD) (神仙道高清重製版), Girls’ Frontline (少女前線), Heng Sao Qian Jun (橫掃千軍), Sausage Man (香腸派對), and Ulala (不休的烏拉拉). As of 31 December 2020, the Group had 33 online games and 13 premium games in operation, comprising many popular games in the major game genres of RPG, CCG, SLG, battle arena game and placement game. In addition, the Group has strong in-house games development capabilities and develops games in-house.

For the years ended 31 December 2018, 2019 and 2020, the Group’s revenue was RMB1,887.1 million, RMB2,838.1 million and RMB2,847.6 million respectively. The Group’s revenue from game business contributed 84.4%, 83.8% and 81.9%, respectively, and revenue from information service business, comprising primarily online marketing services provided by TapTap, contributed 15.6%, 16.2% and 18.1%, respectively, to total revenue during the same periods. In addition, for the years ended 31 December 2018, 2019 and 2020, the Group’s profit for the year was RMB352.7 million, RMB513.4 million and RMB55.8 million, respectively.

The Group’s Strengths

The Group believes the following competitive strengths contribute to the Group’s success and position them for continued growth:

- Proven track record of developing and operating popular games;
- Vibrant and engaging game development ecosystem and platform;
- Established overseas game publishing and operating capabilities;
- Excellent game development and data analytics capabilities; and

- Experienced management team dedicated to innovation.

The Group's Strategies

The Group intends to pursue the following strategies to further grow the Group's business:

- Further enhance the Group's game portfolio;
- Increase active user base and engagement of TapTap;
- Deepen overseas operations;
- Upgrade information infrastructure and technology; and
- Seek strategic investments and acquisitions.

THE OFFERING

*The following is a general summary of the terms of the offering of the Bonds. This summary is partly derived from, and should be read in conjunction with, the full text of the Terms and Conditions (see “**Terms and Conditions of the Bonds**”), the Trust Deed and the Agency Agreement (both terms as defined in the “**Terms and Conditions of the Bonds**”) relating to the Bonds. The Conditions, the Trust Deed and the Agency Agreement will prevail to the extent of any inconsistency with the terms set out in this summary. Defined terms used in this summary that are not defined herein shall have the meanings accorded to them in the Conditions.*

Issuer	XD Inc.
Issue	US\$280,000,000 1.25 per cent. convertible bonds due 2026
Shares	Ordinary shares of US\$0.0001 each in the share capital of the Issuer.
Issue Price	100 per cent. of the principal amount of the Bonds.
Form and Denomination of the Bonds	The Bonds are issued in registered form in the denomination of US\$200,000 each and integral multiples of US\$1,000 in excess thereof. The Bonds will upon issue be initially represented by the Global Certificate which will, on the Issue Date, be deposited with, and registered in the name of a nominee of, a common depository for Euroclear SA/NV and Clearstream Banking S.A.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 12 April 2021 at the rate 1.25 per cent. per annum, payable semi-annually in arrear in equal instalments of US\$6.25 per Calculation Amount (as defined in the Terms and Conditions) on 12 April and 12 October in each year. See “ <i>Terms and Conditions of the Bonds — Interest</i> ”.
Issue Date	12 April 2021.
Maturity Date	12 April 2026.

Negative Pledge. So long as any Bond remains outstanding, the Issuer will not, and will ensure that none of its Principal Subsidiaries (as defined in the Terms and Conditions) will, create, permit to subsist or arise or have outstanding, any mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person or any other arrangement with similar economic effect upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined in the Terms and Conditions), or any guarantee or indemnity in respect of any Relevant Indebtedness (as defined in the Terms and Conditions) without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness (as defined in the Terms and Conditions), guarantee or indemnity equally and rateably or such other security as shall be approved by an Extraordinary Resolution of the Bondholders. See “*Terms and Conditions of the Bonds — Covenants — Negative Pledge*”.

Status of the Bonds The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(A) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. See “*Terms and Conditions of the Bonds — Status*”.

Taxation. All payments of principal and interest made by or on behalf of the Issuer under or in respect of the Bonds or the Trust Deed will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, the PRC or Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer shall pay Additional Tax Amounts (as defined in the Terms and Conditions) as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required, except in circumstances specified in Condition 9 of the Terms and Conditions. See “*Terms and Conditions of the Bonds — Taxation*”.

Conversion Price The Conversion Price will initially be HK\$63.45 per Share, which will be subject to adjustments for, among other things, capitalisation of profits and reserves, capital distributions, rights issues, consolidation, subdivision, redesignation and reclassification of Shares, issuance of options, rights, warrants, further convertible or exchangeable bonds or Shares at beyond a certain discount to current market price and certain other dilutive events. See “*Terms and Conditions of the Bonds — Conversion — Adjustments to Conversion Price*”.

Conversion Right and Period Subject to and upon compliance with the Terms and Conditions, the Conversion Right (as defined in the Terms and Conditions) attaching to any Bond may be exercised, at the option of the holder thereof, at any time on or after 23 May 2021 (i) up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the seventh day prior to the Maturity Date (both days inclusive) (but, except as provided in Condition 6(A)(iv) and Condition 10 of the Terms and Conditions, in no event thereafter) or (ii) if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 15 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or (iii) if notice requiring redemption has been given by the relevant holder of such Bond pursuant to Condition 8(D) or Condition 8(E) of the Terms and Conditions, then up to the close of business (at the place aforesaid) on the business day prior to the giving of such notice in respect of the Bonds held by such holder of the Bonds. See “*Terms and Conditions of the Bonds — Conversion — Conversion Right*”.

Redemption at Maturity Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions of the Bonds, the Issuer will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on the Maturity Date. See “*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Maturity*”.

Redemption for Taxation Reasons . . . The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 17 of the Terms and Conditions and in writing to the Trustee and the Principal Agent (which notice shall be irrevocable) on the Tax Redemption Date (as defined in the Terms and Conditions), at their principal amount together with interest accrued but unpaid up to (but excluding) the redemption date (if any), if immediately prior to the giving of such notice, the Issuer determines and certifies to the Trustee (i) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC, the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 31 March 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice (as defined in the Terms and Conditions) shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts (as defined in the Terms and Conditions) were a payment in respect of the Bonds then due. See "*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Taxation Reasons*".

Bondholders' Tax Option If the Issuer exercises its tax redemption right, each Bondholder shall have the right to elect that its Bonds shall not be redeemed. Upon a Bondholder electing not to have its Bonds redeemed in such circumstances, any payments due after the relevant date shall be made subject to any deduction or withholding of any tax required to be withheld or deducted. See "*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Bondholders' Tax Option*".

Redemption at the Option of the Issuer On giving not less than 30 nor more than 60 days' notice to the Bondholders and to the Trustee and the Principal Agent in writing (which notice will be irrevocable), the Issuer may redeem all, but not some only, of the Bonds on the date specified in the Optional Redemption Notice (as defined in the Terms and Conditions) at their principal amount together with interest accrued to (but excluding) such date (if any), (i) at any time after 26 April 2024 but prior to the Maturity Date, provided that the Closing Price of the Shares of the Issuer, translated into U.S. dollars at the Prevailing Rate (as defined in the Terms and Conditions) applicable to the relevant Trading Day (as defined in the Terms and Conditions), for 20 out of 30 consecutive Trading Days prior to the date upon which notice of such redemption is published was at least 130 per cent. of the Conversion Price then in effect (translated into U.S. dollars at the Fixed Exchange Rate (as defined in the Terms and Conditions)) or (ii) at any time if, immediately prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchased (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 15 of the Terms and Conditions and consolidated and forming a single series therewith). See "*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption at the Option of the Issuer*".

Redemption at the Option of the Bondholders On 12 April 2024, each Bondholder will have the right to require the Issuer to redeem all or some only of the Bonds of such Bondholder at 100 per cent. of their principal amount together with interest accrued but unpaid up to (but excluding) the date fixed for redemption upon giving notice (together with the Certificate evidencing the Bonds to be redeemed) not more than 60 days and not less than 30 days prior to 12 April 2024. See “*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption at the Option of the Bondholders*”.

Redemption for Relevant Event Each Bondholder shall have the right, at such holder’s option, to require the Issuer to redeem all or some only of such Bondholder’s Bonds on the Relevant Event Redemption Date (as defined in the Terms and Conditions) at their principal amount together with interest accrued but unpaid up to (but excluding) such date.

A “**Relevant Event**” occurs:

- (i) when the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange (as defined in the Terms and Conditions); or
- (ii) when there is a Change of Control (as defined in the Terms and Conditions); or
- (iii) when less than 25 per cent. of the Issuer’s total number of issued Shares are held by the public (as interpreted under LR8.24 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited); or

(iv) when (a) there is any change in or amendment to the laws, regulations and rules of the PRC or the official interpretation or official application thereof (a “**change in law**”) that results in (x) the Issuer, its Subsidiaries and its consolidated affiliated entities (collectively, the “**Group**”) (as in existence immediately subsequent to such change in law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Group (as in existence immediately prior to such change in law) as of the last date of the period described in the Issuer’s consolidated financial statements for the most recent fiscal year or half year and (y) the Issuer being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such change in law) in the same manner as reflected in the Issuer’s consolidated financial statements for the most recent fiscal year or half year and (b) the Issuer has not furnished to the Trustee, prior to the date that is twelve months after the date of the change in law, an opinion from an independent financial adviser or an independent legal counsel addressed to the Trustee stating either (x) that the Issuer is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such change in law), taken as a whole, as reflected in the Issuer’s consolidated financial statements for the most recent fiscal year or half year (including after giving effect to any corporate restructuring or reorganization plan of the Group) or (y) that such change in law would not materially adversely affect the Issuer’s ability to make principal and interest payments on the Bonds when due or to convert the Bonds in accordance with the Terms and Conditions.

See “*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Relevant Event*”.

Events of Default.	If any of the events set out in “ <i>Terms and Conditions of the Bonds — Events of Default</i> ” occurs, the Trustee at its discretion may, and if so requested in writing by the Bondholders holding not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (subject in any such case to being indemnified and/or secured and/or prefunded by the Bondholders to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at its principal amount together with interest accrued but unpaid up to (but excluding) the date of payment. See “ <i>Terms and Conditions of the Bonds — Events of Default</i> ”.
Share Ranking	The Shares to be issued upon exercise of Conversion Rights will be fully paid and will in all respects rank pari passu with the fully paid Shares in issue on the relevant Registration Date. Save as set out in the Terms and Conditions of the Bonds, a holder of Shares issued on conversion of the Bonds shall not be entitled to receive any rights, the record date for which falls prior to the relevant Registration Date. See “ <i>Terms and Conditions of the Bonds — Conversion</i> ”.
Further Issues	The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for the making of the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the Bonds. See “ <i>Terms and Conditions of the Bonds — Further Issues</i> ”.
Clearance.	The Bonds will be cleared through Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders.

Governing Law	The Bonds and any non-contractual obligations arising out of or in connection with them will be governed by and will be construed in accordance with English law.
Jurisdiction	The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds.
Securities Lending Agreement	Happy Today Holding Limited, an existing shareholder of the Issuer (the “ Lender ”), has entered into (i) a securities lending contract with Credit Suisse AG, Singapore Branch (the “ Borrower ”) dated 17 March 2021 and (ii) a letter agreement authorising stock borrow dated 31 March 2021 (collectively, the “ Securities Lending Agreement ”), pursuant to which the Lender will lend, in aggregate, 27,800,000 fully paid, ordinary shares in the Issuer to the Borrower, for the purposes of facilitating stock lending by the Borrower and/or its affiliates to investors in the Bonds.
Legal Entity Identifier	655600SO97YJOKFJGL95
ISIN	XS2327118928
Common Code	232711892
Listing and Trading of the Bonds and the Shares	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds to Professional Investors only and formal permission is expected to become effective on or about 13 April 2021. The Shares are listed on the Hong Kong Stock Exchange. Application will be made to the Hong Kong Stock Exchange for the listing of the Shares issuable upon conversion of the Bonds.
Trustee	The Bank of New York Mellon, London Branch
Principal Agent	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch
Conversion Agent	The Bank of New York Mellon, London Branch

Selling Restrictions	There are restrictions on the offer, sale and transfer of the Bonds in, among others, the United States, the United Kingdom, Hong Kong, Singapore, Japan, the PRC, the European Economic Area and the Cayman Islands.
Global Certificate	For as long as the Bonds are represented by the Global Certificate and the Global Certificate is deposited with a common depository, payments of principal and interest in respect of the Bonds represented by the Global Certificate will be made without presentation and, if no further payment falls to be made in respect of the Bonds, against surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to Bondholders for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant clearing system.
Use of Proceeds.	For a description of the use of proceeds of this Offering, see “ <i>Use of Proceeds</i> ”.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see “ <i>Risk Factors</i> ”.

Issuer Lock-up. Subject to certain exceptions, the Issuer has agreed in the Subscription Agreement that neither the Issuer, any member of the Group or any person acting on their behalf will (i) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds or the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (iii) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (i), (ii) or (iii) is to be settled by delivery of Shares or other securities, in cash or otherwise or (iv) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Managers between the date of the Subscription Agreement and the date which is 90 calendar days after the Issue Date (both dates inclusive).

Shareholder Lock-up Subject to certain exceptions, each of Happy Today Holding Limited and Kros Dai Inc. has agreed that neither it nor any companies or their subsidiaries over which it exercises direct or indirect management or voting control, nor any person acting on its or their behalf will, for a period commencing from the date of the Subscription Agreement to 90 calendar days after the Issue Date, without the prior written consent of the Joint Managers, (i) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Lock-up Shares (as defined in the Subscription Agreement) or securities of the same class as the Lock-up Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Lock-up Shares or securities of the same class as Lock-up Shares or other instruments representing interests in Lock-up Shares or other securities of the same class as them, (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of Lock-up Shares, (iii) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (i), (ii) or (iii) is to be settled by delivery of Lock-up Shares or other securities, in cash or otherwise or (iv) announce or otherwise make public an intention to do any of the foregoing.

Strategic Equity Placement Concurrent with the offering of the Bonds, the Issuer proposes to enter into an equity placement 26,318,000 ordinary shares of the Issuer at a placement price of HKD42.38 with Bilibili Inc. and Taobao China Holding Limited (the “**Strategic Equity Placement**”). The Strategic Equity Placement will be conducted concurrently with the offering of the Bonds but the completion of the issuance of the Bonds and the Strategic Equity Placement are not inter-conditional.

SUMMARY FINANCIAL INFORMATION

The summary financial information set forth below has been extracted from the Group's audited consolidated financial statements as at and for the year ended 31 December 2019 as well as the annual results announcement of the Company as at and for the year ended 31 December 2020 (the "Annual Financial Statements"). The Annual Financial Statements have been audited by PricewaterhouseCoopers. The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant published consolidated financial statements of the Group, including the notes thereto, incorporated by reference in this Offering Circular. The Group's Annual Financial Statements are prepared and presented in accordance with International Financial Reporting Standards ("IFRS").

During the year ended 31 December 2020, the Group has applied the following new and amendments to IFRS: Amendments to IAS 1 and IAS 8, Amendments to IFRS 3, Amendments to IFRS 16, Amendments to IFRS 9, IAS 39 and IFRS 7. Details of the changes are set out in note 2 of the Group's audited financial information extracted from the annual results announcement of the company as at and for the year ended 31 December 2020.

Summary Consolidated Income Statements

For the years ended 31 December

	2018	2019	2020
		<i>(Audited)</i> <i>(RMB'000)</i>	
Revenues	1,887,108	2,838,097	2,847,553
Cost of revenues	(776,309)	(1,066,320)	(1,315,525)
Gross profit	1,110,799	1,771,777	1,532,028
Selling and marketing expenses	(447,989)	(745,101)	(633,394)
Research and development expenses	(197,780)	(317,596)	(657,506)
General and administrative expenses	(107,315)	(202,692)	(179,916)
Net impairment losses on financial assets . .	(299)	(1,889)	(1,624)
Fair value changes on investments measured at fair value through profit or loss	(3,351)	8,186	(1,426)
Other income	8,141	12,426	26,166
Other gains/(losses), net	24,232	4,179	3,361
Operating profit	386,438	529,290	87,689
Finance income	4,993	8,319	15,505
Finance costs	(2,320)	(2,951)	(3,986)
Finance income, net	2,673	5,368	11,519
Share of results of investments accounted for using equity method	285	10,767	14,915
Impairment of investments accounted for using equity method	—	—	(7,137)
Profit before income tax	389,396	545,425	106,986
Income tax expense	(36,675)	(31,996)	(51,198)
Profit for the year	352,721	513,429	55,788
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
— Currency translation differences	12,980	7,999	(25,062)
<i>Items that may not be reclassified to profit or loss</i>			
— Currency translation differences	—	(592)	(96,170)
Total comprehensive income for the year.	365,701	520,836	(65,444)
Profit for the year attributable to:			
Equity holders of the Company	285,028	346,563	9,145
Non-controlling interests	67,693	166,866	46,643
	352,721	513,429	55,788
Total comprehensive income for the year attributable to:			
Equity holders of the Company	294,874	351,933	(103,896)
Non-controlling interests	70,827	168,903	38,452
	365,701	520,836	(65,444)
Earnings per share for profit for the year attributable to the equity holders of the Company			
Basic and diluted earnings per share (in RMB)	0.81	0.98	0.02

Summary Consolidated Balance Sheets

	As at 31 December		
	2018	2019	2020
		<i>(Audited)</i>	
		<i>(RMB'000)</i>	
ASSETS			
Non-Current assets			
Property, plant and equipment	45,553	86,938	112,592
Right-of-use assets	59,290	37,644	129,555
Intangible assets	192,175	198,938	199,322
Deferred tax assets	8,393	11,349	16,810
Investments accounted for using the equity method	44,305	52,800	66,326
Long term investments measured at fair value through profit or loss	33,687	29,918	23,670
Prepayments, deposits and other assets	64,966	74,156	26,713
	448,369	491,743	574,988
Current assets			
Trade receivables	449,070	406,143	299,161
Income tax prepayment	18,537	14,167	30,254
Prepayments and other assets	78,844	119,775	120,827
Short-term investments	156,647	497,363	—
Cash and cash equivalents	573,233	1,336,869	2,319,512
	1,276,331	2,374,317	2,769,754
Total assets	1,724,700	2,866,060	3,344,742
EQUITY			
Share capital	—	284	306
Share premium	—	5,357,114	6,095,544
Other reserves	755,457	(4,137,328)	(4,444,279)
Retained earnings	322,457	651,800	644,888
Equity attributable to equity holders of the Company	1,077,914	1,871,870	2,296,459
Non-controlling interests	264,646	414,660	283,667
Total equity	1,342,560	2,286,530	2,580,126
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	1,894	2,135	1,621
Lease liabilities	37,859	23,056	81,920
	39,753	25,191	83,541
Current liabilities			
Trade payables	101,275	200,845	164,560
Advance from customers	9,089	15,756	21,215
Other payables and accruals	83,872	151,705	239,968
Contract liabilities	90,921	99,321	128,546
Current Income tax liabilities	34,338	70,250	78,713
Lease liabilities	22,892	16,462	48,073
	342,387	554,339	681,075
Total liabilities	382,140	579,530	764,616
Total equity and liabilities	1,724,700	2,866,060	3,344,742

RISK FACTORS

Investing in the Bonds involves risks, and you should carefully consider the risks described below before making an investment decision. The following describes some of the significant risks that could affect the Issuer, the Group and the value of the Bonds. Some risks may be unknown to the Issuer, the Group and other risks, currently believed to be immaterial, could be material. All of these could materially and adversely affect the Issuer's or the Group's business, financial condition, results of operations and prospects. The market price of the Bonds could decline due to any of these risks and investors may lose all or part of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Issuer's or the Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks the Issuer faces described below and elsewhere in this Offering Circular. In addition, you should also carefully consider all of the information.

RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

The global economy is facing significant uncertainties and disruptions caused by COVID-19.

The World Health Organization declared the outbreak of COVID-19 to be a global epidemic. As a result of widespread infection in the world, many countries, including the PRC, Japan, the United States, members of the European Union and the United Kingdom, declared a state of emergency and imposed extensive business and travel restrictions with a view to containing the pandemic, and there is no assurance that such measures will be, or will continue to be, effective.

Governments and central banks around the globe have introduced, or are planning to introduce, fiscal and monetary stimulus measures including tax cuts, direct subsidies, rate cuts, bond repurchase programmes and suspension or relaxation of prudential bank capital requirements. A number of governments have revised their GDP growth forecasts downward for 2020 in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the outbreak of COVID-19 may cause a prolonged global economic crisis or recession, which may in turn adversely affect the Group's business. There is no assurance that the outbreak will not lead to a decline in demand for the Group's services. In addition, the PRC regulators have promulgated a series of measures to encourage PRC financial institutions to increase financial support to business and consumers to combat the challenges arising from the COVID-19 pandemic. In June 2020, the State Council of the PRC called on financial institutions to make available RMB1.5 trillion of profit for the year ended 31 December 2020 for the benefit of enterprises in response to the outbreak of COVID-19, through offering lower interest rates, cutting fees, deferring loan repayments, and granting more unsecured loans to small businesses. However, there is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering their policy objectives or be successful in containing the economic impact of the pandemic or in stabilising the markets.

In light of the significant uncertainties the global economy is facing and the significant volatilities the global financial markets are experiencing, the Group's business operations and financial condition may be adversely affected.

If the Group fails to maintain and grow its user base or keep its gamers engaged through its games, its growth and business may not be sustainable.

For the Group's business to achieve sustainable growth, the Group must continuously make strong efforts to attract new gamers, retain existing gamers and ultimately improve the monetisation of its games. This requires that the Group continually launch popular games and release updates of its existing games to keep gamers engaged.

The success of user monetization largely depends on the Group's ability to continue to retain and expand its user base and convert more registered users into paying users. Releasing new games or version updates can help retain and expand the Group's user base. However, developing new games may involve going through many iterations and suffering setbacks. Therefore, the Group may not be able to formulate accurate plans for game development. Gamers might lose faith in the Group because of unexpected delays in releasing new games. In addition, despite the Group's efforts in sourcing and developing high-quality games, there can be no assurance that the games it launches will gain popularity within a short period of time. If a new game does not gain commercial success and the Group fails to introduce additional games or updates in a timely manner to maintain its user base, the Group's existing games would eventually lose popularity, resulting in a decline in the total number of its active users and paying users.

The Group also cannot guarantee that its existing games will sustain their current level of popularity. Gamers may lose interest in the Group's games over time, or they may not choose its games if they become outdated, and they may choose to play games offered by its competitors if they offer better games or gameplay experience.

As a result, the Group's user base may not increase at the rate the Group anticipates or at all, which may, in turn, materially and adversely affect its business, results of operations, financial condition and prospects.

A substantial amount of the Group's revenue is derived from sales of in-game virtual items, and failure to monetise effectively through this item-based revenue model may adversely affect the Group's business.

A majority of the Group's games are free to download and play, adopting an item-based revenue model. A relatively small fraction of users who play the Group's games within a certain period become paying users, which is consistent with the industry norms. The Group's sustainable revenue growth, therefore, depends in part on the Group's ability to effectively encourage more gamers to make or increase their in-game virtual item purchases. Spending in the Group's games is discretionary and gamers can be sensitive to price. The Group puts great effort into marketing and

pricing in-game virtual items to optimise user monetisation, which may not be as effective as expected. The Group might also fail to identify and introduce new and popular virtual items and price them appropriately.

In addition, this item-based revenue model may cease to be commercially viable. There can be no assurance that gamers will continue to accept this model. New revenue models may emerge given the rapidly evolving game industry and competitive landscape, which may force the Group's transition into such new models and the Group may experience difficulties in effectively adjusting to such new models. As a result, the Group's business, results of operations, financial condition and prospects may be materially and adversely affected.

The Group derived a substantial amount of revenue from a small number of popular games and a small group of high-spending gamers during the years ended 31 December 2018, 2019 and 2020.

The Group derived a significant amount of revenue from a small number of popular games in 2018, 2019 and 2020. The Group's revenue from the its top-five online games in terms of game operating revenue accounted for 75.6%, 77.1% and 67.3% for the years ended 31 December 2018, 2019 and 2020, respectively. In addition, the Group also faces concentration risk relating to certain of the Group's games. There is no guarantee that the Group will not lose those high-spending gamers or such gamers will maintain the same spending habit in Ragnarok M or other popular games in the future. If any of the foregoing happens, the Group's revenue from Ragnarok M or other popular games may decrease accordingly.

The Group expects its existing popular games to continue to contribute to a substantial portion of its revenue in the foreseeable future. However, the Group's top games may have a finite lifespan and may fall out of favour with gamers. There can be no assurance that the Group's efforts in enhancing existing popular games will sustain their current level of popularity and extend their life cycles, and any such decline may materially and adversely affect the Group's business and results of operations.

The PRC laws regulating the playing time of online games and the age of users playing them may adversely affect the Group's business and operations.

In 2007, eight PRC government authorities, including the National Administration of Press and Publication (國家新聞出版總署) (“NAPP”), the Ministry of Education and the MIIT, jointly issued a notice requiring all Chinese online game operators to adopt an “anti-addiction compliance system” in an effort to curb addiction to online games by minors (“**Anti-addiction Notice**”) 《關於保護未成年人身心健康實施網路遊戲防沉迷系統的通知》. Under the anti-addiction compliance system, three hours or less of continuous play is defined to be “healthy”, three to five hours is defined to be “fatigue” and five hours or more is defined to be “unhealthy”. Game operators, including the Group, are required to reduce the value of game benefits for minor players by half when those players reach the “fatigue” level, and to zero when they reach the “unhealthy” level. In

July 2011, these government authorities further issued the Notice Regarding Commencement of Authentication of Real Names for Anti-addiction System on Online Games (《關於啓動網絡游戲防沉迷實名驗證工作的通知》), which provides, among other things, that the relevant authorities should strengthen how they implement their authentication process in relation to gamers' names in online games (but excluding mobile games), a process that allows game operators to identify which gamers are minors. In addition to the provisions of the foregoing notices, the NAPP did not require mobile games to be equipped with an anti-addiction compliance system in order to be approved in practice before the implementation of the New Anti-addiction Notice. As such, the Group believes that it is not compulsory to put in place an anti-addiction compliance system for mobile games before the implementation of the New Anti-addiction Notice (as defined below), and therefore have not implemented such a system in all of the Group's mobile games. However, there can be no assurance that the government authorities in the PRC will not subsequently take a view contrary to the Group's understanding, that the Group's current anti-addiction compliance system is insufficient, or that the NAPP's approval may be required in order to implement anti-addiction compliance systems in the future, and that failure to do so may materially and adversely affect the Group's business. Furthermore, failure to comply with the Anti-addiction Notice requirements may subject the Group to a number of penalties, including but not limited to suspension of its online games operations, revocation of its operations' licences and approvals, rejection or suspension of its applications for approvals or licences, or for filings for any new game, or prohibition from operating any new game.

On 30 August 2018, eight PRC government authorities at national government level, including the NAPP and the Ministry of Education, released the Implementation Program. As a part of the plan to prevent myopia among children, the Implementation Program plans to regulate the number of new online games and restrict the amount of time juveniles spend playing on electronic devices. As at the date of this Offering Circular, no implementation rule has been issued to regulate the number of new online games, and it is impracticable to forecast the expected quota on the number of online games approved for publication annually in the future. Although it is unclear when and how the Implementation Program on regulating the number of new online games will be enforced, the risk exists that its enforcement could impact the Group's ability to launch and publish new games going forward, and require the Group to spend more time and costs in preparing and receiving the approvals necessary to launch its games.

On 25 October 2019, NAPP issued the New Anti-addiction Notice which mainly stipulates that: (i) the real-name registration system shall be implemented; (ii) the time slot and duration for playing online games by minors shall be subject to strict control; (iii) the provision of paid services to minors shall be regulated; (iv) the regulation of the industry shall be enhanced; and (v) the development and implementation of appropriate age-reminding system shall be explored. Although the Group has implemented real-name registration systems in all of its web games and mobile games since October 2017, not all of the Group's mobile game users from China have registered in its account system using their Chinese identification information. The Group's IT system keeps a record of those users who registered with the Group using their Chinese identification information, who are under 18 years of age and who have made top-up payments.

However, as the Group's IT system record of registered users with Chinese identification information does not capture all the Group's Chinese users, the contribution of users under 18 years of age to the Group's financial results may be more significant than the Group's IT system has recorded. Furthermore, the implementation of the New Anti-addiction Notice may lead to a decrease in the number of minors in the Group's user base and the play time of minor users, thereby leading to a decrease in the minor users' revenue contribution to the Group's online game business, and therefore may materially and adversely affect the Group's results of operations and prospects.

On 17 October 2020, the new Law of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》, “**Minors Protection Law**”) has been released and will be effective on 1 June 2021. This new Minors Protection Law adopts a new section regarding network protection, requiring online game service providers to further implement authentication of minors gamers' names and to classify game products, give reminders for age appropriateness, and take technical measures to prevent minors from contacting inappropriate games or game functions. The new Minors Protection Law also provides that online game service providers shall not provide online game services to minors from 22:00 to 8:00 the next day. Failure to comply with the requirements under the new Minors Protection Law may subject the Group to penalties, including but not limited to penalties up to 10 times illegal gains, penalties to the person directly in charge, suspension of its operation of online games, revocation of the business license and other licences and approvals for its online game operations.

The performance of the Group's popular game, Ragnarok M, may be affected by other games of the same genre with similar contents.

Ragnarok M was jointly developed by Gravity, Dream Network and the Group. It is the mobile version of Ragnarok Online, which was developed by Gravity. Dream Network, which was granted a licence by Gravity to develop and publish certain games based on Ragnarok Online in China, supplied the Group with the materials associated with Ragnarok Online such as characters, music and storylines and the Group is responsible for designing, developing and testing Ragnarok M. However, the intellectual property rights of Ragnarok Online granted to the Group by Dream Network during the game development process were not exclusive in China. If other game companies with better game development technologies, more abundant capital resources or more extensive distribution networks are granted the intellectual property rights of Ragnarok Online to develop and publish similar games that compete directly with Ragnarok M, especially those of the same game genre as Ragnarok M, the Group's user base may shrink and the level of user engagement may decrease, and consequently the Group's business, results of operations, financial condition and prospects may be materially and adversely affected.

The Group faces challenges in expanding operations overseas that the Group may not be able to successfully deal with, which may adversely affect the Group's business.

Expansion into overseas markets is important for the Group's growth. The Group plans to keep expanding its business globally. The Group faces risks associated with expanding into markets where it has limited or no experience or recognition. The Group may be unable to attract a sufficient number of users, fail to anticipate competitive conditions or face difficulties in operating effectively in these new markets. Due to the evolving and potentially conflicting regulatory environment in relation to the game industry, particularly mobile games, across the globe, the Group may be required to comply with more stringent compliance requirements in its principal overseas markets, such as South Korea, Taiwan, Hong Kong and Southeast Asia. Failure to timely comply with these requirements may adversely affect the Group's business overseas. The Group may become exposed to risks inherent in transacting business globally, including those relating to:

- identifying appropriate overseas markets;
- challenges caused by distance, language and cultural differences;
- customising games and other offerings that appeal to the tastes and preferences of gamers in overseas markets;
- competition from local game developers, publishers and operators with an existing market share in those markets and with a better understanding of user preferences;
- protecting and enforcing the Group's intellectual properties;
- the inability to extend the Group's proprietary brand, content or technology into new jurisdictions;
- implementing alternative payment methods for in-game virtual items in a manner that complies with local laws and practices;
- adapting to local business practices;
- foreign exchange rate fluctuations;
- lower levels of consumer spending and fewer growth opportunities compared with the Group's existing geographic markets;
- credit risk and payment fraud; and
- political, economic and social instability.

The Group may have difficulty in adequately responding to the challenges and uncertainties it faces. In addition, as the Group expands further into new countries and regions, these risks could intensify. One or more of these factors could adversely impact the Group's overseas operations. If the Group is unable to manage the risks and costs of its international expansion effectively, the Group's growth, results of operations, financial condition and prospects may be materially and adversely affected, and the Group's efforts to expand overseas may not succeed.

Any loss or deterioration of the Group's relationship with the Group's game developer partners may materially and adversely affect the Group's business and results of operations.

The Group works with game developers to publish and operate licensed games. The Group also offers online marketing services to them through TapTap. The Group has benefited from the strong brand recognition of some of these developers and the success of their games in China and overseas markets. The Group believes this is crucial to expanding its user base as well as enhancing its ability to operate and monetize its games. However, there can be no assurance that the Group would be able to maintain stable relationships with existing game developer partners. For example, any failure on the Group's part to help game developer partners effectively localise, operate or monetise games developed by them would adversely affect the Group's relationship with them and further affect the Group's business and results of operations.

The Group's game licensing agreements typically have an initial term of two to five years, renewable upon satisfaction of certain conditions. The Group's game developer partners may terminate agreements with the Group prior to expiration or they may refuse to renew such agreements. Even if they are willing to renew the agreements, they may demand terms less commercially favourable to the Group than the existing agreements. They may choose to partner with the Group's competitors, allowing the Group's competitors to enhance their game portfolios and effectively compete against the Group. They may also fail to perform their obligations under the licence agreements, and parties may fail to reach timely agreement on the version of game products to be published and the publication plan, which may cause delays to the Group's game launch schedule.

The Group provides online marketing services through TapTap. If the Group's pricing mechanism or distribution performance fails to meet the Group's game developer partners' expectation, they may switch to other distribution platforms or seek to co-operate with other distribution platforms. In addition, as the Group continually enhances its in-house game development capabilities, the Group's game developer partners may regard the Group as a competitor, which may therefore adversely impact the Group's relationship with them. Any loss or deterioration of the Group's relationship with any of the Group's game developer partners may result in a loss to the Group's revenue and, in turn, materially and adversely affect the Group's business and results of operations.

Increment in research and development efforts may adversely affect the Group's profitability.

On 26 February 2021, the Company published a profit warning based on an initial assessment of the unaudited consolidated management accounts of the Group. In addition, the Group recorded a 89.1% decrease in its net profit for the year ended 31 December 2020 as compared with the year ended 31 December 2019. Such decrease in net profit is primarily a result of a significant increase in the Group's research and development expenses for the year ended 31 December 2020 as the Group continued to enhance its game development capabilities and TapTap's user experience. Given the Group has a number of games that are still under development or are expected to launch in the upcoming years, there can be no assurance that the Group's increment in research and development expenses which contributed to the decrease in net profit will not adversely affect the Group's profitability in the next few years.

Failure to maintain relationships with third-party channels that distribute the Group's games may materially and adversely affect the Group's business.

Apart from the Group's own distribution platforms, which include www.xd.com and TapTap, the Group publishes its games through third-party distribution platforms, such as App Store and Google Play. The Group relies on these third parties to promote its games, record gross billings, process payments from gamers and, in some instances, maintain the security of their channels and provide certain user services. These third-party distribution platforms may have a strong bargaining power when dealing with game developers and publishers, including the Group, and subject the Group to their standard service terms and conditions for the promotion and distribution of its games. The Group's business and results of operations may be adversely affected if these third-party distribution platforms fail to effectively promote the Group's games or otherwise do not fulfil their obligations to the Group, or if they lack the relevant government licences to distribute the Group's games. If the Group's collaboration with an existing third-party distribution platform terminates, the Group may not be able to find a replacement in a timely manner and the distribution of the Group's games may be adversely affected. Any failure on the Group's part to maintain good relationships with a sufficient number of popular distribution platforms could cause the number of downloads and active users of the Group's games to decrease, which may have a material adverse effect on the Group's business, results of operations and financial condition.

Hacking activities may adversely affect the Group's reputation and business.

The Group primarily relies on proprietary encryption and authentication technology to provide the security and authentication necessary to enable the secure transmission of confidential user information, including username and password. However, the Group's security controls over user and game data may not prevent the improper disclosure of personally identifiable information. A party using hacking technology who is able to circumvent these security measures could misappropriate proprietary information or cause interruptions in the Group's operations. Any

system failure or security breach or lapse that results in the mishandling of user data could harm the Group's reputation and brand and, consequently, the Group's business, in addition to exposing the Group to potential legal liability.

In addition, game operators also face problems arising from the use of unauthorised character enhancements, theft of user account information and other hacking or cheating activities. The Group may from time to time encounter such activities, and have implemented measures in the Group's games to detect, identify and resolve such issues. However, these measures may not be effective, and the continued occurrences of such activities in the Group's games may harm user experience and adversely affect the image of the Group's games and gamers' perception of game reliability, drive away gamers and reduce in-game spending, shorten the lifespan of games, and adversely affect the Group's results of operations.

The Group's failure to timely obtain preapproval for publication of online games from the NAPP before game launch may adversely affect the Group's game pipelines.

Publishing and monetizing mobile games in China is subject to preapproval by the NAPP. Accordingly, mobile games with in-game virtual items, which the Group intends to publish, are subject to preapproval by the NAPP. If the Group fails to obtain preapprovals from the NAPP, none of them can be successfully launched in China as scheduled, which may adversely affect the Group's game pipeline. Going forward, if any online games with in-game virtual items published or to be published by the Group fails to complete such preapproval in time, or at all, these games may not be allowed to be released or may be ordered to be suspended or cease operation, and, as a result, the Group's business and results of operations may be materially and adversely affected.

If the Group fails to renew the Internet Publishing Service License (《網路出版服務許可證》), the Group's business regarding online games operation and distribution may be materially and adversely affected.

The Internet Publishing Service License (《網路出版服務許可證》) held by X.D. Network expired on 23 November 2020. The NAPP has confirmed that it received the renewal application documents forwarded by the Shanghai Municipal Press and Publication Bureau on 21 December 2020 and that the licensing application has passed the pro forma examination and been accepted. If the Group fails to pass the substantive review, the Group will not be able to obtain a legal and valid title to engage in online game operation and distribution in PRC, which may materially and adversely affect the Group's business thereof.

If the Group fails to maintain and grow TapTap’s level of popularity and user base, the Group’s business and results of operations may be materially and adversely affected.

The Group operates TapTap to provide a comprehensive suite of contents and services to serve the needs of game developers and gamers such as game distribution, game discovery and social networking and community functions. See “*Description of the Group — TapTap.*” The Group relies on TapTap’s sufficient level of popularity and its size of user base to attract game developers and publishers to use its online marketing services.

To maintain and grow TapTap’s user base, the Group needs to continue to popularise TapTap with quality mobile game content and enhance user engagement. Accordingly, the Group has invested in, and expects to continue to invest in, the development and promotion of TapTap. However, there can be no assurance that the Group’s investment and development strategy for TapTap will succeed, as the content offered through TapTap by the Group and gamers may not successfully stimulate the interests of other gamers and attract them to TapTap. In addition, the Group’s competitors may develop and promote more attractive game communities and platforms that divert the Group’s existing and new users away. If TapTap loses its popularity, the Group’s user base may suffer as a result. Accordingly, developers may not choose TapTap for online marketing services, and the Group’s business and results of operations may be adversely affected.

Furthermore, only the Android version of TapTap’s mobile app currently offers the game download function. Any changes in the Android system’s policy may affect TapTap’s game distribution services, which may, in turn, have a material adverse effect on the Group’s business, results of operations and financial condition.

The Group’s business is subject to third-party-payment processing-related risks.

The Group makes available a variety of mobile payment solutions to gamers, including payment via internet banking and mobile banking as well as through third-party partners, such as WeChat Pay and Alipay, to facilitate in-game purchases of virtual items. The Group relies on payment channel partners to provide payment processing services to gamers, which may subject the Group to payment collection issues beyond its control, or even fraud and other illegal activities in connection with these payment methods. Any interruption in the ability of gamers to use these payment channels could adversely affect the Group’s payment collection and, in turn, the Group’s revenue.

The Group’s payment channel partners are entitled to a prescribed percentage of the gross billings charged to gamers. If they fail to remit to the Group the proceeds collected from gamers in a timely fashion or at all, or if they become unwilling or unable to provide payment services or if their service quality deteriorates, the Group’s business may be disrupted.

The Group's payment channel partners are also subject to evolving rules and regulations, regulatory or otherwise, governing electronic funds transfers, which could become difficult or impossible for them to comply with. As a result, they may be subject to fines or higher transaction fees or lose their ability to accept credit and debit card payments when processing electronic funds transfers or facilitating other types of online payments from gamers, all of which may adversely affect the Group's payment collection and monetisation, and, in turn, the Group's results of operations and financial condition.

The Group also relies on the stability of payment transmissions by payment channel partners to ensure that uninterrupted payment services are available to gamers. The Group does not have control over the security measures of third-party payment channels. If any of them fails to process, or ensure the security of, user payments for any reason, the Group's reputation may suffer, and the Group may lose paying users and potential purchases, which, in turn, may materially and adversely affect the Group's business, results of operations, financial condition and prospects.

If the Group is unable to compete effectively, the Group's business and results of operations may suffer.

The Group faces competition in several major aspects of its business, particularly from companies that publish and operate mobile games. The Group's competitors may have substantially more financial, technical and other resources, and longer operating histories, as well as broader game offerings and a larger market share. The Group may be unable to compete successfully against such competitors or new market entrants, which may adversely affect the Group's business and results of operations.

The mobile game industry in China is highly competitive, which is characterized by the frequent introduction of new products and services, short product life cycles, evolving industry standards, and rapid adoption of technological and product advancements, as well as price sensitivity on the part of gamers. In addition, the Group's mobile game business faces competition from other entertainment formats and mobile apps and content, such as television, movies, music, electronic books, sports, social network services, and other recreational options on the internet. If the Group is not able to compete effectively, the Group's user base may shrink and the level of user engagement may decrease, which could lead to a decrease in the number of the Group's paying users and make the Group less attractive to game developers and other business partners. As a result, the Group's market share may decrease, and the Group's results of operations may be materially and adversely affected.

Any failure or significant interruption in the Group's technology infrastructure could impact the Group's operations and harm the Group's business.

The Group's technology infrastructure is critical to the performance of the Group's games and to gamer satisfaction. If a particular game is unavailable when gamers attempt to access it, they may stop playing that game or become unlikely to return to the game as often, if at all. Accordingly, failure or significant interruption in the Group's technology infrastructure would harm the Group's reputation and operations.

Some elements of the Group's technology infrastructure is maintained by third parties and is therefore beyond the Group's control. For example, the Group has leased a number of physical servers hosted by data server providers in Beijing, and the Group also works with cloud server service providers for cloud computing, data storage and bandwidth services. The Group may experience website disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints. The Group's growing operations are likely to place increasing pressure on the Group's servers and network capacity as the Group launches more games and further expands its user base. The Group's infrastructure is also vulnerable to damage from fires, floods, earthquakes, power loss, and telecommunication failures. To the extent that the Group's disaster recovery systems are not adequate, or the Group does not address issues such as capacity constraints effectively, upgrade the Group's systems as needed and continually develop the Group's technology infrastructure to accommodate increasing traffic, the Group's business and results of operations may suffer.

Undetected programming errors or defects in the Group's games could harm the Group's reputation and materially and adversely affect the Group's business.

The Group's mobile games are subject to frequent improvement and updates and may contain bugs or flaws that may become apparent only after the updated apps are accessed by gamers. From time to time, gamers may inform the Group of programming bugs or flaws affecting their experience, which the Group may not be able to resolve in a timely manner. As a result, the Group may lose gamers, and the Group's reputation and market acceptance of the Group's games may also suffer, therefore adversely affecting the Group's business.

Gamers may violate the Group's game policies which may harm gameplay experience and affect the Group's business.

The Group has established game policies against unauthorised and inappropriate user behaviour. For example, the Group does not allow gamers to sell or transfer virtual items. Virtual items offered in the Group's games have no monetary value outside of its games. Nonetheless, some of the Group's users or third parties sell or purchase the Group's virtual items through unauthorised third parties in exchange for real money or other real-world assets. The Group generates no revenue from these unauthorised transactions and does not permit, or facilitate, these unauthorised transactions. Notwithstanding the Group's measures and efforts to deter such

behaviour, the Group does not have effective controls over these unauthorised transactions. Any such unauthorised purchase and sale could impede the Group's revenue and profit growth by reducing revenue from authorised transactions, creating downward pressure on the prices the Group charges for its virtual items, and increasing the Group's costs associated with developing technological measures to curtail unauthorised transactions and responding to dissatisfied gamers.

The Group may not be successful in promoting the Group's brand or enhancing brand recognition, and negative publicity may harm the Group's business.

The reputation of the Group as a quality game publisher and game community, through its promotion of such brands as X.D. Network, X.D. Global and TapTap, is growing among gamers in China and overseas. However, the Group may not be able to effectively promote its brand or enhance brand recognition. In addition, negative publicity or disputes regarding the Group's brands, games and services, company or management could materially and adversely affect public perception of the Group and the games and services it offers, regardless of their veracity, which may, in turn, adversely affect the Group's business and prospects.

Unauthorised use of the Group's intellectual properties may harm the Group's brand and reputation and adversely affect the Group's business.

The Group regards the intellectual property rights granted to it by the Group's game developer partners, as well as the Group's own copyrights, trademarks and other intellectual properties, as critical to its success. Unauthorised use of these intellectual properties may harm the Group's brand and reputation and adversely affect the Group's business. The Group has historically relied on a combination of trademark and copyright laws, trade secret protection, restrictions on disclosure and other agreements of similar functions to protect the Group's intellectual properties.

Although the Group's contracts with the Group's business partners prohibit the unauthorised use of the Group's brands and intellectual properties, there can be no assurance that they will comply with these terms. These agreements may not effectively prevent the disclosure of confidential information and may not provide an adequate remedy in the event of unauthorised disclosure of confidential information. In addition, although the Group currently enters into confidentiality and non-compete agreements or similar provisions with the Group's employees and imposes stringent obligations on the Group's core research and development employees with respect to confidentiality, there can be no assurance that such confidentiality or non-compete agreements or provisions will not be breached, that the Group will have adequate remedies for any breach, or that the Group's proprietary technology, know-how or other intellectual properties will not otherwise become known to, or be independently developed by, third parties.

In addition, the Group's failure to protect its game developer partners' intellectual properties granted to it will also subject it to severe consequences, including loss of game distributorships and payment of indemnity. Moreover, litigation may be necessary in the future to enforce the

Group's intellectual property rights, which could result in substantial costs and diversion of the Group's management attention and resources, therefore disrupting the Group's business and having a material adverse effect on the Group's business and results of operations.

Third parties may claim that the Group infringes their proprietary rights, which may adversely affect the Group's business.

The Group may from time to time receive claims that the Group infringes the intellectual property rights of others. Although the Group is not the game developer for games that it licenses, third parties may claim that, as operator of the games, the Group shall also be liable for any infringement upon the third parties' rights, jointly, with the developer. The Group typically relies on its game developer partners' representations that their games do not infringe upon third parties' intellectual property rights in most cases and the Group requires indemnification should any such representations become inaccurate and it suffers damage as a result, including any damage resulting from third-party claims. However, games the Group licenses may from time to time infringe valid patents, trademarks, copyrights or other intellectual property rights held by third parties and indemnification may not be adequate in recovering its loss. Any such claim or litigation, with or without merit, could be costly and distract the Group's management from day-to-day operations. If the Group fails to successfully defend against such claim or does not prevail in such litigation, it could be required to modify, redesign or cease operating the games, pay monetary amounts as damages or enter into royalty or licensing arrangements with the valid intellectual property holders. Any royalty or licensing arrangements that the Group may seek in such circumstances may not be available to it on commercially reasonable terms or at all. Also, if the Group acquires technology licences from third parties, the Group's exposure to infringement actions may increase because the Group must rely upon these third parties to verify the origin and ownership of such technology. This exposure to liability could result in disruptions in the Group's business that could materially and adversely affect the Group's results of operations.

Some of the Group's employees were previously employed at other companies, including the Group's competitors. The Group may hire additional personnel to expand its development team and technical support team as its business grows. To the extent these employees were involved in the development of content or technology similar to the Group's at their former employers, the Group may become subject to claims that these employees or the Group has appropriated these employees' former employers' proprietary information or intellectual properties. If the Group fails to successfully defend such claims against itself, the Group may be exposed to liabilities which could have a material adverse effect on the Group's business.

The Group's data analytics may be inaccurate and affect the Group's ability to adopt appropriate business strategies.

The Group relies on the Group's data analytics capabilities to continue developing and operating games and TapTap, improve user experience, and optimise user monetisation. The Group's game operation team routinely collects and stores in-game user behavioural data utilising

the Group's data analysis engine. In addition, it is possible that the Group's data may be inaccurate due to technical errors, security breaches or hacking incidents, or the game operators may refuse to share any such data with the Group. Therefore, the Group might fail to gather or retain data timely, or ensure the quality of data, which would yield inaccurate or misleading analytical results. Furthermore, there is an inherent limitation in statistical inferences that rely on the faulty premise that past behaviour predicts future behaviour.

The Group assesses its business performance by utilising a set of key performance indicators, such as MAUs, MPUs and ARPPU. While data analytics have proven beneficial to the Group's business, the Group might make poor operational and strategic decisions, which may materially and adversely affect the Group's business and prospects.

The Group's business generates and processes a large amount of data, and the improper use or disclosure of such data may harm the Group's reputation and business.

The Group's business generates and processes a large quantity of personal, transaction, demographic and behavioural data. The Group faces risks inherent in handling large volumes of data and in protecting the security of such data, including those relating to:

- protecting the data in and hosted on the Group's system, including against attacks on the Group's system by outside parties or fraudulent behaviour by the Group's employees;
- addressing concerns related to privacy and sharing, safety, security and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data.

The Group is subject to the laws and regulations of the PRC and other countries and regions relating to the collection, use, retention, security and transfer of personally identifiable information with respect to the Group's customers and employees. In many cases, these laws not only apply to third-party transactions, but may also restrict the cross-border transfers of personally identifiable information. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause the Group to incur substantial costs or require the Group to change its business practices. For example, the Group's games published in the United States makes the Group subject to the Children's Online Privacy Protection Act, or the COPPA, which regulates the collection of information online from children under the age of 13 and the Federal Trade Commission Act, which prohibits unfair or deceptive actions both online and offline and has been applied to data security and online privacy regulation. The Federal Trade Commission is an enforcer of failure to comply with privacy policies and other data protection laws and regulations and is also COPPA's

primary enforcer. If the Group fails to accurately anticipate the application, interpretation or legislative expansion of COPPA, the Group could be subject to U.S. governmental enforcement actions, litigations and penalties or adverse publicity. In addition, if the Group plans to publish games in Europe in the future, the European General Data Protection Regulation, or the GDPR, took effect in May 2018 may apply to the Group's business in Europe. The GDPR imposes operational requirements on companies that receive or process the personal data of residents of the European Union that are different from those currently in place within the European Union. Failure to comply with the GDPR may result in substantial fines and other administrative penalties. The GDPR may increase the Group's responsibility and liability in relation to data protection and the Group may be required to put in place additional mechanisms ensuring compliance with the GDPR. This may be onerous and if the Group's efforts to comply with the GDPR or other applicable European Union laws and regulations are not successful, it could adversely affect the Group's business in the European Union. Any failure, or perceived failure, by the Group to comply with any privacy policies or regulatory requirements or privacy-protection-related laws, rules and regulations could result in proceedings or actions against the Group by government authorities or others. These proceedings or actions may subject the Group to significant penalties and result in negative publicity, require the Group to change its business practices, increase its costs and severely disrupt its business.

In addition, the secure transmission of confidential information, such as users' debit and credit card numbers and expiration dates, billing addresses and other personal information, over public networks, including the Group's websites, TapTap and games, is essential for maintaining user confidence. The Group does not have control over the security measures of its third-party payment channel partners, and their security measures may not be adequate. The Group could be exposed to litigation and possible liability if the Group fails to safeguard confidential user information, which could harm the Group's reputation and the Group's ability to attract or retain users, and may materially and adversely affect the Group's business.

The Group's business operations are heavily dependent on the performance and reliability of the internet infrastructure and telecommunications networks in China.

The Group's game operation and distribution depends heavily on the performance and reliability of China's internet infrastructure. Almost all access to the internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. In addition, the national networks in China are connected to the internet through international gateways controlled by the PRC government. These international gateways are the only channels through which a domestic gamer can connect to the internet. The Group may not have access to alternative networks in the event of disruptions, failures or other problems with the PRC's internet infrastructure.

The mobile network in China is mainly operated by three mobile carriers, all of which are controlled by the PRC government. Mobile coverage may not be reliable, and any disruption in the operation of the mobile carriers may have a negative impact on gamers' ability to download and

activate the Group's games, as well as their gameplay and payment experience. There is no assurance that the PRC's mobile network infrastructure will continue to improve and further support the operation and expansion of the Group's business.

Any failure to maintain the satisfactory performance, reliability, security and availability of the Group's network and computer infrastructure may cause significant harm to the Group's business operations and the distribution of the Group's games. Any server interruptions, breakdowns or system failures, including failures which may be attributable to events within or outside the Group's control that could result in a sustained shutdown of all or a material portion of the Group's services, could adversely affect the Group's ability to operate its games and service gamers and lead to attrition and revenue reduction. The Group's network systems are also vulnerable to damage from computer viruses, fire, flood, earthquake, power outages, telecommunications failures, computer hacking and other similar events.

The Group's success depends on the continuing and collaborative efforts of the Group's management team and other key personnel.

The Group's future success depends heavily upon the continuing services of the Group's senior management team and key personnel. If any of the Group's senior management or other key personnel, especially the Group's two founders including their chief executive officer, Mr. HUANG Yimeng, and its president Mr. DAI Yunjie, are unable or unwilling to continue in their present positions, the Group may not be able to replace them in a timely manner with suitable candidates, especially in light of the intense competition for talent in the game industry and the limited pool of qualified candidates. As a result, the Group's business may be disrupted, and the Group's results of operations and financial condition may be materially and adversely affected. If any member of the Group's management team or other key personnel joins a competitor or forms a competing company, the Group may lose customers, distributors, know-how, and key personnel. Some of the Group's key employees entered into an employment agreement with the Group that contains confidentiality and non-compete provisions. If a dispute arises between any of such key employees and the Group, there can be no assurance as to the extent any of these agreements may be enforced.

The Group is subject to risks relating to external investments.

During the years ended 31 December 2018, 2019 and 2020, the Group made minority investments in other companies, which are recorded as investments accounted for using the equity method and as long-term investments measured at fair value through profit or loss in the Group's financial statements. As of 31 December 2018, 2019 and 2020, the Group's investments accounted for using the equity method were RMB44.3 million, RMB52.8 million, and RMB66.3 million, respectively, and the Group's long-term investments measured at fair value through profit or loss were RMB33.7 million, RMB29.9 million and RMB23.7 million, respectively. The Group is subject to the risk that the companies in which the Group invests may make business, financial or management decisions with which the Group does not agree or in relation to which may involve

the majority shareholders or the management of the companies taking risks or otherwise acting in a manner that does not serve the Group's interests. In particular, the Group's carrying value of its investments accounted for using the equity method may be affected by a number of factors such as share of results, impairment, dilution issuance of equity securities and currency translation differences.

The Group may in the future acquire intellectual properties, game distribution licences and quality games, and enter into strategic acquisitions or alliances with third parties. Such acquisitions could subject the Group to a number of risks, including risks associated with non-performance by the counterparty, and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect the Group's business. These transactions could require that the Group's management develop expertise in new areas, manage new business relationships and attract new types of gamers. The Group may also experience difficulties integrating any investments, acquisitions and/or partnerships into its existing business and operations, which would require significant attention from the Group's management and could result in a diversion of resources from the Group's existing business, which, in turn, could have an adverse effect on the Group's business operations. In addition, acquired assets or businesses may not generate the financial results the Group expects and could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortisation expenses for other intangible assets and exposure to the potential unknown liabilities of the acquired business.

The Group's intangible assets and goodwill may be subject to impairment.

As of 31 December 2020, the Group had intangible assets of RMB199.3 million. Pursuant to applicable accounting standards, intangible assets such as goodwill, that are not amortised are subject to assessment for impairment annually or more frequently if certain events or changes in circumstances indicate that such assets might be impaired. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The impairment may be further affected by the assumptions made by the management. If any of these assumptions does not materialise, or if the performance of the Group's business is not consistent with such assumptions, the Group may be required to have a significant write-off of its intangible assets and record a significant impairment loss. Any significant impairment of intangible assets could have a material adverse effect on the Group's business, financial condition and results of operations.

The determination of the fair value changes of certain of the Group's financial assets requires the use of estimates that are based on unobservable inputs, and therefore inherently involves a certain degree of uncertainty.

The Group uses significant unobservable inputs, such as expected volatility, discount for lack of marketability, expected rate of return and discount rate, in valuing the Group's financial assets at fair value through profit or loss. The fair value change of financial assets at fair value through profit or loss may significantly affect the Group's financial position and results of operations. Accordingly, such determination requires the Group to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond the Group's control can significantly influence and cause adverse changes to the estimates the Group uses and thereby affect the fair value of such assets and liabilities. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause the Group's estimates to vary from actual results, which could materially and adversely affect the Group's results of operations and financial condition.

There are uncertainties about the recoverability of the Group's deferred tax assets, which could adversely affect the Group's results of operations.

The Group recorded deferred tax assets of RMB8.4 million, RMB11.3 million and RMB16.8 million, respectively, as of 31 December 2018, 2019 and 2020. For each reporting period, the Group evaluates its deferred tax assets to determine whether it is probable that they will be realised. In determining whether it is probable that the deferred tax assets will be realised, the Group assesses the likelihood that it will be able to recover its deferred tax assets using historical levels of income, estimates of future income, future reversal of existing taxable temporary differences, taxable income in carryback years and tax planning strategies. Such determination requires significant judgement from the Group's management on the tax treatment of certain transactions as well as assessment on the probability, timing and adequacy of future taxable profits for the deferred tax assets to be recovered. If such judgements turn out to be incorrect or imprecise, the Group may need to adjust its tax provisions accordingly. Furthermore, the Group cannot predict any future movements in its deferred tax assets and to what extent they may affect the Group's financial position in the future. Any of these events may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group had a net decrease in cash and cash equivalents for a certain period during the year ended 31 December 2018.

In 2018, the Group recorded a net decrease in cash and cash equivalents of RMB24.8 million. While the Group recorded a net increase in cash and cash equivalents of RMB1,065.8 million in 2020, there is no assurance that the Group will not experience negative net operating cash flow in the future. Negative net operating cash flow requires the Group to obtain sufficient external financing to meet the Group's financial needs and obligations. If the Group is unable to do so, it

will be in default of its payment obligations and may not be able to implement its business strategies as planned. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group may be held liable for inappropriate online communications or content made by the Group's users.

The Group's games and TapTap enable gamers to exchange information, generate and distribute content, and engage in various other online activities. The Group is unable to always verify gamers' identities or the sources of all information or content made by the Group's users despite the current measures implemented. Therefore, it is possible that certain gamers may engage in illegal, obscene or inflammatory conversations or activities, including the publishing of inappropriate or illegal content that may result in an adverse impact among the gamer community. In severe circumstances, such information or content may be deemed unlawful under applicable laws and regulations, and relevant government authorities may require the Group to discontinue or restrict certain features or services that would have led, or may lead, to such events. The Group may incur significant costs in investigating and defending themselves if the Group finds itself subject to penalties or claims or proceedings based on the nature or content of improperly displayed information, which may materially and adversely affect the Group's reputation, business and prospects.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The Group generates revenue from overseas markets in relation to the Group's international business, and therefore, the Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Hong Kong dollar. The Group also pays licensing fees for foreign game developers and intellectual property providers, which are primarily in U.S. dollars. During the years ended 31 December 2018, 2019 and 2020, the Group did not hedge against any foreign exchange risk. Fluctuations in exchange rates could therefore result in foreign currency exchange losses, which may have an adverse impact on the Group's results of operations and financial condition. Even if the Group were to hedge against such risk exposures, the availability and effectiveness of hedges may be limited, and the Group may not be able to hedge its exposure successfully, or at all.

The life cycle stages of the Group's games may not be indicative of their rate of growth.

Historically, most of the Group's mobile games experienced in their life cycles (i) the growth stage, during which the number of gamers and revenue generated by the game experience rapid growth; (ii) the maturity stage, during which revenue tends to be continuously generated by the game and the number of gamers generally remains stable during this stage; and (iii) the recession stage, during which the number of gamers and revenue generated by the game may decrease. In general, as the Group tests a new game's viability and builds up its user base during its growth stage, and gradually phases out an old game during the recession stage, the Group strives to

maintain a game at the mature stage, during which the Group is able to generate steady revenue from its paying users. However, each game matures at a different pace depending on its popularity, and its progression through the three life cycle stages is neither guaranteed nor an indication of its rate of growth, or of the Group's ability to monetise that game. Accordingly, if the Group is unable to achieve a similar rate of growth for a majority of the Group's games, the Group may fail to monetise its users and generate revenue as anticipated, and the Group's results of operations, financial condition and profitability could be materially and adversely affected as a result.

The Group may have potential tax liabilities including new or additional taxes.

As of 31 December 2018, 2019 and 2020, 61.5%, 63.8% and 56.4%, respectively, of the Group's game operating revenue was generated from overseas markets. These overseas markets primarily included South Korea, Hong Kong, Taiwan and Southeast Asia. The international tax environment is evolving, with new policy proposals and regulations at various stages of implementation around the world, dealing with, among other things, the digitisation of the economy. In broad terms, many of these policy proposals and regulations, if implemented, potentially seek to impose new or different forms of taxation on either profits or revenue earned by highly digitised businesses from customers in jurisdictions where an entity does not have an operation, such as a permanent establishment. While these policy discussions are ongoing, it is possible that new tax regulations will be implemented in certain jurisdictions on a unilateral basis in the near future to require certain profits to be taxed in the jurisdictions where the Group has a market presence, including an online presence, through revised nexus and profit allocation rules. There are also proposals around the imposition of a global minimum taxation and measures to counter anti-base erosion payments. In addition, there are two further policy developments which may affect the Group's potential tax liabilities in the future: (i) the proposal by certain countries to introduce digital services taxes, or equivalent, which broadly seeks to tax the revenue of highly digitised businesses from activities relating to advertising or data; and (ii) the introduction of new VAT, goods and services tax, sales and use taxes, or similar indirect tax obligations on the provision of digital services to customers in the jurisdiction where the customer is located. The foregoing proposals may potentially lead to changes in the tax regulations of jurisdictions relevant to the Group's business, which may impose on its business tax liabilities including new or additional taxes and increase the Group's compliance costs, therefore materially and adversely affecting the Group's financial condition and results of operations.

The Group relies on assumptions and estimates to calculate certain key operating metrics, and inaccuracies in such metrics may harm the Group's reputation and adversely affect the Group's business.

In this Offering Circular, there are references to certain key operating metrics, such as MAU, DAU, MPU and ARPPU, which have been calculated using the Group's internal data. This data has not been independently verified by third parties. While these numbers are based on what the Group believes to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in measuring usage and user engagement across the Group's large user base. In

addition, the Group's key operating metrics are derived and calculated based on different assumptions and estimates, and you should be cautious of such assumptions and estimates when assessing the Group's operating performance.

The Group's measures of user growth and user engagement may differ from estimates published by third parties or from similarly titled metrics used by the Group's competitors due to differences in data availability, sources and methodology. If third parties do not perceive the Group's user metrics to be accurate representations of the Group's user base or user engagement, or if the Group discovers material inaccuracies in its user metrics, the Group's reputation may be harmed and third parties may be less willing to allocate their resources or spending to the Group, which could adversely affect the Group's business and results of operations.

The Group has limited insurance coverage which could expose the Group to significant costs and business disruption.

The Group has not purchased any insurance to cover all of its assets, property and business. If the Group were to incur substantial losses or liabilities due to fires, explosions, floods, or other natural disasters, accidents or business interruptions, the Group's results of operations could be materially and adversely affected.

The Group is subject to credit risk primarily in relation to the Group's collection of its trade receivables.

The Group's trade receivables for the years ended 31 December 2018, 2019 and 2020 were primarily due from distribution platforms and game publishers as well as from online marketing service customers. Depending on the credit history of the Group's customers and the Group's relationships with them, the Group typically offers a credit period of 30 to 120 days. For the Group's game operating business in particular, the Group generally offers a credit period of 30 to 90 days for third-party distribution platforms such as App Store, Google Play and other Android-based app stores, and of 90 to 120 days for game publishers. As of 31 December 2018, 2019 and 2020, the Group's trade receivables amounted to RMB449.1 million, RMB406.1 million and RMB299.2 million, respectively, of which RMB1.6 million, RMB3.5 million and RMB4.5 million, respectively, were impaired. The Group made such provisions for impairment based on expected credit loss. If the Group's strategic relationship with distribution platforms, game publishers and/or online marketing service customers is terminated or scaled back; or if distribution platforms, game publishers and/or online marketing service customers alter the co-operative arrangements, or if distribution platforms, game publishers and/or online marketing service customers experience financial difficulties in paying the Group, the Group's corresponding trade receivables might be adversely affected in terms of recoverability, which may adversely affect the Group's results of operations and financial position.

The Group’s results of operations are subject to seasonal fluctuations due to seasonality.

The Group experiences seasonality in its business and, as a result, comparing the Group’s operating results on a period-to-period basis may not be meaningful. The Group typically experiences increased levels of in-game spending among paying users during holiday seasons in China, particularly during the Chinese New Year holiday. The Group also sometimes conducts marketing and promotional activities to capitalise on the increased user traffic during such periods, which may further stimulate spending in the Group’s games. Accordingly, due to the seasonality of the Group’s business, the results of any period of a fiscal year are not necessarily indicative of the results that may be achieved for the full fiscal year or for the corresponding period of any subsequent fiscal year.

The Group’s interests in leased property may be defective and the Group’s right to lease the properties affected by such defects may be challenged, which could cause disruption to the Group’s business.

As at 31 December 2020, with respect to one the Group’s leased properties, the relevant lessor had not provided the Group with valid written consent to sublease issued by the legal owner. Such leased property was used as office premises. The absence of the legal owner’s consent to sublease limited the Group’s ability to determine whether the lessor has the right to lease the properties to the Group and, if the lessor has not been duly authorised to sublease by the legal owner, the relevant lease agreement may be deemed invalid and, as a result, the Group may face challenges from the legal owners of the properties, and may be forced to vacate the relevant property and seek alternative office premises. The Group might incur additional expenses during the process.

As at 31 December 2020, with respect to 20 of the Group’s leased properties used as office premises, the property ownership certificates thereof show that their corresponding land use is for industrial purposes. Such leased properties may be determined as “using the state-owned land out of the approved purposes” under the PRC Land Administration Law. There is a possibility that the competent authority may order the return of the relevant land and as a result, the relevant lease agreements may be deemed invalid and the Group may be forced to vacate the relevant property and seek another office premise. The Group might incur additional expenses during the process.

RISKS RELATED TO THE GROUP'S CONTRACTUAL ARRANGEMENTS

The Group conducted certain aspects of the Group's businesses in the PRC through X.D. Network, or through the Group's PRC Consolidated Affiliated Entities by means of contractual arrangements. If the PRC government determines that these contractual arrangements do not comply with applicable regulations, the Group's business could be materially and adversely affected.

The Group conducts the operation of its business in China mainly through X.D. Network, or through the Group's PRC Consolidated Affiliated Entities. The Group receives substantially all of the economic benefits of the Group's PRC Consolidated Affiliated Entities as their primary beneficiary through contractual arrangements with them and their shareholders. For a description of these contractual arrangements, see "*Description of the Group — Contractual Arrangements*".

Various regulations in China currently restrict or prevent foreign-invested entities from engaging in telecommunication services, including operating mobile games. On 11 December 2001, the State Council promulgated the Provisions on Administration of Foreign Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which were subsequently amended on 10 September 2008 and on 6 February 2016, respectively. Under such regulations, foreign ownership in companies that provide value-added telecommunication services shall not exceed 50%. Under the Negative List, foreign investment in the value-added telecommunications services (excluding e-commerce) is "restricted". Further, the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》 (the "MIT Notice"), issued by the Ministry of Information Industry of the PRC (the "MIIT", which is the predecessor of the MIIT) in July 2006, reiterates restrictions on foreign investment in telecommunications businesses. Under the MIT Notice, a PRC company that holds a licence to conduct value-added telecommunications businesses, or a VATS Licence, in the PRC is prohibited from leasing, transferring or selling the licence to foreign investors in any form and from providing any assistance, including providing resources, sites or facilities, to foreign investors to conduct value-added telecommunications businesses illegally in the PRC. Furthermore, the relevant trademarks and domain names that are used in a value-added telecommunications business must be owned by the local VATS Licence holder or its shareholder(s). The MIT Notice further requires each VATS Licence holder to have appropriate facilities for its approved business operations and to maintain such facilities in the regions covered by its licence. In addition, all value-added telecommunications service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. X.D. Network and Yiwang each holds a VATS Licence. However, due to the lack of interpretative guidance from the authorities, it is uncertain whether the MIIT would consider the Group's corporate structures and contractual arrangements as a type of foreign investment in telecommunication services in the PRC. Therefore, it is unclear what impact the MIT Notice might have on the Group.

In August 2011, the MOFCOM promulgated the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), or the MOFCOM Security Review Rules, to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), or Circular No. 6, which was promulgated on 3 February 2011 and came into effect on 5 March 2011. Under these rules, a security review by the MOFCOM is required for foreign investors' mergers and acquisitions that have "national defence and security" implications and mergers and acquisitions by which foreign investors may acquire "actual control" of domestic enterprises that have "national security" implications. The MOFCOM Security Review Rules further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that mobile game businesses fall within the scope of transactions subject to security review. The Group does not believe it is required to submit its existing contractual arrangement to the MOFCOM for a security review. However, as there is no clear statutory interpretation regarding the implementation of these rules, there is no assurance that the MOFCOM will have the same view of the Group when applying these national security review-related circulars and rules.

The relevant PRC regulatory authorities have a broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Although, the Group believes it complies, and will continue to comply with current PRC regulations, the PRC government may not agree that these contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing requirements or policies or with requirements or policies that may be adopted in the future. It is possible that a PRC court, arbitration tribunal or other regulatory authority may determine that such contractual arrangements are illegal or invalid. If the PRC government determines that the Group is not in compliance with applicable laws, it may levy fines on it, confiscate the Group's income if it deems it to have been obtained through illegal operations, revoke or refuse to renew any business and operating licences required to conduct the Group's operations in the PRC, revoke the agreements constituting the contractual arrangements, require the Group to discontinue or restrict its operations, suspend the operation of its games, require it to alter its ownership structure or operations, or impose additional conditions or restrictions on the Group's business operations with which the Group may not be able to comply, or take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.

If the PRC government determines that the Group's ownership structure does not comply with the restrictions contained in the NAPP Notice, the Group could be subject to severe penalties.

The Group is subject to relevant PRC regulations on operators of online games. On 28 September 2009, the NAPP, together with the National Copyright Administration, and the National Working Group for Crackdown on Pornography and Illegal Publications, jointly issued a Circular on Implementation of the Regulation on the Three Provisions of the State Council and the Relevant Interpretations and Further Strengthening of the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games (《關於貫徹落實國務院<「三定」規定>和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》), or the NAPP Notice. The NAPP Notice provides, among other things, that foreign investors are not permitted to invest in online game operating businesses in the PRC via wholly-owned, equity joint venture or cooperative joint venture investments, and expressly prohibits foreign investors from gaining control over or participating in PRC Consolidated Affiliated Entities' online game operations through indirect routes, such as establishing other joint venture companies, entering into contractual arrangements with or providing technical support for such operating companies, or through a disguised form, such as incorporating user registration, user account management or payment through game cards into online gaming platforms that are ultimately controlled or owned by foreign investors. Due to the ambiguity of various regulations on online games and a lack of interpretative materials from the relevant PRC authorities governing online game operations, there are uncertainties regarding whether PRC authorities would consider the Group's corporate structure and contractual arrangements to be foreign investment in online game business. While the Group is not aware of any online game companies which use the same or similar contractual arrangements as the Group having been penalised or ordered to terminate operations by PRC authorities claiming that the contractual arrangements constitute control over, or participation in the operation of, online game operating businesses through indirect means, it is unclear whether and how the various regulations of the PRC authorities might be interpreted or implemented in the future. If the Group's contractual arrangements were deemed to be such an "indirect means" or "disguised form" under the NAPP Notice, the Group's contractual arrangements may be challenged by the competent press and publication authority. If the Group and its PRC Consolidated Affiliated Entities are found to be in violation of the NAPP Notice in operating the Group's mobile games, the competent press and publication authority, in conjunction with relevant regulatory authorities, would have the power to investigate and deal with such violations, including, in the most serious cases, by suspending or revoking relevant licences and registrations.

The Group's Contractual Arrangements with X.D. Network and its shareholders may not be as effective in providing control as direct ownership. X.D. Network and its shareholders may fail to perform their obligations under these Contractual Arrangements.

The Group has relied on and expects to continue to rely on the Contractual Arrangements with X.D. Network to conduct the Group's domestic business primarily. For a description of the Contractual Arrangements, see "*The Group's Contractual Arrangements*". These Contractual Arrangements provide the Group with effective control over X.D. Network through which the Group operates its business and allows the Group to obtain economic benefits from it. However, the Contractual Arrangements may not be as effective in providing control as does direct ownership. For example, if X.D. Network or its shareholders fail to perform their respective obligations under the Contractual Arrangements, or if they take other actions that are detrimental to the Group's interests, the Group may incur substantial costs and use of resources in connection with the Group's enforcing these arrangements. To enforce these arrangements, the Group may rely on legal remedies available under applicable PRC laws, including seeking specific performance and claiming damages. In particular, if the shareholders of X.D. Network refuse to transfer their equity interests to the Group or its designated persons when the Group exercises the purchase option pursuant to the Contractual Arrangements, the Group may need to initiate legal actions to compel them to fulfil their contractual obligations. Such arbitration and legal proceedings and disputes may cause the Group to incur substantial costs and use of other resources and result in disruption to the Group's business; and the outcome might not be in the Group's favour. The relevant PRC arbitral panel may conclude that the Group's Contractual Arrangements violate PRC laws or are otherwise unenforceable and the Group could consequently lose the Group's ability to consolidate X.D. Network's results of operations, assets and liabilities in the Group's combined financial statements and/or to transfer the revenue of X.D. Network to WFOE, the Group's wholly-owned subsidiary. In addition, the shareholders of X.D. Network may not continuously act in the best interests of the Company and follow the Group's instructions despite their contractual obligations to do so.

If the Group had direct ownership of X.D. Network, the Group would be able to exercise its rights as shareholders, rather than its rights under the voting rights proxy agreement and powers of attorney, to effect changes to its board of directors, which in turn could implement changes at management and operational levels. However, under the current contractual arrangements, as a legal matter, if X.D. Network or its shareholders fail to perform their obligations under the Contractual Arrangements, the Group may incur substantial costs in enforcing such arrangements and in relying on legal remedies under PRC laws, which may not be sufficient or effective. For example, if the Group sought to enforce the exclusive option agreements for the transfer of equity interests in X.D. Network, the transfer would be subject to approval by governmental authorities, such as the MOFCOM, and the transfer price requirements of the relevant government authorities. The transferee would be required to comply with various requirements, including qualification and maximum foreign shareholding percentage requirements. As these governmental authorities have wide discretion in granting such approvals, the Group could fail to obtain such approval. In

addition, the Group's Contractual Arrangements might not be enforceable in the PRC if its governmental authorities or courts took the view that such contracts contravened PRC laws or were otherwise not enforceable for public policy reasons.

All of the Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws, and any disputes would be resolved in accordance with PRC legal procedures. However, the legal system in the PRC is not as developed as in other jurisdictions, such as Hong Kong. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC laws. As a result, uncertainties in the PRC legal system could limit the Group's ability to enforce the Contractual Arrangements. If the Group is unable to enforce these contractual arrangements, the Group may not be able to exert effective control over its PRC Consolidated Affiliated Entities, and the Group's ability to conduct its business may be negatively affected.

If the Group is unable to enforce these contractual arrangements, or there are other obstacles in the process of enforcing these contractual arrangements, a substantial portion of the Group's business and operations in the PRC could be disrupted, which could materially and adversely affect the Group's results of operations and damage the Group's reputation. See "*— Risks Related to Doing Business in the PRC — Uncertainties and changes in the PRC legal system could materially and adversely affect the Group's business*".

The Group's ability to enforce the equity pledge agreements may be subject to limitations based on PRC laws and regulations.

Under the Contractual Arrangements, WFOE entered into an equity pledge agreement with X.D. Network and its shareholders. Under the equity pledge agreement, the shareholders of X.D. Network agreed to pledge their equity interests in X.D. Network to WFOE to secure the X.D. Network and the shareholders' performance of their obligations under the relevant contractual arrangements.

The equity pledge agreements with the Group's PRC Consolidated Affiliated Entities' shareholders provide that the pledged equity interests constitute security for all of the payment obligations of the PRC Consolidated Affiliated Entities and the shareholders under the contractual arrangements. However, it is possible that a PRC court may take the position that the amount indicated on the equity pledge registration documents filed with the local branch of the SAIC represents the full debt amount that the pledge secures. If this is the case, the obligations that are supposed to be secured in these equity pledge agreements in excess of the amount indicated on the equity pledge registration documents could be determined by the PRC court as unsecured debt, in which case the protection of the Group's interest in the PRC Consolidated Affiliated Entities' payments to the Group is limited.

The shareholders of X.D. Network have potential conflicts of interest with the Group, which may adversely affect the Group's business.

The Group conducts a substantial portion of its operations, and generates a substantial portion of its revenue, through X.D. Network. The Group's control over X.D. Network is based upon the Contractual Arrangements. Certain shareholders of X.D. Network may potentially have a conflict of interest with the Group. Thus, conflicts of interest between their duties to the Company and their interests as the controlling shareholders of the Group's PRC Consolidated Affiliated Entities may arise. They may not act entirely in the Group's interest when conflicts of interest arise and conflicts of interest may not be resolved in the Group's favour. In addition, these Registered Shareholders could violate their non-compete or employment agreements with the Group or their legal duties by diverting business opportunities from the Group. If the Group is unable to resolve any such conflicts, or if the Group suffers significant delays or other obstacles as a result of such conflicts, the Group's business and operations could be severely disrupted, which could materially and adversely affect the Group's results of operations and reputation.

The shareholders of X.D. Network may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in X.D. Network and the validity or enforceability of the contractual arrangements. For example, in the event that any individual shareholder of X.D. Network divorces his or her spouse, the spouse may claim that the equity interest of X.D. Network held by such individual shareholder is part of their marital or community property. If such claim is supported by the competent PRC court, the relevant equity interest may be obtained by the individual shareholder's spouse or another third party who is not bound by the Group's contractual arrangements, which could result in the Group losing effective control over X.D. Network. Similarly, if any of the equity interests of X.D. Network are inherited by a third party on whom the current contractual arrangements are not binding, the Group could lose its control over X.D. Network or have to maintain such control at unpredictable cost, which could cause significant disruption to the Group's business and operations, and harm the Group's financial condition and results of operations.

Although, under the Group's current contractual arrangements, (i) the spouse of each of the individual shareholders of X.D. Network has executed a spousal undertaking, under which such spouse has undertaken that she or he will not make any assertions in connection with the equity interests of X.D. Network, which are held by the Registered Shareholders, and if such spouse obtains any equity interests of X.D. Network, for any reasons, she or he shall be bound by the contractual arrangements and comply with the obligations thereunder as a shareholder thereof, and (ii) it is expressly provided in the agreements that the rights and obligations thereunder shall be equally effective and binding on the successors of the contracting parties, there can be no assurance that these undertakings and arrangements will be complied with or effectively enforced. If any of these undertakings or arrangements is breached or becomes unenforceable and leads to legal proceedings, it could disrupt the Group's business, distract management and subject the Group to substantial uncertainty as to the outcome of any such legal proceedings.

The Group may lose the ability to use and enjoy the benefits of the assets held by X.D. Network that are important to the operations of the Group's business if such entity goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

X.D. Network is the Group's primary operating entity. It holds assets and performs functions that are important to the operations of the Group's business. If X.D. Network enters into bankruptcy and all or part of X.D. Network's assets become subject to liens or rights of third-party creditors, the Group may be unable to continue some or all of its business activities, which could materially and adversely affect the Group's business, financial condition and results of operations. If X.D. Network undergoes a voluntary or involuntary dissolution or liquidation proceeding, third-party creditors may claim rights to some or all of these assets, thereby hindering the Group's ability to operate its business in the PRC, which may materially and adversely affect the Group's business, financial condition and results of operations.

Contractual arrangements with X.D. Network may result in adverse tax consequences.

Under PRC laws and regulations, an arrangement or transaction among related parties may be subject to audit or challenge by the PRC tax authorities. If this occurs, the PRC tax authorities could request that X.D. Network adjust its taxable income in the form of a transfer pricing adjustment for PRC tax purposes if contractual arrangements among related parties do not represent arm's-length prices. Such a pricing adjustment could adversely affect the Group by reducing, for PRC tax purposes, expense deductions recorded by X.D. Network, which could in turn increase its tax liabilities and expenses. In addition, X.D. Network may be subject to late payment fees and other penalties for underpayment of taxes. As a result, the Group's Contractual Arrangements with X.D. Network may result in adverse tax consequences to the Group. If X.D. Network generates net income from transactions with the Group's PRC subsidiaries under the contractual arrangements in the future and the PRC tax authorities decide to make transfer pricing adjustments on their net income, the Group's consolidated net income may be adversely affected. In addition, the PRC tax authorities may impose interest on late payments on X.D. Network for the adjusted but unpaid taxes.

If the Group exercises the option to acquire the equity ownership or assets of X.D. Network, the ownership transfer may subject the Group to substantial costs.

By virtue of the Group's Contractual Arrangements, WFOE has the exclusive right to purchase all or any part of the equity interests in X.D. Network from its respective shareholders for a consideration of RMB1 or such minimum purchase price permitted under PRC laws and regulations or by the relevant governmental authorities. WFOE also has the exclusive right to purchase all or any part of the assets in X.D. Network at the minimum purchase price permitted under PRC laws and regulations or by the relevant governmental authorities. The respective shareholders shall return the amount of the purchase price they have received to WFOE. If such a transfer takes place, the competent tax authority may require WFOE to pay enterprise income tax

for ownership transfer income with reference to the market value instead of the price as stipulated under the Group's Contractual Arrangements, in which case WFOE may be subject to a substantial amount of tax.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of the Group's current corporate structure, corporate governance and business operations.

On 15 March 2019, the Foreign Investment Law was formally passed by the thirteenth National People's Congress and will take effect on 1 January 2020. The Foreign Investment Law will replace the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign Capital Enterprises to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment.

As advised by the Group's PRC Legal Adviser, since (i) the Foreign Investment Law does not specify contractual arrangements as foreign investment; and (ii) after the promulgation of the Foreign Investment Law on 15 March 2019 and up to the date of this Offering Circular, no laws, administrative regulations or State Council provisions have been issued which specify contractual arrangements as a method of foreign investment, the Foreign Investment Law will not have a material impact on the Contractual Arrangements and each of the agreements under the Contractual Arrangements, and the legality and validity of the Contractual Arrangements would not be affected.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors investing through any other methods under laws, administrative regulations or provisions prescribed by the State Council". Therefore, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, in which case whether the Group's contractual arrangements will be recognised as foreign investment, whether the Group's contractual arrangements will be deemed to be in violation of the foreign investment access requirements, and how the above-mentioned contractual arrangements will be treated, are uncertain. Therefore, there is no guarantee that the contractual arrangements and the business of the Group's PRC Operating Entities will not be materially and adversely affected in the future.

In the extreme case scenario, the Group may be required to unwind the contractual arrangements and/or dispose of its PRC Consolidated Affiliated Entities, which could have a material and adverse effect on the Group's business, financial condition and results of operations. In the event that the Company no longer has a sustainable business after the aforementioned unwinding or disposal or when such requirements are not complied with, the Stock Exchange may take enforcement action against the Group which may have a material adverse effect on the trading of the Group's Shares or even result in the delisting of the Company.

RISKS RELATED TO DOING BUSINESS IN THE PRC

The Group operates in a new and rapidly changing industry, which makes it difficult to evaluate the Group's business and prospects. The Group's ability to generate revenue could suffer if the PRC mobile game market does not develop as anticipated.

The growth of the mobile game industry in the PRC and the level of demand and market acceptance of the Group's games are subject to a high degree of uncertainty. The Group's future operating results depend on numerous factors affecting the mobile game industry, many of which are beyond the Group's control. The Group's ability to formulate and execute publishing, distribution and marketing strategies will be significantly affected by the Group's ability to anticipate and adapt to relatively rapid changes in the tastes and preferences of the Group's current and potential users. New and different types of entertainment may increase in popularity at the expense of mobile games. A decline in the popularity of mobile games in particular would harm the Group's business and prospects. As the PRC's mobile game market has evolved rapidly in recent years, it is extremely difficult to accurately predict user acceptance and demand for the Group's existing and potential new games, and the future size, composition and growth of this market. Given the limited history and rapidly evolving nature of the Group's market, the Group cannot predict how much users will be willing to pay for its mobile games or whether users will have concerns over security, reliability and cost as well as the quality of service associated with mobile games. If acceptance of the Group's mobile games is different from what was anticipated, the Group's ability to maintain or increase the Group's revenue and profits could be materially and adversely affected.

Concerns about the use of personal data in compliance with PRC laws could damage the Group's reputation and deter current and potential users from using the Group's services.

Pursuant to the applicable PRC laws and regulations concerning the use and sharing of personal data, the Group's PRC subsidiaries and Consolidated Affiliated Entities are required to keep the Group's users' personal information confidential and are prohibited from disclosing such information to any third parties without the consent of users. The Group applies strict management and protection to any information provided by users, and under the Group's privacy policy, without the Group's users' prior consent, the Group will not provide any of its users' personal information to any unrelated third party. New laws and regulations, such as The Decision of the Standing Committee of the PRC National People's Congress on Strengthening Network Information Protection (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》), which was issued by the Standing Committee of the PRC National People's Congress on 28 December 2012, the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), which was promulgated by the MIIT on 16 July 2013 and took effect on 1 September 2013, the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), which was promulgated by the Standing Committee of the PRC National People's Congress on 7 November 2016 and took effect on 1 June 2017, and Method for Identifying the Illegal Collection and Use of Personal Information by Apps (《違法違規收集使用個

人信息行為認定方法》), which was promulgated by the Ministry of Industry and Information Technology, the Ministry of Public Security, Cyberspace Administration of China, and State Administration for Market Regulation on 28 November 2019 and took effect on the same day, have further enhanced the legal protection of information security and privacy on the internet. Other relevant laws and regulations being drafted include the Data Security Law (Draft), Measures for the Administration of Data Security (Draft for comment), the Personal Information Protection Bill (Draft), and Measures for Security Assessment for Cross-border Transfer of Personal Information (Draft for Comment). The laws and regulations also require internet operators to take measures to ensure the confidentiality of users' information. While The Group strives to comply with its privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply may result in proceedings or actions against the Group by government entities or others, and could damage the Group's reputation. User and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is shared with merchants or others may adversely affect the Group's ability to share certain data with merchants, which may limit certain methods of targeted marketing. Concerns about the security of personal data could also lead to a decline in general internet usage, which could lead to lower user traffic on the Group's website. A significant reduction in user traffic could lead to lower revenue from paying users, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Currently there is no law or regulation specifically governing virtual asset property rights and, therefore, it is unclear what liabilities, if any, mobile game operators may have for virtual assets.

One of the features of some of the Group's games that helps to build a large user base and maintain loyalty is that users can accumulate virtual tools, powers and rankings as they play the games. The Group believes that these virtual assets are highly valued by the Group's users, in particular long-term users. However, on occasion, such assets can be lost if, for example, a user's identity is stolen by another user or the Group experiences a system error or crash. The PRC Supreme People's Court has announced two judicial interpretation documents regarding the general judicial protection of virtual assets, being Opinions of the Supreme People's Court and the National Development and Reform Commission on Providing Judicial Services and Supports to Accelerate Improvement of the Socialist Market Economy System in the New Era (《最高人民法院關於人民法院為海南自由貿易港建設提供司法服務和保障的意見》) in 2020 and Opinions of the Supreme People's Court on Judicial Services and Guarantees of the People's Courts for the Construction of Hainan Free Trade Port (《最高人民法院關於人民法院為海南自由貿易港建設提供司法服務和保障的意見》) in 2021. The PRC government has not yet enacted any specific laws regarding virtual property rights. Accordingly, the Group has no basis on which to determine what the legal rights are, if any, associated with virtual assets and what liabilities it could be exposed to for the loss or destruction of virtual assets. In the case of a loss of virtual assets, the Group may be sued by its users and held liable for damages, which may negatively affect the Group's

reputation and business, financial condition and results of operations. The Group has not been involved in any virtual-assets-related law suits. However, there can be no assurance that such law suits will not be brought against the Group in the future.

Based on several judgments by PRC courts regarding the liabilities of game operators for loss of virtual assets by users, the courts have generally required the game operators to provide well-developed securities systems to protect such virtual assets owned by users and have required some game operators to return the virtual items or be liable for the loss and damage incurred therefrom if the online game operators have been determined to be in default or held liable for infringement of users' rights.

Regulation and censorship of information disseminated over the internet in the PRC may adversely affect the Group's business, and the Group may be liable for information displayed on, retrieved from or linked to the Group's games or platforms.

The PRC has enacted laws and regulations governing internet access and the distribution of news and other content, as well as products and services, through the internet. The PRC government prohibits information that it believes to be in violation of PRC laws from being distributed through the internet. In particular, the MIIT, the MOC and other competent government authorities have promulgated regulations that prohibit games from being distributed through the internet if the games contain content that is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise state security or secrets. If any of the games the Group offers is deemed to violate any such content restrictions, the Group would not be able to obtain the necessary government approval to continue such offerings and/or could be subject to penalties, including confiscation of income, fines, suspension of business and revocation of the Group's licences for operating mobile games, any of which would materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group may also be subject to potential liability for the actions or communications of the Group's users or for content the Group distributes that is deemed inappropriate. The Group may be required to delete content that violates PRC laws and report content that the Group suspects may violate PRC laws, which may harm the Group's reputation and reduce the Group's user base, the amount of time users can spend on the Group's games or TapTap, or the purchases of virtual items in the Group's games and other products. It may be difficult to determine the type of content that may result in liability for the Group and, if the Group is found to be liable, the Group may be prevented from operating its games or TapTap or offering other services in the PRC.

Global economic, political and social conditions may continue to affect the Group's business.

The Group's performance has been and will continue to be affected by the PRC's economy, which, in turn, is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact the PRC's economic growth.

For example, the trade dispute between the PRC and the United States and the increased tariff that the United States plans to impose on Chinese imports may have a material and adverse effect on the PRC's economy as well as global economies, which may result in continuing uncertainty for the overall prospects for these economies. The lasting impacts any trade war may have on the PRC economy and the PRC trading industry remain uncertain. The reduced demand for exports produced in the PRC, reduced levels of foreign and domestic investment in the PRC and decreased consumer confidence may result in a slowdown in growth in the markets of the PRC.

In addition, the U.S. government has recently made statements and taken certain actions that may lead to changes to U.S. and international trade policies, including recently imposed tariffs affecting a range of products manufactured in China or threatening to sanction certain companies with connections to China. In response, the PRC government had on 9 January 2021, promulgated the Measures for Blocking Improper Extraterritorial Application of Foreign Laws and Measures (《阻斷外國法律與措施不當域外適用辦法》) to counteract the extra-territorial application of foreign laws to Chinese persons. It is unknown whether and to what extent new tariffs or counter-tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on the Group or the industries in which it operates. There is also a concern that the imposition of additional tariffs by the U.S. could result in the adoption of tariffs by other countries as well. Any unfavourable government policies on international trade, such as capital controls or tariffs, may affect the demand for the Group's products and services, or impact the competitive position of the Group's products. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government takes retaliatory trade actions due to the recent U.S.-China trade tension, such changes could have an adverse effect on the Group's business, financial condition and results of operations.

Adverse changes in the economic and political policies of the PRC government could negatively impact the PRC's overall economic growth, which could materially and adversely affect the Group's business.

The Group's business, financial condition, results of operations and prospects depend significantly on economic developments in the PRC. The PRC's economy differs from the economies of most other countries in many respects, including the amount of government involvement in the economy, the general level of economic development, growth rates, and government control of foreign exchange and the allocation of resources. While the PRC economy has grown significantly over the past few decades, this growth has remained uneven across different periods, regions and economic sectors.

The PRC government also exercises significant control over the PRC's economic growth by strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC government has implemented a number of measures, such as increasing the PBOC's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which have had the effect of slowing the growth of credit availability. In 2008 and 2009, however, in response to the global financial crisis, the PRC government loosened such requirements. Any actions and policies adopted by the PRC government or any prolonged slowdown in the PRC's economy, in particular the mobile apps industry, could have a negative impact on the Group's business, operating results and financial condition in a number of ways. For example, the Group's users may reduce spending on the Group's offerings, while the Group may have difficulty expanding the Group's user base quickly enough, or at all, to offset the impact of reduced spending by the Group's existing users.

Uncertainties and changes in the PRC legal system could materially and adversely affect the Group's business.

The Group conducts its business primarily through the Group's PRC subsidiaries and affiliated entities in the PRC. The Group's operations in the PRC are governed by PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements, including those governing PRC tax matters, are relatively new and amended frequently, and their interpretation and enforcement often raise uncertainties that could limit the reliability of the legal protections available to the Group. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retrospective effect. As a result, the Group may not be aware of its violations of these policies and rules until the violations have occurred. Furthermore, the PRC administrative and court authorities have significant discretion in interpreting and implementing or enforcing statutory rules and contractual terms, and it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection the Group may enjoy in the PRC versus other, more developed legal systems. These uncertainties may affect the Group's judgement on the relevance of legal requirements and the Group's decisions on the measures and actions to be taken to fully comply therewith, and may affect the Group's ability to enforce the Group's contractual or tort rights. Such uncertainties may result in substantial operating expenses and costs, and any litigation in the PRC may result in the diversion of resources and management's attention, and therefore materially and adversely affect the Group's business and results of operations. The Group cannot predict future developments in the PRC legal system. The Group may be required to procure additional permits, authorisations and approvals for

its operations, which it may not be able to obtain. The Group's inability to obtain such permits or authorisations may materially and adversely affect the Group's business, financial condition and results of operations.

The PRC government extensively regulates the internet industry, including the foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. With regard to the mobile game industry in the PRC, various regulatory authorities of the PRC central government, such as the State Council, the MIIT, the SAIC, the MCT, the NAPP, and the Ministry of Public Security, are empowered to promulgate and implement regulations governing various aspects of the internet and the mobile game industry. There exist inconsistencies and ambiguities in the regulations promulgated by different government authorities. The Group is required to obtain applicable permits or approvals from different regulatory authorities in order to provide mobile game services. As a result, it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

Risks and uncertainties relating to PRC regulation of internet businesses include, but are not limited to, the following: (1) new laws, regulations or policies may be promulgated or announced that will regulate internet activities, including mobile game businesses. If these new laws, regulations or policies are promulgated, additional licences may be required for the Group's operations. If the Group's operations do not comply with these new regulations after they become effective, or if the Group fails to obtain any licences required under these new laws and regulations, the Group could be subject to penalties and the Group's business operations could be disrupted; (2) there are uncertainties relating to the regulation of the internet industry in the PRC, including evolving licensing requirements. This means that permits, licences or operations of some of the companies may be subject to challenge, or the Group may fail to obtain or renew permits or licences that applicable regulators may deem necessary for the Group's operations. If the Group fails to maintain or obtain the required permits or licences, the Group may be subject to various penalties, including fines and discontinuation of, or restriction on, the Group's operations. Any penalty may disrupt the Group's business operations and may have a material adverse effect on the Group's results of operations; and (3) the interpretation and application of existing or future PRC laws, regulations and policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in the PRC, including the Group's business. There can be no assurance that the Group will be able to maintain its existing licences or obtain any new licences required under any existing or new laws or regulations. There are also risks that the Group may be found to be in violation of existing or future laws and regulations given the uncertainty and complexity of the PRC's regulation of internet businesses. If current or future laws, rules or regulations regarding internet-related activities are interpreted in such a way as to render the Group's ownership structure and/or business operations illegal or non-compliant, the Group's business could be severely impaired and the Group could be subject to severe penalties.

The Group may rely on dividends and other distributions from the Group's PRC subsidiaries to fund the Group's cash and financing requirements, and any limitation on the ability of the Group's subsidiaries to make payments to the Group could materially and adversely affect the Group's ability to conduct the Group's business.

As an offshore holding company, the Group may rely principally on dividends from the Group's PRC subsidiaries for the Group's cash requirements, dividends payments and other distributions to the Group's shareholders, and to service any debt that the Group may incur and pay the Group's operating expenses. The payment of dividends by entities organised in the PRC is subject to limitations. In particular, PRC regulations permit the Group's PRC subsidiaries to pay dividends only out of their accumulated after-tax profits, if any, as determined in accordance with Chinese accounting standards and regulations. In addition, each of the Group's PRC subsidiaries is required each year to set aside at least 10% of its annual after-tax profits (as determined under PRC accounting standards), if any, into its statutory reserve fund until the aggregate amount of that reserve reaches 50% of such entity's registered capital. These reserves are not distributable as cash dividends.

In addition, if any of the Group's PRC subsidiaries incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to the Group. Any limitation on the ability of the Group's subsidiaries to distribute dividends or other payments to the Group could materially and adversely limit the Group's ability to grow, make investments or acquisitions, pay dividends and otherwise fund and conduct the Group's business.

The PRC regulations on loans to and direct investments in PRC entities by offshore holding companies may delay or prevent the Group from using the proceeds of any offering to make loans or capital contributions to the Group's PRC subsidiaries, which could materially and adversely affect the Group's liquidity and ability to fund and expand the Group's business.

Any funds the Group transfers to its PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with the relevant authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions to the Group's PRC subsidiaries are subject to the requirement of making the necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS, and making registrations with other governmental authorities in the PRC. In addition, (i) any foreign loan procured by the Group's PRC subsidiaries is required to be registered with the SAFE, or its local branches; and (ii) each of the Group's PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FICMIS. Any medium or long-term loan to be provided by the Group to its consolidated affiliated entities must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches. The Group may not be able to complete such recording or registrations on a timely basis, if at all. If the Group fails to complete such

recording or registrations, its ability to use the proceeds of this offering and to capitalise the Group's PRC subsidiaries may be negatively affected, which could adversely affect the Group's liquidity and its ability to fund and expand its business.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular No. 19, which took effect as of 1 June 2015 and replaced the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or SAFE Circular No. 142, and the Circular on Relevant Issues Concerning the Pilot Reform of the Administration of the Conversion of Foreign Equity Capital of Foreign Invested Enterprises in Certain Areas, or SAFE Circular No. 36, from 1 June 2015. SAFE Circular No. 19 launched a nationwide reform of the administration of the settlement of foreign exchange capital of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion. On 9 June 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange (國家外匯管理局關於改革和規範資本專案結匯管理政策的通知), or SAFE Circular No. 16. SAFE Circular No. 19 and SAFE Circular No. 16 continue to prohibit foreign-invested enterprises from, among other things, using Renminbi funds converted from their foreign exchange capital for expenditure beyond their business scope, making investment (except for securities investment or non-guaranteed bank products), issuing loans to non-affiliated enterprises, or constructing or purchasing real estate not for self-use. The applicable foreign exchange circulars and rules may significantly limit the Group's ability to use Renminbi converted from net proceeds from an offering to fund the establishment of new PRC subsidiaries, to invest in or acquire any other PRC companies, to provide additional funding to the Group's consolidated affiliated entities or to establish new consolidated affiliated entities in the PRC, which may adversely affect the Group's liquidity and the Group's ability to fund and expand the Group's business in the PRC.

Fluctuations in exchange rates could have a material and adverse effect on the Group's results of operations and the value of your investment.

The conversion of Renminbi into foreign currencies, including the Hong Kong dollar and U.S. dollar, is based on rates set by the People's Bank of China. On 30 November 2015, the Executive Board of the International Monetary Fund ("IMF") completed its regular five-year review of the basket of currencies that make up the Special Drawing Right ("SDR") and decided that, with effect from 1 October 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen, and the British pound. With the development of the foreign exchange market and progress toward interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system, and there can be no assurance that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

As the Group may rely on dividends and other fees paid to it by its subsidiaries and X.D. Network in the PRC, any significant revaluation of the Renminbi may materially and adversely affect the Group's cash flows, revenue, earnings and financial position, and the value of, and any dividends on, the Group's shares payable in Hong Kong dollars or U.S. dollars. For example, if the Group decides to convert its Renminbi into Hong Kong dollars or U.S. dollars for the purpose of making payments for dividends on its shares or for other business purposes, appreciation of the Hong Kong dollar or the U.S. dollar against the Renminbi would have a negative effect on the Hong Kong dollar or the U.S. dollar amount available to the Group. In addition, due to changes in exchange rates, the Group had a foreign exchange gain of RMB9.5 million and RMB1.5 million in 2018 and 2019, respectively, and a foreign exchange gain of RMB2.8 million in 2020.

The net proceeds from the offering of the Bonds are expected to be deposited overseas in currencies other than Renminbi until the Group completes such recording or registrations with the relevant PRC regulatory authorities to convert these proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, the Group's ability to deploy these proceeds efficiently may be affected, as the Group will not be able to invest these proceeds in Renminbi-denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may adversely affect the Group's business, results of operations and financial condition.

Governmental control of currency conversion may limit the Group's ability to utilise the Group's revenue effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. The Group receives a large proportion of its revenue in Renminbi. Under the Group's current corporate structure, the companies in the Cayman Islands primarily rely on dividend payments from WFOE, the Group's wholly-owned PRC subsidiaries in the PRC, to fund any cash and financing requirements that the Group may have.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. Therefore, WFOE may pay dividends in a foreign currency to the Group without preapproval from the SAFE. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses, such as the repayment of loans denominated in foreign currencies. In light of the significant capital outflows from the PRC since 2016 due to the weakening of Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny over major outbound capital movements. More restrictions and a substantial vetting process have been put in place by the SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies for current account transactions in the future.

If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy its foreign currency demands, the Group may not be able to pay dividends in foreign currencies to its shareholders.

Discontinuation of any of the preferential tax treatments and government subsidies or imposition of any additional taxes and surcharges could adversely affect the Group's financial condition and results of operations.

The Group's PRC subsidiaries and PRC Consolidated Affiliated Entities are incorporated in the PRC and are governed by applicable PRC income tax laws and regulations. The EIT Law and its implementing rules, both of which came into effect on 1 January 2008, and were amended on 24 February 2017 and on 29 December 2018, impose a statutory rate of 25% on PRC enterprises. Under the EIT Law, its implementation regulations and other relevant rules, companies qualified as "High and New Technology Enterprises" are entitled to enjoy a preferential enterprise income tax rate of 15%. X.D. Network obtained/renewed its qualification as a High and New Technology Enterprise in 2019, and is and will be subject to a reduced preferential tax rate of 15% for a three-year period from 2019 to 2022. Yiwan obtained its qualification as a software enterprise in 2018, and is and will be subject to a reduced preferential tax rate of 12.5% for a three-year period from 2020 to 2022. The government grants that the Group received were RMB8.1 million, RMB12.4 million and RMB25.8 million for the years ended 31 December 2018, 2019 and 2020, respectively.

Preferential tax treatments and incentives granted to the Group by PRC government authorities are subject to review and may be adjusted or revoked at any time in the future. The Group cannot guarantee that the preferential tax treatments and incentives to which its PRC subsidiaries and PRC Consolidated Affiliated Entities are currently entitled would be successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their position and discontinue any of the Group's current tax treatments, potentially with retrospective effect. The discontinuation of any of the Group's current tax treatments could materially increase the Group's tax obligations and adversely impact the Group's net income.

In addition, the Group's PRC subsidiaries and PRC Consolidated Affiliated Entities have received various financial subsidies from PRC local government authorities, such subsidies being discretionary incentives and policies that those PRC local government authorities have adopted. Local governments may decide to change or discontinue such financial subsidies at any time. The discontinuation of such financial subsidies or imposition of any additional taxes could adversely affect the Group's financial condition and results of operations.

The Group may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to the Group and the Group’s non-PRC shareholders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, production, personnel, accounts and property of an enterprise. In April 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in the PRC. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in the PRC and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

The Group believes none of its entities outside of the PRC is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” As substantially all of the Group’s management members are based in the PRC, it remains unclear how the tax residency rule will apply in the Group’s case. If the PRC tax authorities determine that any of the Group’s subsidiaries outside of the PRC is a PRC resident enterprise for PRC enterprise income tax purposes, then such subsidiary could be subject to PRC tax at a rate of 25% on its worldwide income, which could materially reduce the Group’s net income. In addition, the Group will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that the Group is a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of the Group’s shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of the Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that the Group is treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the shares.

The EIT Law will affect tax exemptions on dividends to be paid by the Group's PRC subsidiaries to the Group through the Group's Hong Kong subsidiary and the Group may not be able to obtain certain treaty benefits under the relevant tax treaty.

The Group is a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from the Group's PRC subsidiaries to satisfy part of the Group's liquidity requirements. Pursuant to the PRC EIT Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC "resident enterprise" to a foreign enterprise, unless the jurisdiction of the foreign investor's tax residence has a tax treaty with the PRC that provides for preferential tax treatment. Pursuant to the Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement and relevant PRC tax laws on the interpretation of the Arrangement, a preferential withholding tax rate of 5% may apply if the PRC enterprise is at least 25% held by the Hong Kong enterprise for at least 12 consecutive months prior to distribution of the dividends and certain other conditions, *e.g.*, the beneficial ownership requirement, are met. Furthermore, under the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties, which became effective in January 2020, the applicant for the preferential withholding rate is required to maintain a record with its in-charge tax authority and keep and maintain all the supporting materials for any post examination by the tax authority. No government approval for the application is required, although the relevant tax authorities may subsequently challenge the applicability of the preferential withholding rate. There can be no assurance that the Group's determination regarding the Group's qualification to enjoy the preferential tax treatment will not be challenged by the relevant PRC tax authority or that the Group will be able to complete the necessary filings with the relevant PRC tax authority and enjoy the preferential withholding tax rate under the Double Taxation Arrangement with respect to dividends to be paid by the Group's PRC subsidiaries to the Company.

Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions the Group may pursue in the future.

According to the Announcement of the SAT on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or Circular No. 7, promulgated by the SAT in February 2015 and further revised in October and December 2017, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly through the transfer of the equity interests of an offshore holding company without a reasonable commercial purpose, the PRC tax authorities have the power to reassess the nature of the transaction and treat the indirect equity transfer as a direct transfer. As a result, the gain derived from such transfer, *i.e.*, the transfer price *minus* the cost of equity, will be subject to PRC withholding tax at a rate of up to 10%. Under the terms of Circular 7, a transfer that meets all of the following circumstances shall be directly deemed as having no reasonable commercial purposes: (i) over 75% of the value of the equity interests of the offshore holding company are directly or indirectly derived from PRC taxable properties; (ii) at any time during the year before the indirect transfer, over 90% of the total properties of the offshore holding company are

investments within PRC territory, or in the year before the indirect transfer, over 90% of the offshore holding company's revenue is directly or indirectly derived from PRC territory; (iii) the function performed and risks assumed by the offshore holding company are insufficient to substantiate its corporate existence; and (iv) the foreign income tax imposed on the indirect transfer is lower than the PRC tax imposed on the direct transfer of the PRC taxable properties.

The Group faces uncertainties as to the reporting and other implications of certain future transactions where PRC taxable assets are involved, such as offshore restructuring and sale of the shares in the Group's offshore subsidiaries. The Group and its non-PRC resident investors may be subject to filing obligations in such transactions, under Circular 7. For transfers of shares in the Company by investors that are non-PRC resident enterprises, the Group's PRC subsidiaries may be requested to assist with the filing under Circular 7. As a result, the Group may be required to expend valuable resources to comply with Circular 7 or to request that the relevant transferors from whom the Group purchases taxable assets comply with these circulars, or to establish that the Company should not be taxed under these circumstances, which may have a material adverse effect on the Group's business, financial condition and results of operations.

The enforcement of labour contract law and increase in labour costs in the PRC may adversely affect the Group's business and the Group's profitability.

The PRC adopted a labour contract law and its implementation rules effective on 1 January 2008 and 18 September 2008, respectively. The labour contract law and its implementation rules impose more stringent requirements on employers with regard to, among others, minimum wages, severance payment upon permitted termination of the employment by an employer and non-fixed term employment contracts, time limits for probation periods as well as the duration and the times that an employee can be placed on a fixed term employment contract. The Group's employment policies and practices may violate the labour contract law or its implementation rules and the Group may be subject to related penalties, fines or legal fees. Compliance with the labour contract law and its implementation rules may increase the Group's operating expenses, in particular the Group's personnel expenses, as the continued success of the Group's business depends significantly on the Group's ability to attract and retain qualified personnel. In the event that the Group decides to terminate some of the Group's employees or otherwise change the Group's employment or labour practices, the labour contract law and its implementation rules may also limit the Group's ability to effect those changes in a manner that the Group believes to be cost-effective or desirable, which could adversely affect the Group's business and results of operations.

Failure to comply with the registration requirements for employee share option plans may subject the Group's PRC equity incentive plan participants or the Group to fines and other legal or administrative sanctions.

On 15 February 2012, the SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration for Domestic Individuals' Participating in the Share Incentive Schemes of Overseas-Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or SAFE Circular No. 7, to replace the previous Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Ownership Plan or Stock Option Plan of Offshore Listed Companies (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) issued by SAFE in March 2007. SAFE Circular No. 7 regulates foreign exchange matters associated with employee stock option incentives or similar incentives permitted under applicable laws and regulations granted to PRC residents by companies whose shares are listed on offshore stock exchanges.

In accordance with SAFE Circular No. 7, all PRC residents who participate in share incentive plans of an overseas public company are required, through the PRC subsidiaries of the overseas public company, to jointly entrust a PRC agent to handle foreign exchange registration with the SAFE or its local office and complete procedures relating to the share incentive schemes, such as opening accounts and capital transfers. PRC residents include PRC nationals or foreign citizens having consecutively resided in PRC for not less than one year, acting as directors, supervisors, senior management personnel or other employees of PRC companies affiliated with such offshore listed company. A PRC agent can be one of the PRC subsidiaries of the offshore listed company participating in the share incentive scheme or another PRC institution qualified for asset trusteeship as designated by the PRC subsidiaries and in accordance with PRC laws. The foreign exchange proceeds received by PRC residents from the sale of shares under share incentive plans granted by offshore listed companies must be remitted to bank accounts in the PRC opened by the PRC agents. Further, a Notice Concerning Individual Income Tax on Earnings from Employee Stock Options, jointly issued by the Ministry of Finance and the State Administration of Taxation, or the SAT, provides that domestic companies which implement employee share option programs must file the employee share option plans and other relevant documents with local tax authorities having jurisdiction over the companies before implementing such plans, and must file share option exercise notices and other relevant documents with local tax authorities before their employees exercise any share options.

After the offering, the Group and its PRC employees who are granted restricted shares or exercised share options granted under its share incentive plans are subject to these regulations. The Group plans to complete, and advise the Group's employees to complete, these procedures in connection with the Group's share incentive plans. However, there can be no assurance that registration procedures with the SAFE or its local counterparts in full compliance with SAFE Circular No. 7 will be completed on a timely basis, if at all. The failure to complete these procedures may subject the Group or its PRC employees holding restricted shares or share options under the Group's share incentive plans to fines and other legal or administrative sanctions.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Group and the Group’s management.

The Group is incorporated in the Cayman Islands. Almost all of the Group’s assets are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon the Group or those persons inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On 14 July 2006, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**Arrangement**”). Under the Arrangement, where any designated people’s court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people’s court of the PRC or Hong Kong court for recognition and enforcement of the judgment. The Arrangement came into effect on 1 August 2008, but the outcome and enforceability of any action brought under the Arrangement is still uncertain. In addition, the PRC currently is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or impossible. On 18 January 2019, the Supreme People’s Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**New Arrangement**”) which will take effect once the governments of the PRC and Hong Kong have enacted legislation and implementing rules for the New Arrangement. Pursuant to the New Arrangement, if the parties have already signed the choice of court agreement in writing under the Arrangement before the New Arrangement enter into force, the Arrangement shall still apply.

The Group faces risks of health epidemics and other disasters in the PRC, which could severely disrupt the Group’s business operations.

The Group’s business could be materially and adversely affected by the outbreak of infectious diseases, such as COVID-19, H1N1, or swine influenza, avian influenza, severe acute respiratory syndrome, or SARS, or another epidemic. Any adverse public health developments in the PRC could require the temporary closure of the Group’s offices. Such closures could severely disrupt the Group’s business operations and adversely affect the Group’s results of operations. The Group’s operations are vulnerable to interruption and damage from man-made or natural disasters, including wars, acts of terrorism, earthquakes, fire, floods, environmental accidents, power loss,

communications failures and similar events, all of which may disrupt the Group's business. If any significant man-made or natural disaster were to occur in the future, the Group's ability to operate its business could be seriously impaired.

Inflation in the PRC could negatively affect the Group's profitability and growth.

Economic growth in the PRC has, in the past, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation, including imposing various corrective measures designed to restrict the availability of credit or regulate growth. High inflation in the future may cause the PRC government to once again impose controls on credit and/or price of commodities, or to take other actions, which could inhibit economic activities in the PRC. Any action on the part of the PRC government that seeks to control credit and/or price of commodities may adversely affect the Group's business operations, causing negative impact on the Group's profitability and growth.

RISKS RELATING TO OWNERSHIP OF THE BONDS AND THE GROUP'S SHARES AND THE OFFERING OF THE BONDS

The Bonds are unsecured obligations.

The Bonds constitute direct, unsubordinated, unconditional, and (subject to "*Terms and Conditions of the Bonds — Covenants — Negative Pledge*") unsecured obligations of the Issuer ranking *pari passu* and rateably, without any. The payment obligations of the Issuer under the Bonds, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the negative pledge contained in Condition 4(A) of the Terms and Conditions rank equally with all of its other present and future unsecured and unsubordinated obligations. The obligations under the Bonds may be adversely affected if:

- the Group enters into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- there is a default in payment under the Group's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Group's indebtedness.

If any of the above events occurs, the Group's assets may not be sufficient to pay amounts due on the Bonds.

Changes in market interest rates may adversely affect the value of the Bonds.

Investment in the Bonds, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds; and
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Bonds, which are complex financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio. Additionally, the investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Holders will have no rights as holders of the Shares prior to conversion of the Bonds, but are subject to changes made with respect to the Shares.

Unless and until the Bondholders acquire the Shares upon conversion of the Bonds, they will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. However, such Bondholders are subject to all changes affecting the Shares. For example, in the event that an amendment is proposed to the Company's articles of association requiring shareholders' approval, and the record date for determining the registered shareholders entitled to vote on the amendment occurs prior to the date of conversion of the Bonds for such Shares and (as applicable) the date of registration by

the relevant Bondholder as the holder thereof, that Bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion. Upon conversion of the Bonds, these holders will be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the date of conversion.

The Issuer may not have the ability to redeem the Bonds.

The Issuer will at maturity be required to redeem all of the Bonds and the Bondholders may require the Issuer to redeem for cash all or some of their Bonds on 12 April 2024 or upon a transaction or event constituting a change of control or delisting or otherwise as described under the headings “*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption at the Option of the Bondholders*” and “*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Relevant Event.*” The Issuer may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Issuer’s ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Issuer would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by the Issuer.

If the Issuer fails to complete the post-issuance report to the NDRC in connection with the Bonds, NDRC may impose penalties or other administrative procedures on the Issuer.

On 14 September 2015, the NDRC promulgated the Circular of the NDRC on Pushing Forth Administrative Reform for Filing and Registration for Issuance of Foreign Debt by Enterprises (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》) (the “**NDRC Circular**”) pursuant to which if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such PRC enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC is expected to issue a decision on the submission within seven working days after it accepts the submission. The enterprise must also report certain details of the bonds to the NDRC within 10 business days upon the completion of the note issue.

The NDRC Circular is silent on the legal consequences of noncompliance with the pre-issue registration requirement. In the worst case scenario, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Bonds. Similarly, there is no clarity on the legal consequences of noncompliance with the post-issue notification requirement under the NDRC Circular. Additional guidance has been issued by the NDRC (《企業境外發行債券指引》) (the “**NDRC Circular Guidelines**”) on 18 December 2015, which states that companies, investment banks, law firms and other intermediaries involved in debt securities issues which do not comply with the registration requirement under the NDRC Circular will be subject to a blacklist and

sanctions. The NDRC Circular Guidelines are silent as to how such blacklist will be implemented or the exact sanctions that will be enacted by the NDRC, or any impact on the Bondholders, in the event of a noncompliance by the Issuer with the NDRC Circular. The Issuer has undertaken to notify the NDRC of the particulars of the issue of the Bonds within the prescribed period under the NDRC Circular.

There is no assurance that the NDRC will not issue further implementation rules or notices which may require additional steps in terms of the registration or provide sanctions or other administrative procedures the NDRC may impose in case of failure of such registration with, or post issuance report to, the NDRC. If the Issuer does not report the post issuance information with respect to the Bonds within the time frame as provided under the NDRC Circular, the NDRC may impose sanctions or other administrative procedures on the Issuer which may have a material adverse impact on its business, financial condition or results of operations.

The Bonds may be early redeemed at the Issuer's option.

The Issuer may, on giving not less than 30 nor more than 60 days' notice to the Bondholders, the Trustee and the Principal Agent in writing, redeem the Bonds in whole, but not in part at their principal amount, together with interest accrued but unpaid to but excluding such date: (i) at any time after 26 April 2024 but prior to the Maturity Date, provided that the Closing Price of the Shares of the Issuer, translated into U.S. dollars at the Prevailing Rate applicable to the relevant Trading Day, for 20 out of 30 consecutive Trading Days prior to the date upon which notice of such redemption is published was at least 130 per cent. of the Conversion Price then in effect (translated into U.S. dollars at the Fixed Exchange Rate); or (ii) at any time if, prior to the date of such notice, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90 per cent. or more in aggregate principal amount of the Bonds originally issued.

In addition, the Bonds may be redeemed at the option of the Issuer in whole and not in part, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders, the Trustee and the Principal Agents, at their principal amount, together with interest accrued but unpaid to but excluding the date specified in the Tax Redemption Notice (if any), if the Issuer has or will become obliged to pay Additional Tax Amounts as a result of certain events set out in the Conditions and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

As a result, the trading price of the Bonds may be affected when any redemption option of the Issuer becomes exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds.

The Bonds will be structurally subordinated to subsidiary debt.

Payments under the Bonds will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Company's subsidiaries, and to all the Company's secured creditors. A substantial part of the Company's operations are conducted through the Company's subsidiaries, associated companies and jointly controlled entities. Accordingly, the Company will be dependent on the operations of its subsidiaries, associated companies and jointly controlled entities to service its indebtedness, including interest and principal on the Bonds. In the event of an insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the business of any of the Company's subsidiaries, creditors of such subsidiaries generally will have the right to be paid in full before any distribution is made to the Company.

Short selling of the Shares by purchasers of the Bonds could materially and adversely affect the market price of the Shares.

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Many investors in convertible bonds seek to hedge their exposure in the underlying equity securities, often through short selling the underlying equity securities or similar transactions. Any short selling or similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares as well as on the trading price of the Bonds.

The insolvency laws of the PRC, the Cayman Islands and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar.

As some of the Company's subsidiaries and Consolidated Affiliated Entities are established under the laws of the PRC, and the Issuer is incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to these subsidiaries or consolidated affiliated entities, even if brought in other jurisdictions, would likely involve insolvency laws of PRC and/or the Cayman Islands the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. Investors should analyse the risks and uncertainties carefully before they invest in the Bonds.

A trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds.

The Bonds are a new issue of securities for which there is currently no trading market. Although the Issuer will make a formal application for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange, there is no assurance that the Issuer will obtain or be able to maintain such listing on the Hong Kong Stock Exchange, or that, if listed, a liquid trading market will develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to

similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Bonds. In addition, the Bonds are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, investors will only be able to resell their Bonds in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. There is no assurance whether an active trading market for the Bonds will develop or be sustained.

If an active trading market were to develop, the Bonds could trade at a price that may be lower than the issue price of the Bonds. Whether or not the Bonds will trade at lower prices depends on many factors, including:

- prevailing interest rates and the market for similar securities;
- general economic, market and political conditions;
- the Group's financial condition, financial performance and future prospects;
- the publication of earnings estimates or other research reports and speculation in the press or investment community in relation to the Group; and
- changes in the industry and competition affecting the Group.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to its industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

Future issuances of Shares or equity-related securities may depress the trading price of the Shares.

Any issuance of equity securities of the Issuer after this offering of the Bonds could dilute the interest of the existing shareholders and could substantially decrease the trading price of the Shares. The Issuer may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust its ratio of debt-to-equity, to satisfy its obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares, and impair

ability of the Issuer to raise capital through the sale of additional equity securities. There is no restriction on ability of the Issuer to issue bonds or the ability of any of the shareholders of the Issuer to dispose of, encumber or pledge the Shares, and there can be no assurance that the Issuer will not issue bonds or that its shareholders will not dispose of, encumber or pledge the Shares. The Issuer cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Issuer and by hedging or engaging in arbitrage trading activity involving the Bonds.

Adjustments by the Bondholders of their hedging positions in the Shares and the expectation thereof may have a negative effect on the market price of the Shares

Shares borrowed by the Credit Suisse AG, Singapore Branch under the Securities Lending Agreement entered into between each of Happy Today Holding Limited and Credit Suisse AG, Singapore Branch may be used by investors to establish hedging positions with respect to the Shares through short sale transactions or privately negotiated derivative transactions. Any buying or selling of the Shares by investors in the Bonds to adjust their hedging positions in connection with this offering or in the future may have a negative effect on the market price of the Shares.

Whilst the Issuer is not a party to any of the Securities Lending Agreement and has no obligations or liabilities thereunder, and all terms and conditions of the Securities Lending Agreement are between the parties thereto and are beyond the Issuer's control, there can be no assurance that the Securities Lending Agreement and any other similar arrangements in the future will not have a negative effect on the market price of the Shares.

The Group's results of operations, financial condition, future prospects and business strategy could also affect the value of the Shares.

The trading price of the Shares will be influenced by the Company's operational results (which in turn are subject to the various risks to which its businesses and operations are subject) and by other factors such as changes in the regulatory environment that may affect the markets in which it operates and capital markets in general. Corporate events such as share sales, reorganizations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

Conversion of the Bonds would dilute the ownership interest of existing shareholders and could also adversely affect the market price of the Shares.

The conversion of some or all of the Bonds would dilute the ownership interests of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the conversion of the Bonds might encourage short selling of the Shares by market participants.

Shares or any securities that are substantially similar to the Shares including, but not limited to, any securities that may be convertible into, or exchangeable for, the Shares that are eligible for future sale by the Company's current Shareholders may adversely affect the value of your investment.

The market prices of the Bonds and the Shares could decline as a result of sales of a large number of the Shares or any securities that are substantially similar to the Shares including, but not limited to, any securities that may be convertible into, or exchangeable for, the Shares after this offering or the perception that such sales could occur. Except for certain lock-up undertakings granted by the Issuer and certain Shareholders as further described in "*Summary — Issuer Lock-up*" and "*Summary — Shareholder Lock-up*", there is no restriction on the Issuer's ability to issue, sell or otherwise dispose of and the Issuer's Shareholders' ability to sell or otherwise dispose of, the Shares, and the Issuer cannot assure you that it will not issue, sell or otherwise dispose of, or that any of its Shareholders will not sell or otherwise dispose of, the Shares. If the Shareholders of the Issuer sell a large number of the Shares after this offering, the market price of the Bonds and the Shares could be depressed and the value of your investment could substantially decrease. The market prices of the Shares and the Bonds could also decline if substantial amounts of the Shares or securities convertible or exchangeable into the Shares are sold after the closing of this offering, or if there is a perception that these sales could occur.

Holders will bear the risk of fluctuations in the price of the Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of the Shares, or the availability of such Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the price of the Bonds.

Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds. The Company's results of operations, financial condition, future prospects and business strategy could affect the value of the Shares. The trading price of the Shares will be influenced by the Company's operational results and other factors, such as changes in the regulatory environment that may affect the markets in which it operates and capital markets in general. Corporate events such as share sales, organizations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

Holders have limited anti-dilution protection.

The Conversion Price (as defined in the "*Terms and Conditions of the Bonds*") will be adjusted in the event that there is a subdivision, consolidation or re-denomination, rights issues, bonus issue, reorganization, capital distribution or other adjustment including an offer or scheme

which affects Shares, but only in the circumstances and only to the extent provided in “*Terms and Conditions of the Bonds — Conversion*”. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

There may be less publicly available information about the Company than is available for public companies in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong, such as the Company, than is regularly made available by public companies in certain other countries. In addition, the Company’s financial information in this Offering Circular has been prepared in accordance with IFRS which differ in certain respects from generally accepted accounting principles (“GAAPs”) in certain jurisdictions which might be material to the financial information contained in this Offering Circular. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the Company’s financial information, and should consult their own professional advisers for an understanding of the differences between IFRS and the GAAPs in their home jurisdictions and how those differences might affect the financial information contained in this Offering Circular.

Modification and waivers of the Conditions by majority Bondholders or the Trustee, which are binding on all Bondholders, may adversely affect Bondholders.

The Trust Deed contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. In addition, an Extraordinary Resolution (as defined in the Trust Deed) in writing signed by or on behalf of the holders of not less than 90% in nominal amount of Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of holder of Bonds duly convened and held.

The Conditions also provide that the Issuer may direct the Trustee to effect, without the consent of the Bondholders and subject to the satisfaction of certain conditions, any modification (save for certain reserved matters) to, or any waiver of the Conditions, the Agency Agreement or the Trust Deed, if to do so could not reasonably be expected to be materially prejudicial to the interests of the Bondholders or is in the opinion of the Trustee of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, authorization or waiver shall be binding on all Bondholders.

Exchange rate risks and exchange controls may affect an investor's returns on the Bonds.

The Issuer will pay interest and principal on the Bonds in United States dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than United States dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the United States dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to United States dollar would decrease (i) the Investor's Currency-equivalent yield on the Bonds; (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less principal than expected, or no principal.

The Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the Trust Deed and the Conditions and applicable laws and regulations, it will be for the Bondholders to take such actions directly.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream, for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The Company's public Shareholders may have more difficulty in protecting their interests than they would as a shareholder of a corporation of other jurisdictions.

The Issuer's corporate affairs are governed by its Memorandum and Articles of Association governing Cayman Islands companies. The rights of the Shareholders of the Issuer to bring Shareholders' suits against its board of Directors under Cayman Islands laws are much more limited than those of the shareholders of corporations of some other jurisdictions. Therefore, the public Shareholders of the Issuer may have more difficulty in protecting their interests in connection with actions taken by the Issuer's management or members of the Issuer's board of Directors than they would as shareholders of corporations of other jurisdictions.

If the Issuer is unable to comply with the restrictions and covenants in its debt agreements, there could be a default under the terms of these agreements, which could cause repayment of its debt to be accelerated.

If the Issuer or any of its subsidiaries are unable to comply with the restrictions and covenants or its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend, as the case may be, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. As a result, a default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under the Issuer or its subsidiary's other debt agreements. If any of these events occur, the Issuer cannot assure investors that the Issuer or its subsidiary's assets and cash flows would be sufficient to repay in full all of its indebtedness, or that the Issuer would be able to find alternative financing. Even if the Issuer could obtain alternative financing, the Issuer cannot assure investors that it would be on terms that are favourable or acceptable to it.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Bonds to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

Bondholders may be subject to tax.

Prospective investors of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of the purchase, ownership, disposition or conversion of the Bonds or the Shares. See “*Taxation*” for a discussion of tax consequences in certain jurisdictions.

The Bonds are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC, the Cayman Islands, Hong Kong or, in each case, any subdivision or authority therein or thereof having power to tax. Although pursuant to the Conditions, the Issuer is required to gross up payments in respect of the Bonds on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Bonds at any time in the event the Issuer has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC, the Cayman Islands, Hong Kong or, in each case, any subdivision or authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the PRC, Hong Kong or the Cayman Islands or, in each case, any subdivision or authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 31 March 2021.

Securities laws restrictions on the resale and conversion of the Bonds and the resale of the Shares issuable upon their conversion may impact investors' ability to sell the Bonds.

The Issuer has not registered the Bonds or the Shares issuable upon conversion of the Bonds under the U.S. Securities Act or other securities laws. Unless and until the Bonds and the Shares issuable upon conversion of the Bonds are registered, they may not be offered or sold or resold except in transactions that are exempt from the registration requirements of the U.S. Securities Act and hedging transactions may not be conducted unless in compliance with the U.S. Securities Act. The Bonds and the Shares issuable upon conversion of the Bonds thereof will not be freely tradable absent registration or an exemption from registration.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Bonds, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of US\$280,000,000 in aggregate principal amount of 1.25 per cent. Convertible Bonds due 2026 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) of XD Inc. (the “**Issuer**”) was authorised by resolutions of the board of directors of the Issuer passed on 31 March 2021.

The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) to be dated on or about 12 April 2021 (the “**Issue Date**”) made between the Issuer and The Bank of New York Mellon, London Branch as trustee for the holders of the Bonds (the “**Trustee**”, which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Deed) and are subject to a paying, conversion and transfer agency agreement to be dated on or about the Issue Date (as amended and/or supplemented from time to time, the “**Agency Agreement**”) made between the Issuer, the Trustee, The Bank of New York Mellon, London Branch, as principal paying agent and principal conversion agent (the “**Principal Agent**”), The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar (the “**Registrar**”) and as transfer agent (the “**Transfer Agent**”) and the other paying agents, conversion agents and transfer agents appointed under it (each a “**Paying Agent**”, a “**Conversion Agent**” or a “**Transfer Agent**”, respectively, and together with the Registrar and the Principal Agent, the “**Agents**”) relating to the Bonds. The term “**Paying Agents**” includes the Principal Agent and the term “**Conversion Agents**” includes the Principal Agent. References to the “**Principal Agent**”, the “**Registrar**”, the “**Transfer Agent**” and “**Agents**” below are references to the principal agent, the registrar, the transfer agent and agents for the time being for the Bonds. These terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available during usual business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday other than a public holiday) at the principal office for the time being of the Trustee (being at the Issue Date at One Canada Square, London E14 5AL, United Kingdom) and at the specified office for the time being of the Principal Agent, and may be provided by email to a holder of Bonds, in each case, following prior written request to the Trustee and/or the Principal Agent (as applicable) and satisfactory proof of holding. The Bondholders (as defined in Condition 2(B)) are entitled to the benefit of the Trust Deed, and are bound by, and deemed to have notice of all the provisions of the Trust Deed and those provisions of the Agency Agreement applicable to them.

1. Status

The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(A)) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(A), at all times rank at least equally with all of its other present and future senior, unsecured and unsubordinated obligations.

2. Form, Denomination and Title

(A) Form and Denomination

The Bonds are issued in registered form in the denomination of US\$200,000 each and integral multiples of US\$1,000 (each, an “**Authorised Denomination**”) in excess thereof. A bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). The Conditions are modified by certain provisions contained in the Global Certificate.*

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(B) Title

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, “**Bondholder**” and (in relation to a Bond) “**holder**” means the person in whose name a Bond is registered.

3. Transfers of Bonds; Issue of Certificates

(A) Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(B) Transfer

Subject to Conditions 3(E) and 3(F) and the terms of the Agency Agreement, a Bond may be transferred or exchanged by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of either the Registrar or any of the Transfer Agents together with any other evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer. No transfer of a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer or conversion of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of the original certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer. The form of transfer is available at the specified office of the Principal Agent.

Except in the limited circumstances described herein (see "The Global Certificate"), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted, redeemed or repurchased, a new Certificate in respect of the Bonds not so transferred or converted will, within seven business days of delivery of the original Certificate to the Registrar or the relevant Transfer Agent, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so

requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted, redeemed or repurchased (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

For the purposes of Condition 3 and Condition 6, "**business day**" shall mean a day other than a Saturday, Sunday or public holiday on which banks are generally open for business in the city in which the specified office of the Registrar and Transfer Agent (if a Certificate is deposited with it in connection with a transfer or conversion) or the Conversion Agent with whom a Certificate is deposited in connection with a transfer, redemption or conversion, is located.

(D) Formalities Free of Charge

Subject to Conditions 3(E) and 3(F), registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any of the Agents may require) in respect of any tax, duties or other governmental charges which may be imposed in relation to such transfer and (ii) the Issuer or the relevant Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

(E) Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the dates for payment of any principal pursuant to these Conditions; (ii) after a Conversion Notice (as defined in Condition 6(B)) has been delivered with respect to a Bond; (iii) after a Relevant Event Redemption Notice (as defined in Condition 8(E)) has been deposited in respect of such Bond pursuant to Condition 8(E) or after a put notice has been deposited in respect of such Bond pursuant to Condition 8(D); or (iv) during the period of 15 days ending on (and including) any date of redemption pursuant to Conditions 8(B) and 8(C). Each such period is a "**Closed Period**".

(F) Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. Such regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar, and/or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the holders) by the Registrar to any Bondholder who requests for one in writing and provides proof of holding of the Bonds satisfactory to the Registrar.

4. Covenants

(A) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Principal Subsidiaries will, create, permit to subsist or arise or have outstanding, any Encumbrance, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Bonds the same Encumbrance as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity equally and rateably or such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(B) Notification to NDRC

The Issuer undertakes that it will, within the prescribed time period prescribed by the NDRC (as defined below) or under the relevant laws and regulations, file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the “**NDRC**”) the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044號)) issued by the NDRC and effective as of 14 September 2015 and Guidance for the Issuance by Enterprises of Foreign Debt Filings and Registrations (企業發行外債備案登記辦事指南) issued in February 2020 (the “**NDRC Filing**”) and comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules and regulations issued by the NDRC from time to time).

(C) Notification of Submission of NDRC Post-issue Filing

The Issuer shall within ten Registration Business Days after submission of the NDRC Post-issue Filing, provide the Trustee with (i) a certificate (substantially in the form scheduled to the Trust Deed) in English signed by an Authorised Signatory of the Issuer confirming (A) the submission of the NDRC Post-issue Filing and (B) no Relevant Event, Event of Default or Potential Event of Default has occurred; and (ii) copies of the relevant documents evidencing the NDRC Post-issue Filing (if any), each certified in English by an Authorised Signatory of the Issuer as a true and complete copy of the original; (the items specified in (i) and (ii) together, the “**Registration Documents**”). In addition, the Issuer shall, within ten Registration Business Days after the submission of the NDRC Post-issue Filing, provide to the Principal Agent a notice for dissemination to the Bondholders (in accordance with Condition 17) confirming the completion of the NDRC Post-issue Filing. The Trustee shall have no obligation or duty to monitor or ensure (or otherwise assist with) the submission of the NDRC Post-issue Filing on or before the deadline

referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing and shall not be liable to Bondholders or any other person for not doing so.

(D) Definitions

In these Conditions:

“**Encumbrance**” means a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person or any other arrangement with similar economic effect;

“**PRC**” means the People’s Republic of China and, for the purposes of these Conditions, except where the context requires, does not include Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**Registration Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing, the PRC;

“**Relevant Indebtedness**” means any future or present indebtedness issued outside of the PRC in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement), which for the avoidance of doubt does not include indebtedness under any bilateral, syndicated or club loan or loan facility; and

Any reference to a “**subsidiary**” or “**Subsidiary**” of any person is to any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person as a subsidiary.

5. Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.25 per cent. per annum (the “**Interest Rate**”), payable semi-annually in arrear in equal instalments of US\$6.25 per Calculation Amount (as defined below) on 12 April and 12 October in each year (each an “**Interest Payment Date**”).

Each Bond will cease to bear interest (a) (subject to Condition 6(B)(iv)) where the Conversion Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Conversion Date (as defined below), or if none, the Issue Date, subject to conversion of the relevant Bonds in accordance with the provisions of Condition 6(B), (b) where such Bond is redeemed or repaid pursuant to Condition 8 or Condition 10, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of the full amount due is improperly withheld or refused. In such event, it will continue to bear interest at two per cent. per annum above the rate aforesaid (both before and after judgment) up to but excluding whichever is the earlier of (x) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (y) the day which is seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Bond shall be calculated per US\$1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the Interest Rate, the Calculation Amount and the day-count fraction (determined in the same manner as stated above in this Condition 5) for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. Conversion

(A) Conversion Right

- (i) *Conversion Period*: Subject as hereinafter provided, Bondholders have the right to convert their Bonds into Shares (as defined in Condition 6(A)(v)) credited as fully paid at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares is called the “**Conversion Right**”. Subject to and upon compliance with these Conditions, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on or after 23 May 2021 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the seventh day prior to the Maturity Date (as defined in Condition 8(A) (both days inclusive) (but, except as provided in Condition 6(A)(iv) and Condition 10, in no event thereafter) or, if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 15 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the relevant holder of such Bond pursuant to Condition 8(D) or Condition 8(E) then up to the close of business (at the place aforesaid) on the business day prior to the giving of such notice in respect of the Bonds held by such holder of the Bonds (the “**Conversion Period**”).

A Conversion Right may not be exercised (x) in respect of a Bond where the holder shall have exercised its right, by delivering or depositing the relevant notice, to require the Issuer to redeem or repurchase such Bond pursuant to Condition 8(D) or Condition 8(E) or (y) except as provided in Conditions 6(A)(iv), following the giving of notice by the Trustee pursuant to Condition 10.

Notwithstanding the foregoing, if the Conversion Date in respect of a Bond would otherwise fall during a period in which the register of shareholders of the Issuer is closed generally or for the purpose of establishing entitlement to any distribution or other rights attaching to the Shares (a “**Book Closure Period**”), such Conversion Date shall be postponed to the first Stock Exchange Business Day (as defined in Condition 6(b)(i) (*Conversion Notice*)) following the expiry of such Book Closure Period.

If the Conversion Date in respect of the exercise of any Conversion Right is postponed as a result of the foregoing provision to a date that falls after the expiry of the Conversion Period or after the relevant redemption date, such Conversion Date shall be deemed to be the final day of such Conversion Period or the relevant redemption date, as the case may be.

- (ii) *Number of Shares*: The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bonds to be converted (translated into Hong Kong dollars at the fixed rate of HK\$7.7746 = U.S.\$1.00 (the “**Fixed Exchange Rate**”) by the Conversion Price in effect on the relevant Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

- (iii) *Fractions of Shares*: Fractions of Shares will not be issued on exercise of Conversion Rights and no cash payment or other adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 31 March 2021 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in U.S. dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re- classification aforesaid if such sum exceeds US\$10.00. Any such sum shall be paid not later than five Stock Exchange Business Days (as defined in Condition 6(B)(i)) after the relevant Conversion Date by transfer to a U.S. dollar account maintained by the payee, in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice.

- (iv) *Conversion Price*: The price at which Shares will be issued upon conversion (the “**Conversion Price**”) will initially be HK\$63.45 per Share, but will be subject to adjustment in the manner provided in Condition 6(C) and Condition 6(D).

- (v) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10, or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the

Trustee and notice of such receipt has been duly given to the Bondholders and notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

- (vi) *Meaning of “Shares”*: As used in these Conditions, the expression “**Shares**” means initially the ordinary shares of par value US\$0.0001 each of the Issuer or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

(B) Conversion Procedure

- (i) *Conversion Notice*: To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during normal business hours (being 9:00 a.m. to 3:00 p.m., Monday to Friday (excluding public holidays) on which commercial banks are open for business in the city of the Conversion Agent) at the specified office of any Conversion Agent a notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from the specified office of the Conversion Agent, together with the relevant Certificate and confirmation that any amounts required to be paid by the Bondholder under Condition 6(B)(ii) have been so paid. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such delivery is made after the end of normal business hours (being 9:00 a.m. to 3:00 p.m.) or on a day which is not a business day in the place of the specified office of the relevant Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next business day following such business day.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Agents and the relevant Bondholder.

The conversion date in respect of a Bond (the “**Conversion Date**”) must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(v) and Condition 10) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately

following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any such aforementioned certification or any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. Conversion Rights may only be exercised in respect of an Authorised Denomination. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal. “**Stock Exchange Business Day**” means any day (other than a Saturday, Sunday or public holiday) on which The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) or the Alternative Stock Exchange (as defined in Condition 6(C) below), as the case may be, is open for the business of dealing in securities.

- (ii) *Stamp Duty etc.*: A Bondholder delivering a Certificate in respect of a Bond for conversion must pay directly to the relevant authorities any taxes and capital, stamp, issue, registration and transfer taxes and duties (“**Duties**”) arising on conversion (other than any Duties payable in the Cayman Islands and Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange on conversion (the “**Issuer Duties**”)) (the Duties and the Issuer Duties being collectively “**Taxes**”) and such Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The Issuer will pay all other expenses arising on the issue of Shares on conversion of Bonds and all charges of the Agents and the share transfer agent for the Shares. The Bondholder must declare in the relevant Conversion Notice that any Taxes (other than the Issuer Duties) payable to the relevant tax authorities pursuant to this Condition 6(B)(ii) have been, or (where permitted by law) will be, paid. Neither the Trustee nor any Agent is under any obligation to determine whether a Bondholder or the Issuer is liable to pay or has paid any Taxes including capital, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this Condition 6(B)(ii) or itself to pay any such amounts or any expenses arising on the issue of Shares on conversion of Bonds.

If the Issuer shall fail to pay any Issuer Duties, the relevant holder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

- (iii) *Registration*: As soon as practicable, and in any event not later than seven Stock Exchange Business Days after the Conversion Date, the Issuer will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice and the relevant Certificate has been delivered and amounts payable by the relevant Bondholder as required by Conditions 6(B)(i) and 6(B)(ii) have been paid, register the person or persons designated for the purpose in the Conversion Notice

as holder(s) of the relevant number of Shares in the Issuer's share register and will, if the relevant Bondholder has also requested in the Conversion Notice and to the extent permitted under the applicable rules and procedures of the Central Clearing and Settlement System of Hong Kong (the "CCASS") and the Issuer's share registrar effective from time to time, take all necessary action to procure that Shares are delivered through the CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) notified to Bondholders in accordance with Condition 17 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion of the Bonds and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

The delivery of the Shares to the converting Bondholder (or such person or persons designated in the relevant Conversion Notice) in the manner contemplated above in this Condition 6(b)(iii) (Registration) will be deemed to satisfy the Issuer's obligation to pay the principal on such converted Bonds.

If the Conversion Date in relation to the conversion of any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event that gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C) but before the relevant adjustment becomes effective under the relevant Condition, upon the relevant adjustment becoming effective the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares as is, together with Shares to be issued on conversion of the Bonds, equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date.

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members (the "**Registration Date**"). The Shares issued upon conversion of the Bonds will be fully-paid and will in all respects rank *pari passu* with the Shares in issue on the

relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of the Bonds shall not be entitled to receive any rights the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 6(B)(iii) prior to the time such retroactive adjustment shall have become effective), the Issuer will calculate and pay to the converting Bondholder or his designee an amount in U.S. dollars (the “**Equivalent Amount**”) equal to the Fair Market Value (as defined below) of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid within such time period by transfer to a U.S. dollar account maintained by the payee, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

- (iv) *Interest Accrual:* If any notice requiring the redemption of any Bonds is given pursuant to Condition 8(B) or Condition 8(C) on or after the fifteenth Hong Kong business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall (subject as hereinafter provided) accrue on the Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Conversion Date; provided that no such interest shall accrue on any Bond in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend or distribution or in the event the Bond carries an entitlement to receive an Equivalent Amount. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by transfer to an U.S. dollar account maintained by the payee in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

(C) Adjustments to Conversion Price

Upon the occurrence of any of the following events described below, the Conversion Price will be subject to adjustment as follows:

- (1) *Consolidation, Subdivision, Redesignation or Reclassification*: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision, redesignation or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date such consolidation, subdivision, redesignation or reclassification takes effect.

- (2) *Capitalisation of Profits or Reserves*:

- (i) If and whenever the Issuer shall issue any Shares credited as fully paid to the holders of Shares (“**Shareholders**”) by way of capitalisation of profits or reserves (including any share premium account) including, Shares paid up out of distributable profits or reserves and/or share premium account (except for any Scrip Dividend) and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share on the date of announcement of the terms of such issue of such Scrip Dividend exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the aggregate nominal amount of the issued Shares immediately before such issue;
- B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend for which Shareholders have elected to receive as Shares issued by way of Scrip Dividend and (ii) the denominator is the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share; and
- C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares issued by way of Scrip Dividend or if a record date is fixed therefor, immediately after such record date.

- (3) *Capital Distributions:* If and whenever the Issuer shall pay or make any Capital Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price per Share on the date on which the Capital Distribution is first publicly announced; and
- B is the Fair Market Value (as defined below) of the portion of the Capital Distribution on the date of such announcement attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or paid or if a record date is fixed therefor, immediately after such record date. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the Capital Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Capital Distribution is capable of being determined as provided herein.

In making any calculation pursuant to this Condition 6(C)(3), such adjustments (if any) shall be made as an Independent Investment Bank may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Issuer.

- (4) *Rights Issues of Shares or Options over Shares*: If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate consideration receivable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

(5) *Rights Issues of Other Securities:* If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class by way of rights or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price per Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value per Share on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be on the Relevant Stock Exchange. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the terms of such issue or grant are publicly

announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Shares in relation to such issue or grant is capable of being determined as provided herein.

- (6) *Issues at less than Current Market Price:* If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for Shares) or issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

- A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;
- B is the number of Shares which the aggregate consideration (if any) receivable for the issue of the maximum number of Shares to be issued or the exercise of such options, warrants or other rights would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

(7) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries), any other company, person or entity shall issue any securities (other than the Bonds excluding for this purpose any further bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the aggregate number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities.

(8) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that following such modification the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95 per cent. of the Current Market Price per Share on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where

- A is the aggregate number of Shares in issue immediately before such modification;
- B is the maximum number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription or purchase price or rate but giving credit in such manner as an Independent Investment Bank, considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (9) *Other Offers to Shareholders:* If and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(4), Condition 6(C)(5), Condition 6(C)(6) or Condition 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price per Share on the date on which such issue, sale or distribution is publicly announced; and
- B is the Fair Market Value of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value”) be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Shares is capable of being determined as provided herein

- (10) *Other Events*: If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Issuer shall, at its own expense, consult an Independent Investment Bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Investment Bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving rise to any adjustment pursuant to this Condition 6 have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Investment Bank to be in its opinion appropriate to give the intended result. Notwithstanding the foregoing, the per Share value of any such adjustment shall not exceed the per Share value of the dilution in the Shareholders’ interest in the Issuer’s equity caused by such events or circumstances.

For the purposes of these Conditions:

“**Alternative Stock Exchange**” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

“**Capital Distribution**” means, on a per Share basis, (a) the aggregate distribution of assets in specie by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes, without limitation, an issue of Shares or other securities credited as fully or partly paid by way of capitalisation of reserves, but excludes any Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(2)(i) and a Scrip Dividend adjusted for under Condition 6(C)(2)(ii)); and (b) the aggregate cash dividend or distribution on a gross basis (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Issuer for any financial period whenever paid or made and however described, provided that a purchase, redemption or buy back of Shares by or on behalf of the Issuer (or a purchase of Shares by or on behalf of a Subsidiary of the Issuer), where the weighted average price or consideration per Share

(before expenses) on any one day in respect of such purchases exceeds the Current Market Price of the Shares by more than five per cent. either (1) on that date, or (2) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day, in which case such purchase, redemption or buy back shall be deemed to constitute a Capital Distribution in an amount by which the aggregate price paid (before expenses) in respect of such Shares purchased, redeemed or bought back exceeds the product of (i) 105 per cent. of such Current Market Price and (ii) the number of Shares so purchased, redeemed or bought back.

“**Closing Price**” means, in respect of a Share for any Trading Day, the closing price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such Trading Day.

“**Current Market Price**” means, in respect of a Share on a particular date, the arithmetic average of the Closing Price for one Share (being a Share carrying a full entitlement to dividends) for each of the 5 consecutive Trading Days ending on (and including) the Trading Day immediately preceding such date; provided that if at any time during the said 5 Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of that dividend per Share;

and provided further that if the Shares on each of the said 5 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the Closing Price on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share.

“**Fair Market Value**” means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank on the basis of commonly accepted market valuation method and taking into account such factors as it considers appropriate, provided that an Independent

Investment Bank will not be required to determine the fair market value where (i) the Capital Distribution is paid in cash, in which case the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) any other amounts are paid in cash, in which case the fair market value of such cash amount shall be the amount of cash, and (iii) options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank), in which case the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded. Such amounts, if expressed in a currency other than Hong Kong dollars shall be translated into Hong Kong dollars at the Prevailing Rate on such date. In addition, in the case of proviso (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit.

“Independent Investment Bank” means an independent investment bank of international repute (acting as an expert) selected by the Issuer and notified in writing to the Trustee. The Trustee shall not be responsible for or under any obligation to appoint an Independent Investment Bank and shall have no responsibility or liability for verifying any calculation, determination, certification, advice or opinion made, given or reached by it.

“Prevailing Rate” means, in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined.

“Relevant Cash Dividend” means the aggregate cash dividend or distribution declared by the Issuer, including any cash dividend in respect of which there is any Scrip Dividend.

“Relevant Page” means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters HKDFIX page (or its successor page) or such other information service provider that displays the relevant information.

“Relevant Stock Exchange” means at any time, in respect of the Shares, the Hong Kong Stock Exchange or the Alternative Stock Exchange.

“Scrip Dividend” means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received (and for the avoidance of doubt, to the extent that an adjustment is made under Condition 6(C)(3) in respect of the Relevant Cash Dividend, no adjustment is to be made for the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof for which an adjustment is already made under Condition 6(C)(2)(ii).

“**Trading Day**” means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days.

On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders, the Trustee and the Conversion Agent in accordance with Condition 17 as soon as practicable after the determination thereof.

The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would fall to be issued at a discount to their par value or Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in the Cayman Islands.

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Conditions 6(C) or Condition 6(D) should be made, and following consultation between the Issuer and an Independent Investment Bank, a written opinion of such Independent Investment Bank in respect thereof shall be conclusive and binding on the Issuer, the Bondholders, the Agents and the Trustee, save in the case of manifest error.

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.

Notwithstanding any provision in this Condition 6, no adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) or former employees (including former directors) of the Issuer or any Subsidiary of the Issuer pursuant to any Employee Share Scheme (as defined in the Trust Deed) (and which Employee Share Scheme is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or, if applicable, the listing rules of an Alternative Stock Exchange), which for the avoidance of doubt shall include the restricted share unit scheme of the Issuer adopted on 3 June 2019, unless any such issuance or other action would result in the total number of Shares which may be issued upon exercise of such Shares or other securities granted during any 12-month period up to and including the date of such issuance or

other action representing, in aggregate, over 3.0 per cent. of the average number of issued and outstanding Shares during such 12-month period (“**Excess Threshold**”), in which case only such portion of the Shares or other securities that exceeds the Excess Threshold shall be taken into account in determining the adjustment of the Conversion Price pursuant to this Condition 6.

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the Shares as referred to in Condition 6(C)(1) above or where there has been a manifest error in the calculation of the Conversion Price.

Any references herein to the date on which a consideration is “**fixed**” shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

References to any issue or offer or grant to Shareholders “**as a class**” or “**by way of rights**” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

Neither the Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure to do so. All adjustments to the Conversion Price under Condition 6(C) shall be determined by the Issuer, and neither the Trustee nor the Agents shall be responsible for calculating or verifying such determinations.

(D) Adjustment Upon Change of Control

If a Change of Control (as defined in Condition 8(E)) shall occur, the Issuer shall give notice of that fact to the Bondholders (the “**Change of Control Notice**”) in accordance with Condition 17 within seven days after it becomes aware of such Change of Control (with a copy to the Trustee and the Principal Agent). Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to Bondholders (such period, the “**Change of Control Conversion Period**”), the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \frac{\text{OCP}}{1 + (\text{CP} \times c/t)}$$

Where:

“**NCP**” means the new Conversion Price;

“**OCP**” means the Conversion Price in effect on the relevant Conversion Date;

“**CP**” means 35 per cent. expressed as a fraction;

“**c**” means the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date; and

“**t**” means the number of days from and including the Issue Date to but excluding the Maturity Date,

provided that the Conversion Price shall not be reduced pursuant to this Condition 6(D) below the level permitted by applicable laws and regulations from time to time (if any).

If the last day of a Change of Control Conversion Period shall fall during a Restricted Transfer Period, the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of the Restricted Transfer Period.

(E) Undertakings

The Issuer has undertaken in the Trust Deed, inter alia, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

- (i) it will use its all reasonable endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange, and if the Issuer is unable to obtain or maintain such listing, to use its all reasonable endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as the Issuer may from time to time determine (and notify to the Trustee in writing) and will forthwith give notice to the Bondholders in accordance with Condition 17 below of the listing or delisting of the Shares (as a class) by any of such stock exchange;
- (ii) it will pay the expenses of the issue of, and all expenses of obtaining and maintaining the listing for, Shares arising on conversion of the Bonds (save for any Duties payable by the relevant Bondholder specified in Condition 6(B)(ii));

- (iii) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the reduction is permitted by applicable law and results in (or would, but for the provision of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made (and for the avoidance of doubt, shall not restrict the Issuer from repurchasing any Shares which is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or, if applicable, the listing rules of an Alternative Stock Exchange); and
- (iv) it will use its all reasonable endeavours to maintain the listing of the Bonds on the Hong Kong Stock Exchange and if the Issuer is unable to maintain such listing or if the maintenance of such listing is unduly onerous, to use its all reasonable endeavours to obtain and maintain a listing for the Bonds on another internationally recognised stock exchange as from time to time selected by the Issuer and notified to the Trustee in writing and will forthwith give notice to the Bondholders in accordance with Condition 17 below of the listing or delisting of the Bonds by any such stock exchange.

In the Trust Deed, the Issuer has also undertaken with the Trustee that so long as any Bond remains outstanding:

- (i) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and
- (ii) it will not make any offer, issue or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Issuer,

provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

(F) Notice of Change in Conversion Price

The Issuer shall give notice to the Bondholders in accordance with Condition 17 and in writing to the Trustee and the Principal Agent of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

7. Payments

(A) Method of Payment

Payment of principal and interest and any other amount due will be made by transfer to the registered account of the Bondholder. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Paying Agents.

So long as the Bonds are represented by the Global Certificate, each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(B) Registered Accounts

For the purposes of this Condition 7, a Bondholder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank, details of which appear on the Register at the close of business on the fifth business day (as defined below) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

(C) Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(D) Payment Initiation

Payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) Delay In Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so).

(F) Business Day

In this Condition 7, “**business day**” means a day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in Hong Kong, New York and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

(G) Partial Payment

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

(H) Rounding

When making payments to Bondholders, fractions of one cent will be rounded to the nearest cent (half a cent being rounded upwards).

8. Redemption, Purchase and Cancellation

(A) Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 100 per cent. of its principal amount together with accrued and unpaid interest thereon on 12 April 2026 (the “**Maturity Date**”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or Condition 8(C) below (but without prejudice to Condition 10).

(B) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 17 and in writing to the Trustee and the Principal Agent (which notice shall be irrevocable) on the date specified in the Tax Redemption Notice for redemption (the "**Tax Redemption Date**") at their principal amount together with interest accrued but unpaid to (but excluding) such date, if immediately prior to the giving of such notice, the Issuer determines and certifies to the Trustee in the certificate referred to in sub-clause (a) of this Condition 8(2) that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the PRC, the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 31 March 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(B), the Issuer shall deliver to the Trustee (a) a certificate signed by two directors who are also Authorised Signatories of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing addressed to the Trustee to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective). The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence thereof, in which event the same shall be conclusive and binding on the Bondholders and the Trustee shall be protected and incur no liability to any Bondholder for or in respect of any action taken, omitted or suffered in reliance upon such certificate and opinion.

Upon the expiry of the Tax Redemption Notice, the Issuer (subject to the following paragraph of this Condition 8(B)) will be bound to redeem the Bonds their principal amount together with interest accrued but unpaid to (but excluding) the Tax Redemption Date.

(C) Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Bondholders and to the Trustee and the Principal Agent in writing (which notice will be irrevocable), the Issuer may redeem all, but not some only, of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount together with interest accrued but unpaid to (but excluding) such date:

- (i) at any time after 26 April 2024 but prior to the Maturity Date, provided that the Closing Price of the Shares of the Issuer, translated into U.S. dollars at the Prevailing Rate applicable to the relevant Trading Day, for 20 out of 30 consecutive Trading Days prior to the date upon which notice of such redemption is published was at least 130 per cent. of the Conversion Price then in effect (translated into U.S. dollars at the Fixed Exchange Rate); or
- (ii) at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith).

If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive Trading Day period as is mentioned in Condition 8(C)(i) above, appropriate adjustments for the relevant days shall be made, as determined by an Independent Investment Bank, for the purpose of calculating the closing price for such days. "**Conversion Ratio**" means, as at any date of determination, the principal amount of each Bond divided by the applicable Conversion Price then in effect (translated into U.S. dollars at the Fixed Exchange Rate).

(D) Redemption at the option of the Bondholders

The Issuer will, at the option of the holder of any Bond, redeem all or some only of such holder's Bonds on 12 April 2024 (the "**Put Option Date**") at per cent. of their principal amount together with interest accrued but unpaid to (but excluding) the date fixed for redemption. To exercise such option, the holder must deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m.) at the specified office of any Paying Agent a duly completed and signed put notice in the form for the time being current, obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds to be redeemed not more than 60 days and not less than 30 days prior to the Put Option Date. A put notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent and the Issuer shall redeem the Bonds the subject of a put notice on the Put Option Date.

(E) Redemption for Relevant Event

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right, at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Redemption Date at their principal amount together with interest accrued but unpaid to (but excluding) such date. To exercise such right, the holder of the relevant Bond must deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m.) at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Relevant Event Redemption Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 17. The "**Relevant Event Redemption Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent and the Issuer shall redeem the Bonds the subject of the Relevant Event Redemption Notice as aforesaid on the Relevant Event Redemption Date. The Issuer shall give notice to Bondholders in accordance with Condition 17 within seven days after it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8(E) and shall give brief details of the Relevant Event.

Neither the Trustee nor the Agents shall be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer and shall not be liable to the Bondholders or any other person for not doing so. None of the Trustee or the Agents shall be under any duty to determine, calculate or verify the redemption amount payable under this Condition 8(D) and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

A "**Relevant Event**" occurs:

- (i) when the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange; or
- (ii) when there is a Change of Control; or
- (iii) when less than 25 per cent. of the Issuer's total number of issued Shares are held by the public (as interpreted under LR8.24 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited); or

- (iv) when (a) there is any change in or amendment to the laws, regulations and rules of the PRC or the official interpretation or official application thereof (a “**change in law**”) that results in (x) the Issuer, its Subsidiaries and its consolidated affiliated entities (collectively, the “**Group**”) (as in existence immediately subsequent to such change in law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Group (as in existence immediately prior to such change in law) as of the last date of the period described in the Issuer’s consolidated financial statements for the most recent fiscal year or half year and (y) the Issuer being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such change in law) in the same manner as reflected in the Issuer’s consolidated financial statements for the most recent fiscal year or half year and (b) the Issuer has not furnished to the Trustee, prior to the date that is twelve months after the date of the change in law, an opinion from an independent financial adviser or an independent legal counsel addressed to the Trustee stating either (x) that the Issuer is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such change in law), taken as a whole, as reflected in the Issuer’s consolidated financial statements for the most recent fiscal year or half year (including after giving effect to any corporate restructuring or reorganisation plan of the Group) or (y) that such change in law would not materially adversely affect the Issuer’s ability to make principal and interest payments on the Bonds when due or to convert the Bonds in accordance with these Conditions.

For the purposes of this Condition 8(E):

a “**Change of Control**” shall occur when:

- (i) any person or persons acting together acquires Control of the Issuer if such person or persons does not or do not have, and would not be deemed to have, Control of the Issuer on the Issue Date;
- (ii) the Controlling Shareholders, whether directly or indirectly, collectively cease to be the largest shareholder of the Issuer; or
- (iii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the assets of the Issuer to any other person or persons acting together unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Issuer or successor entity;

“**Control**” means the acquisition or control of more than 50 per cent. of the Voting Rights of the issued share capital of the Issuer or the right to appoint and/or remove all or the majority of the members of the Issuer’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise;

“**Controlling Shareholders**” means Mr. Huang Yimeng (黃一孟) and Mr. Dai Yunjie (戴雲傑) and:

- (i) any heir, estate, lineal descendant (or spouse thereof), spouse or parent of any of Mr. Huang Yimeng (黃一孟) or Mr. Dai Yunjie (戴雲傑); or
- (ii) any trust, corporation, partnership or other entity, of which the direct or indirect beneficiaries, equity holders, partners or owners are any of Mr. Huang Yimeng (黃一孟) or Mr. Dai Yunjie (戴雲傑) and/or such other persons referred to in paragraph (i) above; and

“**Voting Rights**” means the right generally to vote at a general meeting of shareholders of the Issuer.

(F) Bondholders’ Tax Option

If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(B), each Bondholder will have the right to elect that his or her Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction of withholding of the relevant Cayman Islands, PRC or Hong Kong taxation required to be withheld or deducted. To exercise a right pursuant to this Condition 8(F), the relevant Bondholder must deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m.) a duly completed and signed notice of exercise in the form for the time being currently obtainable from the specified office of any Paying Agent (a “**Bondholder’s Exercise Notice**”) together with the Certificate evidencing the Bonds to be redeemed, on or before the day falling 15 days prior to the Tax Redemption Date at the specified office of any Paying Agent.

(G) Purchase

The Issuer or any of its Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise.

(H) Cancellation

All Bonds which are redeemed, converted or purchased by the Issuer or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

(I) Redemption Notices and Multiple Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be irrevocable and will specify (i) the Conversion Price as at the date of the relevant notice, (ii) the Conversion Period, (iii) the Closing Price and the Current Market Price of the Shares as at the latest practicable date prior to the publication of the notice, (iv) the applicable redemption amount and accrued interest payable, (v) the date for redemption, (vi) the manner in which redemption will be effected; (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice and (viii) such other information as the Trustee (in its sole discretion) may require.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to the Bondholders or any other person for not doing so.

9. Taxation

All payments of principal and interest made by or on behalf of the Issuer under or in respect of the Bonds or the Trust Deed will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, the PRC or Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law.

If the Issuer is required to make a deduction or withholding by or within the PRC, Cayman Islands or Hong Kong, the Issuer shall pay such additional amounts (the “**Additional Tax Amounts**”) as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

- (i) *Other connection*: to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Cayman Islands, the PRC, or as the case may be, Hong Kong otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond; or
- (ii) *Presentation more than 30 days after the relevant date*: (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, “**relevant date**” means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and payment made.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provisions of this Condition 9 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 8(F).

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, withholding or other payment imposed by or in any jurisdiction.

10. Events of Default

If any of the following events (each an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in any such case to being indemnified and/or secured and/or prefunded by the holders to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at their principal amount together

with interest accrued but unpaid to (but excluding) the date of payment (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

- (i) *Non-Payment*: the Issuer fails to pay any principal, interest or any other amounts due in respect of the Bonds and, in the case of payment of interest only, such failure continues for a period of five business days;
- (ii) *Breach of Other Obligations*: the Issuer does not perform or comply with any one or more of its other obligations in the Bonds or the Trust Deed which default is, incapable of remedy or, capable of remedy, is not remedied within 20 business days after written notice of such default shall have been given to the Issuer by the Trustee;
- (iii) *Failure to deliver Shares*: any failure by the Issuer to deliver any Shares as and when the Shares are required to be delivered following conversion of Bonds and such failure continues for a period of three business days;
- (iv) *Cross-Acceleration*: (a) any other present or future indebtedness (whether actual or contingent) of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(v) have occurred equals or exceeds US\$15,000,000 or its equivalent (as determined on the basis of the prevailing rate) in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity;

- (v) *Insolvency*: the Issuer or any of its Principal Subsidiaries is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any material part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the debts of the Issuer or any of its Principal Subsidiaries; an administrator or liquidator of the Issuer or any of its Principal Subsidiaries or the whole or any material part of the assets and turnover of the Issuer or any of its Principal Subsidiaries is appointed (or application for any such appointment is made) and such application is not discharged or stayed within 60 days;
- (vi) *Enforcement Proceedings*: a distress, attachment, execution, or other legal process is levied, enforced or sued out on or against all or any substantial part of the property, assets or turnover of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 60 days;
- (vii) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Principal Subsidiaries (except for a members' voluntary solvent winding up of a Principal Subsidiary), or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries in any combination, or (iii) pursuant to a reconstruction, amalgamation, reorganization, merger or consolidation whilst solvent;
- (viii) *Security Enforced*: any Encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries becomes enforceable against any substantial part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and which is not discharged or stayed within 60 days;
- (ix) *Nationalisation*: any step is taken by any competent government authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a substantial part of the assets of the Issuer or any of its Principal Subsidiaries;

- (x) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done;
- (xi) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; and
- (xii) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(v) to 10(ix) (all inclusive).

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether an Event of Default has occurred and shall not be responsible or liable to the Bondholders, the Issuer or any other person for any loss arising from any failure to do so.

In these Conditions, “**Principal Subsidiary**“ means any Subsidiary of the Issuer:

- (i) whose gross revenues (consolidated in the case of a Subsidiary which has Subsidiaries) as shown by its latest audited statement of profit or loss are at least 5 per cent. of the consolidated gross revenues as shown by the latest published audited consolidated statement of profit or loss and other comprehensive income of the Issuer;
- (ii) whose profits before taxation and exceptional items (“**pre-tax profit**”) (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited consolidated statement of profit or loss, are at least 5 per cent. of the consolidated pre-tax profit as shown by the latest published audited consolidated statement of profit or loss and other comprehensive income of the Issuer including, for the avoidance of doubt, the Issuer and its Subsidiaries’ share or profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or
- (iii) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited consolidated statement of financial position, are at least 5 per cent. of the total consolidated assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated statement of financial position of the Issuer, including the investment of the Issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of associated companies and after adjustment for minority interests,

provided that, in relation to sub-paragraphs (i), (ii) and (iii) above of this definition;

- (a) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer and its respective Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
 - (b) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, the determination of whether or not a Subsidiary is a Principal Subsidiary shall be on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer for the purposes of preparing a certificate thereon to the Trustee;
 - (c) if at any relevant time in relation to any Subsidiary, no accounts are audited, the determination of whether or not a Subsidiary is a Principal Subsidiary shall be on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer for the purposes of preparing a certificate thereon to the Trustee; and
 - (d) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (a) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer, or
- (iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition.

A certificate by an Authorised Signatory of the Issuer that, in its opinion, a Subsidiary is or is not or was or was not or would or would not have been, pursuant to the paragraph above, treated as, at any particular time, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties concerned.

References to the audited statement of profit or loss and statement of financial position of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated statement of profit or loss and consolidated statement of financial position of such Subsidiary and its subsidiaries, if such are required by law to be produced, or if no such statement of profit or loss or statement of financial position is required by law to be produced, to a pro forma statement of profit or loss or statement of financial position, prepared for the purpose of such certificate. References to “gross revenue”, “pre-tax profit”, “total assets”, consolidated or non-consolidated, shall include references to equivalent items in the relevant accounts as extracted from the financial statements audited by an internationally recognised firm of accountants.

11. Prescription

Claims against the Issuer in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest from the relevant date (as defined in Condition 8) in respect thereof.

12. Enforcement

The Trustee may, at any time, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, but it will not be bound to take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

13. Meetings of Bondholders, Modification, Waiver and Substitution

(A) Meetings

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions, the Bonds or the provisions of the Trust Deed. Such a meeting may be convened at any time by the Issuer or the Trustee, and shall be convened by the Trustee if requested in writing by Bondholders holding not less than 10 per cent. in aggregate

principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against any costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds or the due dates for any payment in respect of the Bonds, (ii) to modify the circumstances in which the Issuer or the Bondholders are entitled to redeem the Bonds pursuant to Condition 8(B), Condition 8(C) and Condition 8(E); (iii) to reduce or cancel the amount of principal, default interest, interest, the Equivalent Amount or the principal amount payable in respect of the Bonds or changing the method of calculation of default interest and interest (iv) to change the currency of denomination or payment of the Bonds, (v) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights or (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution or sign a resolution in writing, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they were present at the meeting at which such resolution was passed. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of Bonds for the time being outstanding or by way of electronic consent through Euroclear Bank SA/NV and Clearstream Banking S.A. (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 75 per cent. of the aggregate principal amount of the Bonds for the time being outstanding, shall in each case be as valid and effective as a duly passed Extraordinary Resolution.

(B) Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in the Trust Deed) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, these Conditions, the Agency Agreement or the Trust Deed which is, in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders or (ii) any other modification to the Bonds, these Conditions, the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, any such modification, waiver or authorisation will be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 17.

(C) Interests of Bondholders

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

(D) Certificates/Reports

Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate or report and/or engagement letter or other document entered into by the Trustee, the Issuer and/or any other person in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 13(A) or a modification, waiver or authorisation in accordance with Condition 13(B), the Issuer will procure that the Bondholders be notified in accordance with Condition 17.

14. Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Transfer Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity and/or security as the Issuer, the Registrar and/or such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price, the first payment of interest on them and the timing for the making of the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the Bonds. The Issuer may from time to time create and issue other series of bonds having the benefit of the Trust Deed, provided that such supplemental documents are executed and further opinion are obtained as the Trustee may require, as further set out in the Trust Deed.

16. Currency Indemnity

(A) Currency of Account and Payment

U.S. dollars (the “**Contractual Currency**”) is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds and the Trust Deed, including damages.

(B) Extent of Discharge

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise), by the Trustee or any Bondholder in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

(C) Indemnity

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Bonds or the Trust Deed, the Issuer will indemnify the recipient against any loss sustained by it as a result. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.

(D) Indemnity Separate

The indemnity in this Condition 16 constitutes a separate and independent obligation from the other obligations under the Bonds and the Trust Deed, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and/or any Bondholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Bonds and/or the Trust Deed or any other judgment or order.

17. Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the later of the date(s) of such publication(s) and the seventh day after being so mailed, as the case may be.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled account holders in substitution for notification as required by these Conditions.

18. Agents

The names of the initial Agents and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents. The Issuer will at all times maintain (a) a Principal Agent, and (b) a Registrar which will maintain the Register outside Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Bondholders and in any event not less than 14 days' notice will be given.

19. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security. The Trustee is entitled to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer to the contrary, the Trustee and each Agent shall assume that the same are being duly performed.

None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Whenever the

Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions or clarifications from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible or liable for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or clarifications or in the event that no such directions or clarifications are received.

The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions. The Trustee and the Agents shall not be under any duty or obligation to monitor whether any event or circumstances has happened or exists pursuant to or as contemplated in these Conditions or whether a Potential Event of Default or Event of Default has occurred and each of them may assume until they receive notice in writing to the contrary addressed to each of them that no such event has occurred and neither the Trustee nor the Agents will be responsible or liable to the Bondholders or any other person for any loss arising from any such assumption or failure by it to so monitor.

The Trustee may rely without liability to Bondholders, the Issuer or any other person on any report, confirmation or certificate or any advice or opinion of or from any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, advice or opinion and, in such event, such report, confirmation, certificate, advice or opinion shall be binding on the Issuer and the Bondholders and the Trustee shall not be liable to the Issuer, any Bondholder or any other person for acting or refraining from acting in reliance on such report, information, confirmation, certificate, opinion or advice.

Neither the Trustee nor the Agents shall be responsible or liable to the Bondholders or any other person for any failure of the Issuer (i) to make any payments or (ii) to comply with any of its covenants set out in these Conditions. All calculations under these Conditions, the Trust Deed or the Agency Agreement shall be performed by the Issuer or any other person nominated or appointed by the Issuer. Neither the Trustee nor the Agents shall be liable in any respect for the accuracy or inaccuracy in any mathematical calculation or formula under these Conditions, the Trust Deed or the Agency Agreement, whether by the Issuer or any other person so nominated or appointed by the Issuer for the purposes of these Conditions, the Trust Deed or the Agency Agreement.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

20. Contracts (Rights of Third Parties) Act 1999

Without prejudice to the rights of the Bondholders pursuant to Condition 12, no person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 except to the extent expressly provided for.

21. Governing Law and Submission to Jurisdiction

(A) Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(B) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds and/or the Trust Deed (“**Proceedings**”) may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

(C) Agent for Service of Process

If for any reason the Issuer shall cease to have a registered address in Hong Kong, the Issuer shall promptly notify the Trustee and irrevocably agrees to appoint a process agent in Hong Kong and to notify the Trustee of the acceptance by such process agent of its appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

(D) Waiver of Immunity

The Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder (as defined in the Conditions) (and any proxy or representative appointed by it) of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each US\$1,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in Bonds in respect of which the Global Certificate has been issued to attend and speak (but not to vote) at a meeting of Bondholders on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer or any of its Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders, whereupon the Registrar shall procure the making of an appropriate entry on the schedule to the Global Certificate.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any alternative clearing system), the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more conversion notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Calculation of Interest

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer, for value received, promises to pay to the registered holder of the Bonds in respect of which the Global Certificate is issued such amount or amounts as shall become due in respect of such Bonds and otherwise to comply with the Trust Deed and the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions, in accordance with the Terms and Conditions.

Payment

Payments of principal and interest in respect of Bonds represented by this Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of this Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Such payment will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the alternative clearing system, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the alternative clearing system, for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions.

Bondholder's Redemption

The Bondholder's redemption option in Conditions 8(D) and 8(E) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and presenting the Global Certificate for endorsement or exercise (if required) within the time limits specified in the Terms and Conditions.

Redemption at the Option of the Issuer

The options of the Issuer provided for in Conditions 8(B) and 8(C) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions except that the notice shall not be required to contain the serial numbers of Bonds drawn for redemption in the case of a partial redemption of Bonds and accordingly no drawing of Bonds for redemption shall be required. Partial redemptions will be conducted in accordance with the rules of the relevant clearing system.

Bondholder's Tax Option

The option of Bondholders not to have the Bonds redeemed as provided in Condition 8(F) shall be exercised by the presentation to any Paying Agent, or to the order of such Paying Agent, of a duly completed Bondholder's Exercise Notice within the time limits set out in and containing the information required by Condition 8(F).

Registration of Title

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream (or any other clearing system as shall have been designated by the Issuer) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In such circumstances, the Issuer at its own expense will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any alternative clearing system) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any alternative clearing system) and their respective direct and indirect participants.

USE OF PROCEEDS

The net proceeds from this offering, after deducting commissions and other estimated expenses payable in connection with the offering, will be approximately US\$275.6 million. The Issuer intends to use the proceeds from the offering for further enhancing the Company's research and development capability and game portfolios, and promoting the Group's brand awareness and recognition among users, for marketing and promoting games and TapTap, and for general corporate purposes.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the actual consolidated indebtedness and capitalisation of the Group as of 31 December 2020 and as adjusted to give effect to the issuance of the Bonds before deducting the underwriting discounts and commissions and other estimated expenses relating to this offering payable by the Company.

Investors should read this table in conjunction with the Group’s consolidated financial information as of and for the year ended 31 December 2020.

	As of 31 December 2020			
	Actual		As Adjusted	
	<i>(RMB in thousands)</i>	<i>(US\$ in thousands)⁽¹⁾</i>	<i>(RMB in thousands)</i>	<i>(US\$ in thousands)⁽¹⁾</i>
Debt				
Bonds to be issued ⁽²⁾	—	—	1,827,000	280,000
Total debt.	—	—	1,827,000	280,000
Equity				
Share capital	306	47	306	47
Share premium	6,095,544	934,183	6,095,544	934,183
Reserves	(4,444,279)	(681,116)	(4,444,279)	(681,116)
Retained earnings	644,888	98,833	644,888	98,833
Non-controlling interests	283,667	43,474	283,667	43,474
Total equity	2,580,126	395,421	2,580,126	395,421
Total capitalisation⁽³⁾	2,580,126	395,421	4,407,126	675,421

Notes:

- (1) U.S. dollar translations are provided for indicative purposes only. These translations were calculated based on an exchange rate of RMB6.5250 to US\$1.00 on 31 December 2020 as set forth in “Exchange Rate Information”.
- (2) The Bonds should be bifurcated into and separately accounted for as debt component and equity or derivative liability component according to International Financial Reporting Standards. For illustrative purposes only, the initial proceeds from issuance of the Bonds as a whole have been presented as the Bonds to be issued under “Debt” in the above table.
- (3) Total capitalisation equals the sum of total debt and total equity.

There has not been any material change in the capitalisation of the Company since 31 December 2020.

TRANSFER RESTRICTIONS

Because of the following restrictions, you are encouraged to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds or the Shares.

This offering is being made pursuant to Regulation S under the U.S. Securities Act. The Bonds and the Shares issuable upon the conversion of the Bonds have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction. The Bonds may only be offered, sold or delivered outside the United States (as defined in Regulation S under the U.S. Securities Act) in offshore transactions in reliance on Regulation S, and in each case in accordance with any other applicable law.

Except in certain limited circumstances, interests in the Bonds may only be held through owning beneficial interests in the Global Certificate. Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants. Each owner of Bonds, by its acceptance of the Bonds, will be deemed to have acknowledged and represented to and agreed with the Issuer and the Joint Bookrunners as follows (terms used that are defined in Regulation S are used as so defined):

The Bonds and the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States or other jurisdiction and are subject to significant restrictions on transfer.

- (1) Each owner is purchasing Bonds outside the United States in an offshore transaction meeting the requirements of Regulation S.
- (2) Such owner will not offer, sell, pledge or otherwise transfer any Bonds and the Shares, except as permitted by the applicable legend set forth in paragraph (4) below.
- (3) The Issuer and the Joint Bookrunners and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- (4) The Bonds will bear a legend to the following effect, unless the determine otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

THIS BONDS IN RESPECT HEREOF (OR ITS PREDECESSOR) WERE ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION

REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

Each purchaser of Bonds that may wish to resell any Bonds pursuant to Regulation S is advised that the Bonds will be applied for listing on the Hong Kong Stock Exchange. The Hong Kong Stock Exchange is a “designated offshore securities market” (within the meaning of Regulation S) and accordingly, a resale transaction could be effected in, on or through the facilities of such exchange in reliance upon the safe harbour provided by Rule 904 of Regulation S, subject to compliance with the conditions of Rule 904.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group's history can be traced back to the establishment of X.D. Network under the name of Shanghai Xindong Enterprise Development Co., Ltd. (上海心動企業發展有限公司) in July 2011. Since then, the Group's business has been principally conducted via X.D. Network and its subsidiaries. X.D. Network was renamed as X.D. Network Limited (心動網絡有限公司) in March 2015 and was converted into a joint stock limited company as X.D. Network Inc. (心動網絡股份有限公司) in May 2015. In November 2015, the shares of X.D. Network became quoted and listed on the NEEQ under the stock code of 833897. In December 2018, X.D. Network was voluntarily delisted from the NEEQ.

The Group is a national and international game developer and operator of quality games. The Group also operates TapTap, the largest by MAU and fast-growing online game community and platform in China. As at 31 December 2020, TapTap had an average of 25.7 million MAU, representing a CAGR of 30.9% from the 15.0 million as at 31 December 2018. The Group has a diverse portfolio of games across different genres. As of 31 December 2020, the Group's game portfolio consisted of 33 online games and 13 premium games. As of the same date, the Group was developing 13 online games in the Group's game pipeline, which the Group expected to release from 2021. The Group has strong in-house games development capabilities and develops games in-house.

To help gamers discover attractive games and share gameplay experiences, the Group co-founded TapTap in 2016 through its investment in Yiwan. TapTap has not only created a vibrant game development ecosystem of users-developers-operators that attracts and retains gamers, but also served as a powerful distribution, testing and evaluation platform for game developers, which further enables the Group to monetize its user base.

For the years ended 31 December 2018, 2019 and 2020, the Group's revenue was RMB1,887.1 million, RMB2,838.1 million and RMB2,847.6 million respectively. The Group's revenue from game business contributed 84.4%, 83.8% and 81.9%, respectively, and revenue from information service business, comprising primarily online marketing services provided by TapTap, contributed 15.6%, 16.2% and 18.1%, respectively, to total revenue during the same periods. In addition, for the years ended 31 December 2018, 2019 and 2020, the Group's profit for the year was RMB352.7 million, RMB513.4 million and RMB55.8 million, respectively.

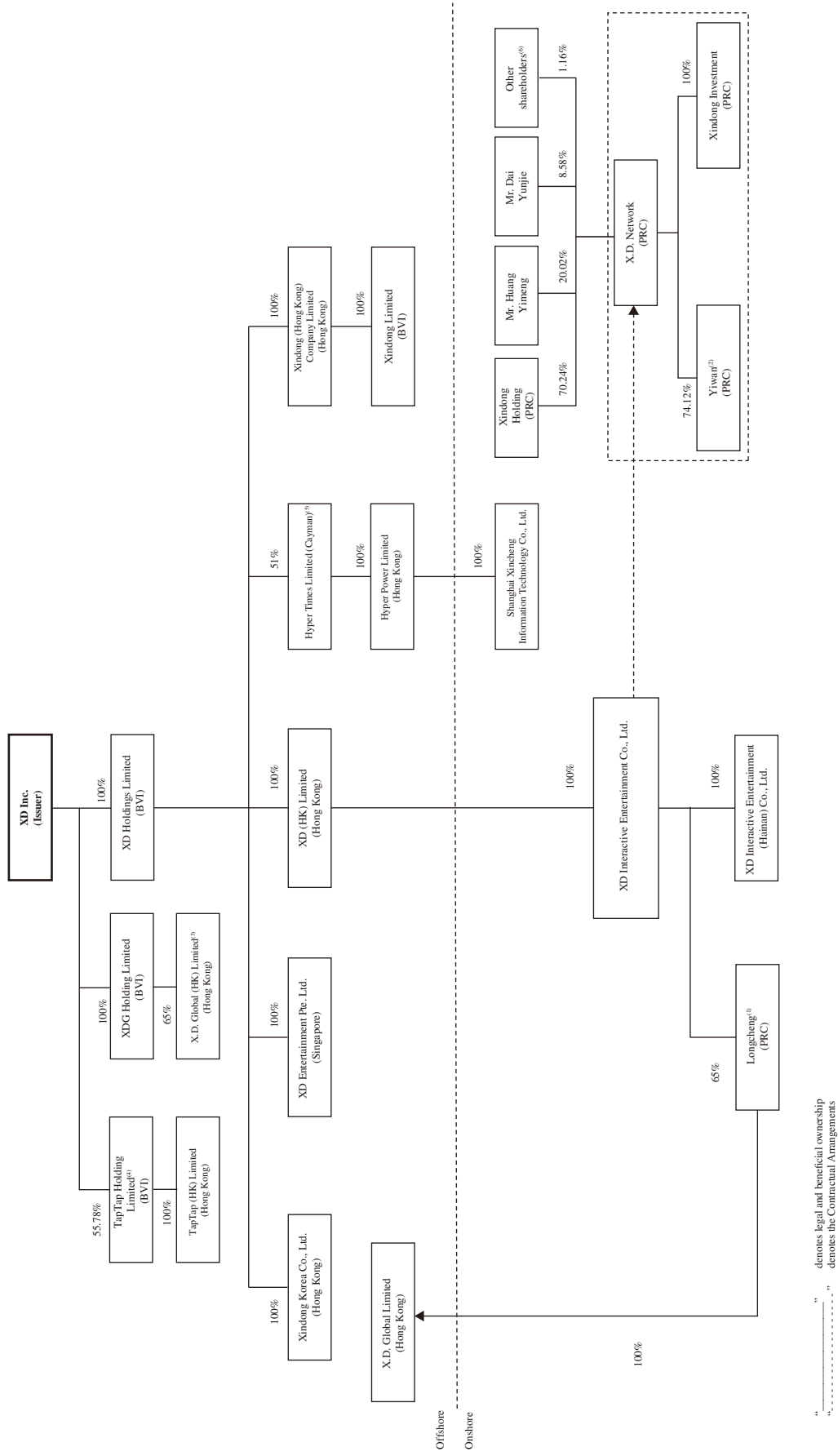
KEY BUSINESS MILESTONES

The following is a summary of the Group's key business development milestones:

Year	Event
2011	<ul style="list-style-type: none">Establishment of X.D. Network focusing on developing, publishing and operating online games in JulyThe Group's web game, Shen Xian Dao (Web) (神仙道頁遊), was officially launched in China
2015	<ul style="list-style-type: none">The shares of X.D. Network became quoted and listed on the NEEQ in November
2016	<ul style="list-style-type: none">TapTap, a leading mobile game community and platform in China, was launched by Yiwan in AugustYiwan became the Group's non-wholly owned subsidiary following the increase of its shareholding to 55.05% equity interest in December
2017	<ul style="list-style-type: none">Awarded "Top 100 Chinese Internet Companies for the Year 2017" by Internet Society of ChinaThe Group's mobile game, Ragnarok M, was officially launched in China in JanuaryLongcheng became the Group's non-wholly owned subsidiary following the increase of its shareholding to 51% equity interest in July 2017 to further develop its overseas online game operation and publishing business
2018	<ul style="list-style-type: none">The Group's mobile game, Sausage Man (香腸派對), was officially launched in China in AprilX.D. Network was voluntarily delisted from the NEEQ in December
2019	<ul style="list-style-type: none">XD Inc. was listed on the Stock Exchange of Hong Kong Limited
2020	<ul style="list-style-type: none">X.D. Network increased its shareholding in Yiwan to 74.12%

THE GROUP'S STRUCTURE

Set out below is a simplified shareholding structure of the Group as at the date of this Offering Circular:



-
- (1) The remaining 35% of the equity interest in Longcheng was owned as to 27% by Yilongxin and 8% by Shuojia Investment.
- (2) The remaining 25.88% of the equity interest in Yiwan was owned as to 8.85% by Xiamen Jixiang Equity Investment Co., Ltd. (廈門吉相股權投資有限公司), 8.24% by Shanghai Xinhe Business Consulting Partnership (Limited Partnership) (上海芯赫商務諮詢合夥企業(有限合夥)), 3.02% by Mr. Ding Yingfeng, 3.02% by Hangzhou Bobo Technology Company Limited (杭州播播科技有限公司) and 2.75% by Zhuhai Anran Investment Enterprise (Limited Partnership) (珠海安然投資企業(有限合夥)).
- (3) The remaining 35% of the equity interest in X.D. Global (HK) Limited was owned as to 27% by Edragon Technology Limited and 8% by LY Development Limited.
- (4) The remaining 44.22% of the equity interest in TapTap Holding Limited was owned as to 38.02% by Edragon Technology Limited and 6.20% by Chris Technology Limited.
- (5) The remaining 49% of the equity interest in Hyper Times Limited was owned by Hyper Plus Limited.
- (6) 1.16% of the equity interest in X.D. Network was owned by Hong Shen, Wang Chenguang, Pan Zuqiang, Zhang Aifen, Huang Yecheng and Pan Chenping.

THE GROUP'S STRENGTHS

The Group believes the following strengths contribute to the Group's success and position them for continued growth:

Proven track record of developing and operating popular games

Leveraging the Group's deep understanding of gamers' needs for high-quality games and the Group's insights in latest market trends, the Group has been able to consistently develop and operate popular games. As of 31 December 2020, the Group had 33 online games in operation, comprising many popular games in the major game genres of RPG (Ragnarok M and Shen Xian Dao (HD) (神仙道高清重製版)), CCG (Girls' Frontline (少女前線)), SLG (Heng Sao Qian Jun (橫掃千軍)), battle arena game (Sausage Man (香腸派對)) and placement game (Ulala (不休的烏拉拉)). These six popular games attracted an aggregate of over 270 million gamers since launch.

The Group started its game operating business by operating web games, and since 2012, the Group has strategically shifted its focus to mobile games. For example, through adapting the web version of Shen Xian Dao (神仙道) to a mobile version and enhancing the Group's marketing efforts to attract new gamers, the Group extended the life cycle of this game to over eight years, which is substantially longer than comparable online games.

As at 31 December 2020, the Group also operates 13 premium games. The Group believes premium games further enrich its game portfolio and enhances its brand recognition among core gamers. The Group's premium games, such as ICEY (艾希), support various types of devices, including but not limited to PlayStation 4, PC and Switch.

Vibrant and engaging game development ecosystem and platform

Since its inception in 2016, TapTap has been dedicated to introducing high-quality games to the Group's gamers and connecting gamers and developers. For the year ended 31 December 2020, the Group made available over 11,000 mobile games for gamers to download, and news and information on over 53,000 games on TapTap. The Group encourages gamers to review, discuss and rate games on TapTap which attracted a large amount of social networking interactions. For the year ended 31 December 2020, the Group recorded 407.6 million game downloads. TapTap established an independent rating system. For the year ended 31 December 2020, the Group had 321.4 million registered users on TapTap, increasing from 59.2 million as of 31 December 2019. TapTap mobile app's average MAUs quickly rose from 15.0 million in the year ended 31 December 2018 to 25.7 million in the year ended 31 December 2020.

TapTap is also a pioneering game platform that operates under a free-to-distribute model in China amid rising conflicts between game developers and distribution channels. The Group is a clear beneficiary amid the secular industry shift as a new distribution channel without revenue-sharing charges. Under such model, developers can conveniently upload their games for

gamers to download without embedding any required Software Development Kit or SDK, which has attracted a considerable number of game developers. As of the year ended 31 December 2020, TapTap attracted over 15,000 game developers. In addition to game distribution, the Group also provides developers with a range of value-added services, such as game testing and user data analysis, to enable them collect and analyse gamers' feedback to optimize their games. The Group's powerful data analytics tool helps developers collect a variety of real-time indicators, such as the number of gamers, playtime, retention rate and in-game purchases. In addition, developers can place game advertisements on TapTap to achieve more targeted marketing.

TapTap has not only created a vibrant and engaging mobile game community that attracts and retains gamers, but also serves as a powerful distribution, testing and evaluation platform for game developers, which further enables it to monetize the Group's user base.

Established overseas game publishing and operating capabilities

As one of the pioneers of China-based game developers and operators that entered the overseas markets, the Group commits itself to introducing high-quality games to more people across different countries. For the years ended 31 December 2018, 2019 and 2020, the Group's game operating revenue from overseas markets was RMB976.7 million, RMB1,514.6 million and RMB1,292.4 million, respectively.

The Group believes it is a preferred distributor of PRC mobile games in the overseas markets. The Group has an experienced overseas publishing team, consisting of 144 employees as of 31 December 2020. Apart from the Group's in-house publishing expertise, the Group also engages a number of overseas consultants to support its overseas operations, such as implementing marketing activities, quality control and organizing industry events. Leveraging the Group's in-depth understanding of the fast-changing global game industry, dynamic user preferences and complex distribution and payment networks in different geographical markets, the Group helps PRC game developers effectively enter the international markets with one-stop services, such as game redesign and localization, optimization, marketing, distribution and payment support. The Group's stable relationship with global partners is also critical to the Group's overseas business. The Group partners with leading distribution platforms, such as App Store and Google Play, to take advantage of their global user base and mature payment system.

Excellent game development and data analytics capabilities

The Group believes strong independent research and development capability is critical to its long-term growth. In recent years, the Group enhanced its game development capabilities by building a strong research and development team consisting of 8 game development studios and 1,129 employees as of 31 December 2020. As of 31 December 2020, the Group launched ten self-developed games including complex online games, such as Ragnarok M and Heng Sao Qian Jun (橫掃千軍). For the years ended 31 December 2018, 2019 and 2020, the Group generated RMB925.7 million, RMB1,163.2 million and RMB737.1 million of game operating revenue,

respectively, from the Group's self-developed games. For the year ended 31 December 2020, the Group had 13 games in research and development phase. For the years ended 31 December 2018, 2019 and 2020, the Group's research and development expenses were RMB197.8 million, RMB317.6 million and RMB657.5 million, respectively, representing a CAGR of 82.3%. As at 31 December 2020, the Group had 416 registered trademarks, 11 registered patents, 143 registered software copyrights and 126 registered work copyrights in China. As at 31 December 2020, the Group had 103 registered trademarks in countries and regions outside China, including the Japan, South Korea, Hong Kong and Taiwan. As at 31 December 2020, the Group has also registered 32 domain names, including www.xd.com, www.ro.com and www.taptap.com.

The Group's multi-dimensional data analytics engine enables it to collect and synthesize a variety of game operation metrics (such as gamer base, time spent, retention rate, purchasing information, etc.). In addition, the Group's game community and platform, TapTap, provided it with a large volume of multi-dimensional gamer data. The combination of the Group's data analytical capabilities and rich data resource helps the Group to better understand user preference, identify key trends and further improve the Group's games and user experience.

Experienced management team dedicated to innovation

The Group's experienced senior management team is led by the Group's founder and chief executive officer, Mr. HUANG Yimeng and the Group's co-founder and president, Mr. DAI Yunjie, both of whom are successful serial entrepreneurs. As gamers themselves, the Group's founders have a shared passion for great games and have gained a deep understanding of the game industry. As at the date of this Offering Circular, Mr. Huang and Mr. Dai have over 14 years of experience in games, telecommunications, technology and internet industries. As of the same date, the Group's senior management members also have over 11 years of average experience in game and internet-related industries. Leveraging their rich industry experience, in-depth insight in game trends and solid dedication to the game industry, the Group's management team has successfully established a proven track record of successful game development, publishing and operation in both China and overseas.

THE GROUP'S STRATEGIES

The Group intends to pursue the following strategies to further grow the Group's business:

Further enhance the Group's game portfolio

The Group aims to offer and operate world-class mobile games serving the global markets. To enrich the Group's game portfolio and attract more gamers, the Group intends to continue to develop, discover and offer high-quality, seasoned games through the following measures:

- improving the Group's in-house development capabilities through increasing investment in information technology infrastructure, recruiting experienced game development personnel, and enhancing the Group's expertise in visual designs and sound effects;
- licensing popular games from both leading and emerging game developers, especially in China, Japan and South Korea, which the Group believes reflect the Group's gamer's preference and latest industry trends; and
- collaborating with PRC and overseas game developers and content providers to adapt popular games and cultural contents into mobile games.

Increase active user base and engagement of TapTap

The Group will continually attract both gamers and developers to join the community of TapTap and further improve its engagement through the following measures:

- improving and upgrading the content recommendation algorithm of TapTap to more effectively capture and serve gamers' needs;
- enhancing the search function of TapTap to help gamers locate useful resources efficiently;
- strengthening its community function, such as adding more sub-forums, and implementing both online and offline marketing strategies to increase gamer engagement;
- providing more advanced developer tools on TapTap that facilitate game developers to better interact with gamers to improve their game experience; and
- releasing overseas versions of TapTap with localized features to serve gamers and game developers globally.

Deepen overseas operations

The Group expects to expand its game publishing and operating business in both existing and new overseas markets, mainly through the following measures:

- cooperating with reputable game developers for publishing their games in the PRC and overseas markets; and
- establishing regional headquarters in overseas markets for better managing the Group's overseas game operating business.

In respect of the Group's current major overseas markets such as South Korea, Taiwan, Hong Kong and Southeast Asia, the Group plans to maintain and further increase its presence by offering quality games and focusing on better game localization, engaging qualified foreign consultants for advice and reaching out to more local partners for collaboration. Meanwhile, the Group closely monitors the market trends of the countries and regions with great potential such as Europe and North America for opportunities. The Group plans to continue to participate in international game events or exhibitions to promote its brand recognition globally.

Upgrade information infrastructure and technology

The Group believes that investing substantial resources in information technology can effectively empower its business in the fast-growing and evolving game industry. The Group intends to upgrade its information infrastructure and technology for its game operations through the following measures:

- recruiting and retaining skilled personnel, especially visual art designers, and adding new servers and adopting upgraded cloud services; and
- improving the Group's data analysis system to enhance its understanding of gamers' needs through analysis of user behaviour, and improving its anti-cheating system to achieve better gameplay experience and gamer information security.

Meanwhile, the Group plans to strengthen its game recommendation algorithms and user data analysis capabilities on TapTap, to allow the Group to effectively implement distribution and marketing strategies and improve user retention rate and monetization of its games.

Seek strategic investments and acquisitions

The Group plans to make selective and strategic investments in, and acquisitions of, businesses in China and overseas that can be synergistic to its existing operations, including game studios with strong game development capabilities, companies with advanced technologies or valuable intellectual property contents, and local companies with operating expertise and connections in local markets. The Group is also interested in acquiring or investing in suitable game service providers specialized in visual and sound effects, which it believes can improve the quality of its self-developed games. In addition, the Group plans to invest in local game distribution platforms and game communities to enhance the synergies between the Group's game operating business and TapTap.

The Group's goal is creating synergies with its existing business and integrating resources in upstream and downstream industries, rather than purely seeking financial returns from its investments.

AWARDS AND RECOGNITIONS

As of 31 December 2020, the Group has received various awards and recognitions in China, including principally:

Award/Recognition	Year	Awarding Institution	Entity/Product
Best TMT company at the 5th Golden Hong Kong Stocks Awards (第五屆金港股年度頒獎盛典 — 最佳TMT公司)	2020	ZhiTong CaiJing (智通財經) and Royalflush Finance (同花順財經)	XD Inc.
Best Hong Kong Stock Connect company at the 5th Golden Hong Kong Stocks Awards (第五屆金港股年度頒獎盛典 — 最佳港股通公司)	2020	ZhiTong CaiJing (智通財經) and Royalflush Finance (同花順財經)	XD Inc.
Xiang Yang Award — Advertiser of Spirit of Craftsmanship (向陽獎 — 最具匠心精神廣告主)	2018	Tencent Social Ads (騰訊廣告)	X.D. Network and Yiwan
Top 10 most popular games overseas in 2018 (2018年度十大最受海外歡迎遊戲)	2018	China Audiovisual and Digital Publishing Association (中國音像與數字出版協會)	Ragnarok M

Award/Recognition	Year	Awarding Institution	Entity/Product
Top 100 Chinese Internet Companies for the Year 2017 (2017年中國互聯網百強企業)	2017	Internet Society of China (中國互聯網協會)	X.D. Network
2017 Top Ten Indie Games (2017年度十佳獨立遊戲)	2017	Sina Games (新浪遊戲)	ICEY (艾希)
2016 China Original Game Boutique Publishing Project (2016年度中國原創遊戲精品出版工程)	2016	General Office of National Press, Publication, Radio, Film and Television Administration (國家新聞出版廣電總局辦公廳)	Heng Sao Qian Jun (橫掃千軍)
2016 China Game Billboard — Top Ten Most Expected Mobile Games (2016中國遊戲風雲榜—十大最受期待手遊).	2016	www.QQ.com (騰訊網)	Ragnarok M

THE GROUP'S REVENUE MODEL

The Group has diversified revenue streams and experienced rapidly growing revenue from games and TapTap. The Group develops, publishes and operates games and generates game operating revenue. For the years ended 31 December 2018, 2019 and 2020, the Group's game operating business, especially the Group's online games, contributed most of its revenue. The Group also publishes and operates premium games. As of 31 December 2020, the Group operated 46 games, of which 33 are online games and 13 are premium games.

Since 2017, the Group has also generated information service revenue from TapTap mainly through providing online marketing services. TapTap was developed by Yiwan which was co-founded by the Group and became the Group's subsidiary in 2016. Revenue generated from the Group's information service business grew rapidly, from RMB294.8 million in 2018 to RMB459.6 million in 2019 accounting for 15.6% and 16.2% of the Group's total revenue in 2018 and 2019, respectively, and increased by 12.2% to RMB515.6 million in the year ended 31 December 2020 from RMB459.6 million in the same period of 2019.

The following table sets forth a breakdown of the Group's revenue for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(RMB in thousands except for percentages)					
Games	1,592,347	84.4	2,378,516	83.8	2,331,967	81.9
Game operating	1,588,115	84.1	2,375,307	83.7	2,291,990	80.5
Online games	1,544,485	81.8	2,319,643	81.7	2,148,320	75.4
Premium games	43,630	2.3	55,664	2.0	143,670	5.1
In-game marketing and promotion	—	—	—	—	36,044	1.3
Others ⁽¹⁾	4,232	0.3	3,209	0.1	3,933	0.1
Information services	294,761	15.6	459,581	16.2	515,586	18.1
Total revenue	<u>1,887,108</u>	<u>100.0</u>	<u>2,838,097</u>	<u>100.0</u>	<u>2,847,533</u>	<u>100.0</u>

⁽¹⁾ Others in game operating are primarily derived from licensing copyrights of the Group's games or game contents to other game publishing companies for agreed periods, and other game publishers pay licence fees for the right to operate the Group's games in specified geographic areas. The licence fees normally comprise of a fixed lump sum and variable fees calculated based on a predetermined rate on the cash paid by gamers collected by the publishers related to the licensed games.

THE GROUP'S ONLINE GAMES

The Group focuses on developing, publishing and operating online games. For the year ended 31 December 2020, the Group operated 33 online games including well-known games such as Ragnarok M. All of the Group's online games are offered on a free-to-play basis. The Group generated revenue from the sales of in-game virtual items. For the years ended 31 December 2018, 2019 and 2020, revenue from the Group's online games accounted for 81.8%, 81.7% and 75.4% of the Group's total revenue, respectively, and 97.3%, 97.7% and 93.7% of the Group's game operating revenue, respectively.

The Group's online games consist of mobile games and web games. The Group commenced its online game business by publishing and operating web games developed by third-party game developers in China. Since 2012, capitalizing on the Group's experience accumulated from operating web games, the Group began to shift its business focus to developing, publishing and operating mobile games.

Game Portfolio

The Group offers a large portfolio of online games for gamers with diversified preferences across various countries and regions. The Group's games typically have three stages in their life cycles, for each game including (i) the growth stage, during which the number of gamers and the

revenue generated by the game experience rapid growth, (ii) the maturity stage, during which the revenue tends to be continuously generated by the game and the number of gamers tends to be stable during this stage, and (iii) the recession stage, during which the number of gamers and the revenue generated by the game decrease significantly.

The following table sets out certain key information of the Group's major popular online games as of for the year ended 31 December 2020:

<u>Title</u>	<u>Source</u>	<u>Launch date</u>	<u>Genre</u>	<u>Major operating markets</u>
Ragnarok M	Self-developed ⁽²⁾	January 2017	MMORPG	China, Hong Kong, Macau, Taiwan, South Korea, Japan, Southeast Asia, North America, South America and Australia
Sausage Man (香腸派對)	Licensed	April 2018	Battle arena game	China
Ulala (不休的烏拉拉) . .	Licensed	May 2019	Placement game	China, Hong Kong, Macau and Taiwan, South Korea, Japan, America and Southeast Asia
Girls' Frontline (少女前線)	Licensed	January 2017	CCG	Hong Kong, Macau, Taiwan and South Korea
Heng Sao Qian Jun (橫掃千軍)	Self-developed	October 2015	SLG	China
Shen Xian Dao HD (神仙道高清重製版) . .	Self-developed	March 2016	RPG	China
Identity V (第五人格) . .	Licensed	September 2018	Asymmetrical battle arena	South Korea
Azur Lane (碧藍航線) . .	Licensed	March 2018	CCG	South Korea
Tales of Erin (蒼藍境界)	Licensed	August 2018	RPG	Japan
Shen Xian Dao (Web) (神仙道頁遊) ⁽¹⁾	Licensed	May 2011	RPG	China

⁽¹⁾ Other than Shen Xian Dao (Web) (神仙道頁遊), all other games listed in this table are mobile games.

⁽²⁾ Ragnarok M was jointly developed by Gravity, Dream Network and the Group.

Ragnarok M

Ragnarok M is an MMORPG game based on the Norse Mythology creating a fantasy world of swords and magic. This game allows gamers to customize the creation of a virtual character and have the options for a variety of character careers and career path transitions. Gamers are able to improve the level and strength through fighting and completing storyline missions. This game offers an attractive 2D design and personalized look for each character, and also has a 3D game world. Gamers can interact with each other through team formation and battle between gamers or groups.

Due to the popularity of Ragnarok Online among gamers across East Asia in the 2000s, there were over one million pre-registrations on the Group's domain www.ro.com before the Group launched Ragnarok M: in China in January 2017. In October 2017, Ragnarok M was launched in Hong Kong, Macau and Taiwan and ranked first on the top grossing chart of App Store in Taiwan for over a week following its release. Ragnarok M was launched in South Korea in March 2018, following which it ranked first on the top grossing chart of App Store in South Korea for six consecutive days. In October 2018, Ragnarok M was launched in various other countries and regions in Southeast Asia and topped the top grossing chart and free app chart of App Store in multiple countries and regions on that day.

Ragnarok M was jointly developed by Gravity, Dream Network and the Group. It is the mobile version of Ragnarok Online, which was developed by Gravity and launched in South Korea in 2002. Based on the various agreements among Gravity, Dream Network and the Group, Dream Network, which was granted by Gravity the licence to develop and publish certain games based on Ragnarok Online in China, supplied the Group with the materials associated with Ragnarok Online such as characters, music and storylines and the Group is responsible for designing, developing and testing Ragnarok M. Dream Network was mainly involved in the works such as the supply of contents of Ragnarok Online in accordance with its agreements with Gravity and discussion of development plan. All local versions of Ragnarok M in overseas were made based on the PRC version after performing localization works. Gravity holds the material intellectual property rights of Ragnarok M, and the Group owns the design patents over certain in-game subjects designed by the Group and the patents over some self-developed information technologies used in Ragnarok M, none of which is of significance to the Group's operation of Ragnarok M or provision of technical and operation support to Gravity or its associates. The Group wrote and currently holds the source code of the game, which allows the Group to better control the game and more effectively update game content, make local versions and fix technical issues. For countries and districts other than Hong Kong, Taiwan, Macau, South Korea and Japan, the Group also has been carrying out a substantial amount of operating works. As such, the Group believes that the possibility of the Group being replaced by Gravity and Dream Network in publishing and operating of Ragnarok M in the future is minimal.

Sausage Man (香腸派對)

Sausage Man (香腸派對) is a battle arena game. All the characters in this game have sausage shapes. Gamers can opt to land on multiple terrains in the game and are required to seek and use gear to defeat other gamers and obtain their gear. Gamers can select different game modes in this game and the last person or team that survives will win the game. This game offers diversified maps and various carriers, allowing up to 100 gamers to play on the same map.

Since the launch of Sausage Man (香腸派對) in China in April 2018, it quickly became popular among PRC gamers and topped the free game chart of App Store in China for five consecutive days in October 2018.

The Group started to monetize Sausage Man (香腸派對) in February 2019. To enhance the intellectual property value of Sausage Man (香腸派對), the Group collaborated with other parties to produce its cartoons which are available for viewing online. As of 31 December 2020, Sausage Man cartoons had achieved over 7.5 billion views.

Ulala (不休的烏拉拉)

Ulala (不休的烏拉拉) is a placement game with a background of the Stone Age. This game has 3D-modeled game characters and pets, combined with full-screen battle scenes and original adventure maps. This game adopts a four-player team model, with each team as the unit for

placement, and the right combination of careers and skills is the optimum way to rapid level-up. Meanwhile, teammates are encouraged to communicate frequently and discuss the most appropriate strategies in the game. This game also brings players a new experience through a well-designed peripheral system and a new gameplay that combines augmented reality functions with game pets.

Girls' Frontline (少女前線)

Girls' Frontline (少女前線) is a 2D cultivation CCG game. This game adopts a checkerboard layout, in which the gamer plays the role of a commander and moves the humanoid “dolls” by allocating resources reasonably according to the number of steps per turn. In the end, the one who destroys the enemy or captures their stronghold will win the battle. This game offers various humanoid “dolls” characters for gamers to collect, and gamers usually need to use different humanoid “dolls” to complete the battle. It was awarded “Game Star — Annual Popular ACT Game of the year in 2018” by Taipei Computer Association.

Heng Sao Qian Jun (橫掃千軍)

Heng Sao Qian Jun (橫掃千軍) is a SLG game based on the theme of Three Kingdoms. This game incorporates the concepts of “nation” and “internal affairs” into the traditional three kingdoms strategic gameplay and adopts the military battle mode of real-time rendering. Gamers may cultivate a military officer, build cities involving political, military, economic, demographic and other elements, and fight with other gamers by matching tactics with military commanders to attack and occupy other cities.

Identity V (第五人格)

Identity V (第五人格) is an asymmetrical battle arena mobile game. A gamer will act as a detective to investigate and review a case. During the case review, gamers can select to play either “regulator” or “survivor” modes in different scenarios. In order to win the game, gamers playing the “survivor” role are required to cooperate with each other to decipher the cipher machine, and then open the gate to escape, while gamers playing the “regulator” role need to eliminate at least three “survivors”. Gamers can set different innate skills based on the different characters they select.

LifeAfter (明日之後)

LifeAfter (明日之後) is a human survival MMORPG game with the background of a doomsday virus. The gameplay of this game is wasteland cooperation and survival, which requires gamers to help each other and overcome the harsh environment in the wasteland. This game employs the virtual joystick as the main operational mode, and adopts camp construction, map exploration, resource collection and combat confrontation as the means to help players gradually improve their abilities.

Azur Lane (碧藍航線)

Azur Lane (碧藍航線) is a nijigen CCG game that integrates strategic cultivation, naval battle, barrage and a variety of social gameplay. With the theme of military anthropomorphism, gamers can collect and develop powerful game characters and equipment through abundant gameplay such as mainline levels, daily raids, actual combat exercise and vessel construction, and manually operate their own fleet to conquer the world.

Tales of Erin (蒼藍境界)

Tales of Erin (蒼藍境界) is an animation RPG game that integrates character formation, strategic battle and multiplayer cooperation. When playing the game, gamers need to use their own game characters to fight. This game is characterized by a Japanese nijigen style and features animation-like pictures.

Shen Xian Dao (Web) (神仙道頁遊)/Shen Xian Dao (HD) (神仙道高清重製版)

Shen Xian Dao (Web) (神仙道頁遊) is a turn-based RPG game based on fantasy and mythic storylines. Gamers can choose from three roles, namely Wusheng, a martial artist, Jianling, a fairy wielding a sword, and Feiyu, an archer, to embark on adventures slaying demons and enemies with martial arts and magic. Gamers' equipment and strength can be upgraded by completing various missions and defeating enemies. This game is a multi-player game where gamers can play and interact with each other online. Shen Xian Dao (HD) (神仙道高清重製版) is the mobile version of this game.

Game Performance

As of 31 December 2018, 2019, 2020, the number of cumulative registered players of the Group's online games were 91.3 million, 189.4 million and 341.1 million. The performance of the Group's online games is affected by three key metrics: (1) MAU; (2) MPU; and (3) ARPPU. The following table sets forth key metrics of the Group's online games for the periods indicated:

	Year ended 31 December		
	2018	2019	2020
Average MAUs ⁽¹⁾ (in thousands)	8,760.8	19,579.4	25,177.5
Average MPUs ⁽²⁾ (in thousands)	412.2	720.5	916.7
ARPPU ⁽³⁾ (RMB per month)	312	268	195

⁽¹⁾ Average MAUs 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⁾ Average MPUs 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.

⁽³⁾ ARPPU is calculated by dividing the Group's total online game revenue for the respective period by the aggregate of the total MPUs of each online game for the respective period.

Further, the Group may extend the lifespan of certain games beyond their expected lifespan or terminate some other games before they reach their expected lifespan subject to their performance. Through updating game versions, releasing expansion packs and conducting marketing and promoting activities, the Group has successfully operated two major games, Heng Sao Qian Jun (橫掃千軍) and Shen Xian Dao (Web) (神仙道頁遊), for approximately five and nine years respectively, which have exceeded the average lifespan of similar games in the industry. For games with operation in multiple countries and districts such as Ragnarok M, the Group also successfully extended their lifespan through expanding their operation to more geographical areas. As a result, the actual lifespan of games in pipeline may differ from the industry average lifespan of similar games.

THE GROUP'S PREMIUM GAMES

All the Group's premium games adopt pay-to-play mode, which means that gamers need to pay initial fees to purchase access to such games. While gamers can play premium games by themselves offline, the Group also offers some interactive features such as rankings and competition with other gamers when game devices are connected to the internet. For some of the Group's premium games, the Group offers in-game purchases for unlocking additional game contents. For the years ended 31 December 2018, 2019 and 2020, game operating revenue generated from the Group's premium games amounted to RMB43.6 million, RMB55.7 million and RMB143.7 million respectively. As of the year ended 31 December 2020, the Group had 13 premium games in operation. The Group plans to continue to offer premium games in its game portfolio.

Game Portfolio

The following table sets out certain key information of some of the Group's major popular premium games in operation as of year ended 31 December 2020:

Title	Source	Launch date	Genre	Operating markets
Human: Fall Flat (人類跌落夢境)	Licensed	December 2020	Platform-puzzle Game	China
ICEY (艾希)	Licensed	November 2016	ARPG	China and overseas
Muse Dash (喵斯快跑)	Licensed	June 2018	Music Game	China and overseas
To the Moon (去月球)	Self-developed	May 2017	RPG	China and overseas
Heimdallr (海姆達爾)	Self-developed	July 2018	RPG	China and overseas
The Swords (說劍)	Licensed	February 2016	Casual Game	China

ICEY (艾希)

ICEY (艾希) is a horizontal version ARPG game distributed on multiple platforms such as iOS, Android, PlayStation 4, Steam and Switch. The character in this game is aware of the existence of the gamer and will interact with the gamer, and gamers may play as ICEY instead of “You” or play as “You” instead of ICEY. Gamers consider the instructions from a narrator and explore the game through interaction. With multiple endings in this game, gamers may unlock different endings per their different choices, and gradually explore and discover the true ending and hidden plots through replaying variations of this game. ICEY (艾希) was awarded “App Store Best Indie Games of 2017” by App Store.

Muse Dash (喵斯快跑)

Muse Dash (喵斯快跑) is a music game combining an endless running game with music, where gamers can control the character by clicking on the screen in rhythm with music to combat monsters. The gameplay is designed with nijigen routes in terms of character cultivation, scene building and monster settings. It features three characters, each with different sets of costumes as well as accompanying “elves” for gamers to choose. Characters, costumes and “elves” can only be unlocked with a collection of in-game items.

To the Moon (去月球)

To the Moon (去月球) is a pixelated miniature RPG game. The main storyline of this game is related to two doctors who help dying people realize the last wishes of their lives by changing their memories. Gamers can enjoy the game experience of non-combat stories for several hours. This game combines elements of adventure and a journey of love and memory with ingenious narrative.

Heimdallr (海姆達爾)

Heimdallr (海姆達爾) is a multiple ending RPG game. Gamers will play the hacker, Jason, who investigates a murder case of fifteen years ago. This game conveys certain thoughts on modern society and humanity through two kinds of gameplay, such as puzzle solving and parkour. In this game, “Heimdallr” is a device that connects human brain nerves to a computing network. The virtual world and the reality in the game world are separated. As for the choice of whether the distance between the two worlds should be shortened or separated, and whether “Heimdallr”, as a medium connecting the two worlds, represents a warning or a hope, is brought to gamers to explore and decide.

The Swords (說劍)

The Swords (說劍) is a casual game with a theme of martial arts. Gamers swipe the screen lightly at the space marked with red ink to kill an “enemy”. The gameplay, with game characters combating with knives and swords featuring a Chinese ink painting style, depicts a swordsman deeply indulged in swordsmanship. This game mainly targets gamers fond of martial arts, Kung Fu and action elements.

OVERSEAS MARKETS

As one of the pioneers of China-based game developers and operators that entered the overseas markets, the Group commits itself to introducing excellent games to more people across different countries. For the year ended 31 December 2020, the Group’s games were offered in over 50 countries and regions across the globe. The Group’s games are also operated in North America, South America and Australia.

The Group’s deep understanding of the game industry and user preferences in local markets enables the Group to adapt and operate in various overseas countries and regions. Several of the Group’s online games launched overseas, including Ragnarok M, Girls’ Frontline (少女前線), Identity V (第五人格) and Ulala (不休的烏拉拉), received wide recognition in mainstream distribution platforms in multiple countries and regions.

In line with the industry practice, by carrying out redesigning and localization works, the Group makes local versions of games for targeted overseas markets and engage local consultants to provides the Group with promotion and marketing support. See “— *The Group’s Business Flow — Game Publishing and Operation — Redesign and Localization.*” For the years ended 31 December 2018, 2019 and 2020, for each game with overseas operations, the Group typically offers different local versions for different geographical areas on a case-by-case basis, taking into account different cultural backgrounds and gamers with different spending habits for games. For example, the Group used to offer separate local versions of certain games, respectively, for South Korea, Hong Kong, Macau, Taiwan, and Southeast Asia.

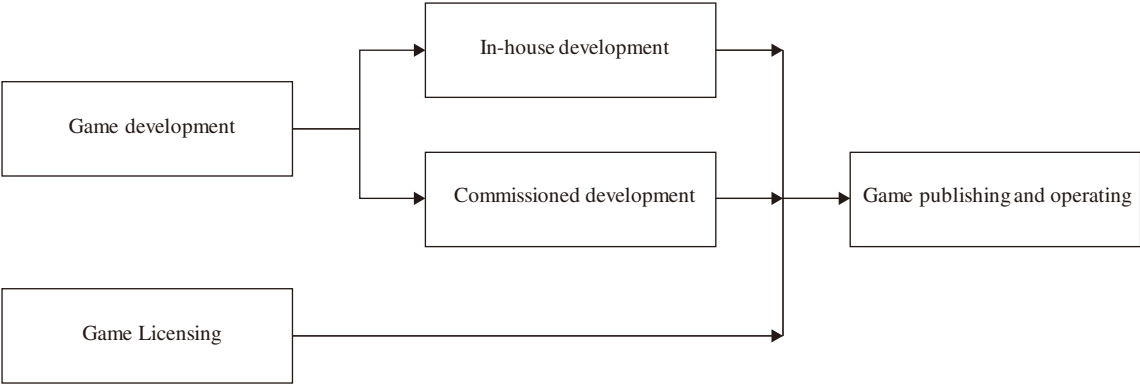
The table below sets forth a breakdown of the Group’s game operating revenue in China and overseas markets for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands except for percentages)					
PRC	611,418	38.5	860,664	36.2	999,578	43.6
Overseas	976,697	61.5	1,514,643	63.8	1,292,412	56.4
Total	1,588,115	100.0	2,375,307	100.0	2,291,990	100.0

THE GROUP’S BUSINESS FLOW

The Group publishes and operates both self-developed games and licensed games. The Group’s self-developed games are primarily made in-house, jointly with other developers, or occasionally by third-party game development studios under commissioned development arrangements.

The following diagram shows the Group’s game operating business flow generally:



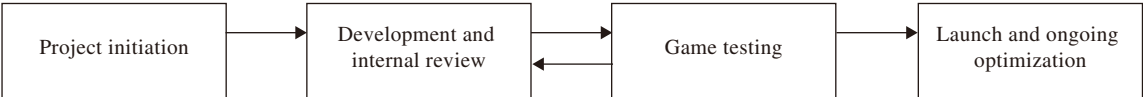
Game Development

Leveraging the Group’s in-depth understanding of the mobile game market, user preferences and market trends gained in game publishing and operating, the Group continually invests in its game development capability and has been developing its own games since 2012.

In-house Development

The Group has built strong capability and expertise to design and develop various types of games, including large and complex mobile online games. For the year ended 31 December 2020, the Group had 8 game development studios and was supported by a game development team of 1,129 employees, accounting for 57.8 of the Group’s total number of employees. For the year ended 31 December 2020, over 75% of the Group’s game development employees have a bachelor’s degree or higher, and are specialized in areas such as computer sciences, software engineering, network systems administration, multimedia design and production. They have an average of approximately two years with the Group, with the heads of the Group’s game development studios have an average of over eight years of relevant industry experience.

The Group's experience in both game development and publishing enable the Group's different departments to collaborate efficiently with each other at each stage of game development. The development cycle of a game can generally be divided into four stages and normally takes around two to three years depending on its format as well as the complexity and novelty of the relevant project. The Group's game development committee is generally responsible for supervising and approving each game development project. This committee consists of the Group's senior management members and the heads of the Group's game development studios and publishing departments. The following diagram illustrates the major steps in the Group's in-house game development process:



Project initiation

A game development project starts with a game development plan, made by a group of three to five members from one of the Group's game development studios. The game development plan covers the core gameplay, theme, artistic style, game development engine, development timeline and budget of a game. Such plans are usually inspired by ideas from the Group's senior management and heads of the Group's game development studios and publishing departments, who continually monitor the latest trends in the game industry. The Group's game development committee is responsible for reviewing such plans, taking into consideration factors such as existing comparable games, expected market reactions, potential user base, the latest developments of digital entertainment and popular culture, as well as its compatibility with the Group's corporate image and values. Once a game development plan is approved, the project proceeds to the preliminary development stage, which aims to produce a demo incorporating the core gameplay and all other critical features of the game. The game development committee would further review such demo to assess whether the development plan has been substantially realized in the demo. The demo would be further improved, according with feedback from the game development committee, until it has been approved.

While reviewing the demo, the game development committee will also assess the need for licensing intellectual properties from third-party companies and decide the potential target intellectual properties compatible with the theme and general design of such game on a case-by-case basis. For the years ended 31 December 2018, 2019 and 2020, the Group collaborated with third-party content providers to develop games based on existing popular intellectual properties with diversified entertainment elements and wide client base.

Development and internal review

The game development studio that provides the proposal is responsible for the development of the game including gameplay design, art design creation of the storyline and coding. Development progress is reported to the management team on a weekly basis. The Group's management team reviews the games under development to troubleshoot and adjust accordingly. At this stage, the Group's game development studios aim to provide a preliminary version of the game, that contains all fundamental elements of the game under development. The game development committee reviews the preliminary version and instructs game development studios to amend and improve the game to its satisfaction.

The Group sometimes outsource art designing work to third-party studios and companies to improve the efficiency of its game development process and optimize internal resource allocation. The Group evaluates work quality and track records in choosing the relevant studios and companies. The Group enters into outsourcing agreements with third-party studios and companies and set out the work scope, required deliverables and the delivery timetable. The Group reviews their work-in-progress periodically and the improvements the Group requires in accordance with the terms of the contract.

Game testing

Upon completion of an advanced version of a game, the game development studio and publishing departments jointly assess and decide whether such game is ready for testing. The internal testing involves employees from various departments trying out the game and providing feedback, primarily on game functionalities and their gameplay experiences from different perspectives. After passing the internal testing stage, the Group will also conduct beta testing of the game. For the Group's self-developed games, the Group normally distributes the beta versions through TapTap and invites a group of several hundred of external gamers to trial this. This stage tests the performance of the game in a public network environment. The Group also tracks and analyses gamer behaviour during the beta testing process to better understand the potential market and areas for improvement for this game. The game development studio would further optimize the game based on the test results.

Launch and ongoing optimization

A game is deemed "launched" when its complete version is officially released to the general public for the first time. If a game receives positive market reaction and has not experienced material technical problems during its beta testing process, the Group's management would consider launching such a game. The Group's game development studios cooperate with the operations team on the ongoing development, optimization and version updates of such game during its entire life cycle.

The development process above could be terminated at any time before launch by the Group's game development committee due to material technical difficulties, significant budget overrun or a change in market conditions.

Commissioned Development

Under the commissioned development agreement, the third-party game developer is responsible for developing the game according to the Group's instructions. The Group is obliged to pay a game development fee, which is determined based on development cost. The Group also has revenue sharing arrangements with such third-party game studio. The third-party game development studio is obligated to give the Group all the source codes of the game. The Group also holds rights to the intellectual properties associated with the game.

While the game is in operation, the third-party game development studio is also responsible for providing the Group with ongoing technical support and version updates during the operation period. The Group believes commissioned game development enables the Group to take advantage of the expertise of game studios specializing in different areas. This development model also ensures the Group's timely response to certain market opportunities at reasonable cost compared with undertaking the work in-house.

Game Licensing

Apart from the Group's self-developed games, the Group also cooperates with third-party game developers to enrich the Group's game portfolio.

Game Sourcing

The Group actively sources games of different genres from third-party game developers. The Group's senior management and department heads continually monitor the market trends of the mobile game industry as well as the development of entertainment culture in both domestic and overseas markets. They review hundreds of mobile games across a variety of genres every year covering popular games as well as newly arising innovative games. While deciding whether or not to license a game, the Group considers a variety of factors including the innovativeness, the potential for version updates and the in-house development capability of its developer. For games to be released in multiple countries and regions, the Group assess their current performance in existing markets and estimate their commercial potential in other geographical markets. The Group will also involve multiple departments to assess the benefits and risks relating to target games before their approval by the Group's management. TapTap also significantly facilitates the Group's game sourcing process by providing the Group with first-hand knowledge of new games undergoing beta testing or distributed on it, and identifying potential opportunities for the Group to cooperate with game developers registered with TapTap. By studying gamer data and the performance indicators of games generated by TapTap's big data analysis algorithm, the Group is able to improve its game sourcing decisions.

Licensing Agreement

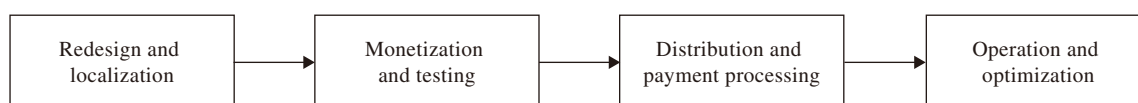
The Group enters into legally-binding game licensing agreements with third-party game developers for licensed games to obtain the permission for publishing and operating. A licensing agreement will set out the geographic markets and operational systems where the Group is allowed to distribute the game. The majority of the Group's licensing agreements with game developers grants the Group an exclusive licence to publish in specific geographical markets and operating systems. The licensing agreements for the Group's major online games typically have an initial term of two to five years, which are renewable (i) upon mutual consent; (ii) upon satisfaction of certain key performance indicators such as monthly gross billings or MAUs; or (iii) unless one party provides the other party notice to terminate the relevant agreement before it expires. For the years ended 31 December 2018, 2019 and 2020 and as at the date of this Offering Circular, the Group was generally able to renew the relevant licensing agreements under the same or similar terms and conditions if the relevant games continued to be commercially profitable and the Group chose to do so. The Group plans to renew the Group's existing licensing agreements upon their expiration subject to the performance of relevant licensed games.

Under the licensing agreements, game developers are also typically entitled to a prescribed percentage of the gross billings of the licensed games before or after deduction of certain expenses, typically including commissions paid to distribution platforms and payment channels, and taxes. The Group sometimes makes prepayment to game developers. The prepayments will be deducted from that part of the revenue to which game developers are entitled subsequently, or transferred to intangible assets as "game licence" after the Group obtains the licensed games. The fee arrangement is decided based on multiple factors, including the Group's bargaining power, the estimated revenue of the games and the Group's previous business relationships.

Under a typical licensing agreement, the Group is responsible for the redesign, localization, marketing, distribution, monetization, game operation and customer service. Game developers usually assists the Group with game installation, resolving difficult technical issues and the release of updated versions. Game developers generally retain the intellectual properties associated with the game. Typically, either party can terminate a licence agreement by giving written notice in the event of a material breach by the other party and such breach is not remedied within a prescribed period of time.

Game Publishing and Operation

The Group publishes and operates self-developed and licensed games in various countries and regions. The following diagram illustrates the major steps in the Group's game publishing and operation process:



Redesign and Localization

The Group's publishing departments typically need to redesign games to make it more user-friendly from a marketing and operation perspective. For a game to be published in multiple geographic markets, the Group's overseas publishing department will conduct game localization work for each overseas geographical market to ensure its smooth entry to the relevant market, which usually includes:

- localizing game content and design, including storylines, characters, language translation and user interface;
- creating and offering in-game virtual items in accordance with the user preferences of target markets and adjusting pricing policies for local price levels;
- optimizing the technical parameters of games to ensure their compatibility with mainstream mobile devices and network infrastructure system in the target markets;
- performing beta testing of the games on various mobile devices, distribution platforms and operation systems; and
- ongoing close monitoring and analysis of game performance in target markets to gain local user insights and customize expansion pack or version updates for different markets.

The Group is committed to exporting mobile games of the PRC game developers to overseas markets and have accumulated valuable experience and strong expertise in this aspect. The Group has built a strong overseas publishing department, with 144 employees as of the year ended 31 December 2020. Leveraging the Group's understanding of the fast-changing global game industry, dynamic user preferences and spending habits, and complex distribution platforms and payment systems across different countries and regions, apart from the Group's self-developed games, the Group also helped a number of PRC game developers to release products to targeted overseas markets.

Monetization and Game Testing

Before the launch of a game, the Group conducted internal and external testing of the game and improve it based on the testing results. The Group's publishing departments will also formulate and implement a specific monetization plan for each game and adjust it in accordance with analysis of the user data collected from the game testing process.

Distribution and Payment Processing

The Group's distribution platforms

The Group's online games are distributed through the Group's proprietary platforms and/or third-party distribution platforms depending on the target geographic markets and operation systems where the game will be offered.

The Group's proprietary distribution platforms include www.xd.com and TapTap. The Group also engages third-party distribution platforms to take advantage of their mature networks and payment processing services to reach a wider end-user base. For the years ended 31 December 2018, 2019 and 2020, for overseas markets, the Group's major mobile games were primarily distributed through App Store for iOS users and Google Play for Android users; for domestic market, in addition to the Group's proprietary distribution platforms and App Store, some of the Group's major mobile games were also distributed through third-party app stores such as YingYongBao, Mi App Store, Huawei AppGallery and Oppo App Market. The Group has revenue sharing arrangements with third-party distribution channels. For App Store and Google Play, the Group entered into their respective standard distribution agreements and collect payments from them after deducting 30% of the gross billings as their commissions. For the remaining third-party distribution platforms, the commissions the Group pays them vary from 30% to 60% of the gross billings. The Group's major premium games are primarily distributed through the Group's proprietary distribution platforms and App Store, and some third-party distribution platforms, such as Steam, Switch and PlayStation, for PC and console devices. The Group distributes its web games through the Group's proprietary distribution platforms and some third-party websites with their own user account systems.

The Group's payment channel partners

Gamers in China can purchase in-game virtual items in the Group's games through making payments via the Group's third-party payment channel partners including internet bank, mobile bank, AliPay and WeChat Pay. The Group usually grants such third-party payment channels a credit period of ten days or less. For gamers in overseas markets, the Group primarily cooperates with App Store and Google Play to collect payments. Both channels offer credit card, debit card and other payment options and can be safely linked with gamers' bank accounts. App Store and Google Play usually settle payment with the Group every 30 to 90 days.

Operation and Optimization

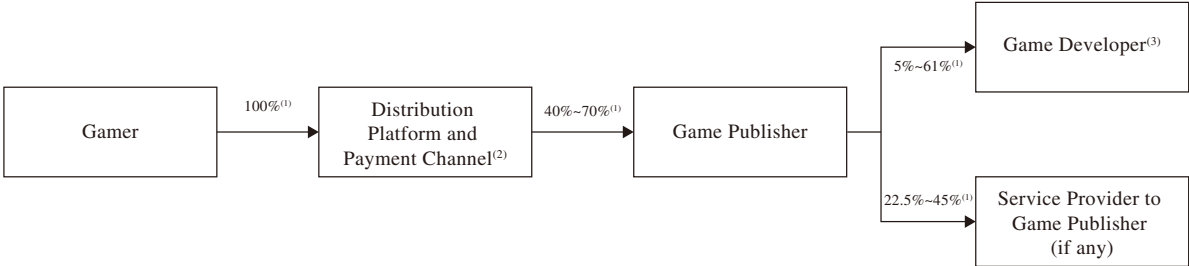
The Group's operation team is responsible for operating games after launch. The Group monitors the operations of the Group's games on a real-time basis and analyse the operational data and gamers' feedback to devise update proposals for the Group's game development studios or third-party game developers. The Group's operation team also identifies potential monetization opportunities and work with the Group's game development studios or third-party game developers

to release expansion packs or updated versions. Based on the performance and commercial potential of the Group's games, the Group may decide to terminate or suspend the operation of certain games at their recession stage.

REVENUE SHARING ARRANGEMENT

The Group normally has revenue sharing arrangements with other parties, mainly third-party game developers and distribution platforms, with respect to the proceeds generated from game operation. The revenue generation processes vary depending on the Group's role in the game publishing and operation process. When the Group acts as a game publisher, the Group collect payments from distribution platforms and payment channel partners after deducting their commissions and the Group pays licensing fees to third-party game developers. When the Group acts as an agent to game publisher, the Group receives payments from game publishers.

The following diagram illustrates the gross billings sharing arrangements among participants for publishing and operating online games.



⁽¹⁾ All percentages in the diagram are calculated based on the gross billings generated from gamers.

⁽²⁾ The Group does not deduct commissions to distribution platforms and channels when publishing through its proprietary distribution platforms.

⁽³⁾ The Group does not have revenue sharing with game developers when publishing its self-developed games.

TAPTAP

To help gamers discover quality games and share gameplay experiences, the Group co-founded TapTap in 2016 through investment in Yiwan. After several rounds of equity interest acquisition and capital injection, Yiwan became the Group’s subsidiary in December 2016.

TapTap is a leading game community and platform in China. The Group currently operates various TapTap products in China. “TapTap” mobile app is available on both iOS and Android system, with the latter being the main gateway of TapTap’s user traffic. Gamers can also visit www.taptap.com on PC. In 2018, 2019 and 2020, TapTap mobile app had on average 15.0 million, 17.9 million and 25.7 million MAUs. For the year ended 31 December 2020, over 90% of the Group’s average MAUs on TapTap mobile app as attributable to its Android version.

Participants of TapTap

Gamers

TapTap provides gamers with a vast and diverse library of mobile game resources, such as game information, game recommendation and downloadable games. It also offers gamers various social and community functions such as game review and rating and community forum.

TapTap has a large user base, a large population of which consists of active senior game players. As of 31 December 2020, TapTap had a total number of 321.4 million registered users, increased from 36.4 million as of 31 December 2018.

Developers

The Group believes that an effective distribution platform is important to developers, especially those small to medium independents lacking strong brands or connections to distribution platforms. The Group adopts a free-to-distribute model on TapTap and does not charge distribution platform fees for free-to-play games. For pay-to-play games distributed through TapTap, the Group generally charges up to 5% of the game price as a distribution platform fee. TapTap can provide developers with convenient solutions for game distribution, game testing, game monitoring and online marketing. To use TapTap's services, developers need to register on TapTap and enter into a standard TapTap developer agreement with the Group. In this agreement, developers undertake that their games to be distributed on TapTap should be free of content violating the law or infringing others' intellectual property rights or commercial secrets. The agreement remains valid until it is terminated in accordance with the terms thereof. The Group can unilaterally terminate this agreement if the counterparty breaches any terms of the TapTap developer agreement or of any other agreement with the Group.

The Group has experienced strong growth in the number of developers registered on TapTap for the years ended 31 December 2018, 2019 and 2020. In 2018 and 2019, 2,923 and 3,344 developers registered on TapTap, respectively. As of 31 December 2020, the Group had over 15,000 developers registered on TapTap.

The Group's Contents

The content of TapTap is the foundation of TapTap's popularity among gamers and developers. TapTap is a comprehensive game community and platform that offers a full spectrum of mobile games and related contents. All versions of TapTap offer similar contents and functions except that the Group only offers game download function on TapTap's Android version.

Game library

Games are the most important resources available on TapTap. The Group has a vast library of mobile games spanning over all genres. As of 31 December 2020, TapTap had over 11,000 mobile games available for download. Those downloadable games consist of games made by developers registered with TapTap who distribute or test their games on TapTap and games developed or operated by the Group. In 2018, 2019 and 2020, games on TapTap have been downloaded 257.4 million, 352.0 million and 407.6 million times, respectively.

The Group implements stringent screening and monitoring policies to ensure that downloadable games on TapTap comply with PRC laws and regulations. If an existing game is found to contain inappropriate content such as violence, bloodiness, and pornography, or infringes third-party copyright, TapTap will urge the relevant developer to rectify and in the meantime suspend its download or even move it to the blacklist depending on the level of potential adverse impact until the relevant issues are rectified.

Apart from downloadable mobile games, TapTap maintains and manages game information. As of 31 December 2020, TapTap has included information on over 53,000 games, ranging from basic game introduction to latest news.

Editors' recommendation of games

TapTap features the editors' daily recommendation of three to ten games. This function enables gamers to benefit from the expertise and efforts of the Group's editors. As of 31 December 2020, TapTap had over 20 editors, and its two chief editors have over five years of experience in game and media industries. The Group's editors review the information related to and usually personally try a number of mobile games to select good games for gamers. To ensure the quality of this daily recommendation chart, they consistently apply objective assessments of each game by considering a wide range of factors including gameplay, content, creativity, market trend, and public acceptance, as well as the previous performance of similar games. Games usually receive greater attention from gamers when recommended by the Group's editors.

User-generated content

Gamers post reviews and ratings of games on TapTap. User-generated content forms the foundation of TapTap's engaging community culture and enhance gamers' stickiness to it. For example, gamers might achieve satisfaction from receiving other gamers' responses to or recognition of their game reviews or posts; and gamers might find friends with common interests by answering each other's questions posted on TapTap. User-generated content also provides insights to developers through feeding them with valuable feedback on their games and evolving demands from gamers.

User-generated content accumulates rapidly over time as the Group's community grows. The number of game reviews and forum posts increased from 7.3 million and 3.0 million, respectively, as of 31 December 2018 to 15.8 million and 12.3 million, respectively, as of 31 December 2020. According to Frost & Sullivan, the Group has a large number of experienced gamers who are willing to actively share their gameplay experience and TapTap's game ratings have become the most authoritative reference standards in the mobile game industry in China since 2018 due to (i) its impersonal game ratings and comments shared by experienced gamers who have developed their unique views and opinions for games supported by the independent and professional rating mechanism of TapTap, which also in turn attracts more like-minded gamers; and (ii) citation by various well-known news or game media such as NetEase, Sohu, GameLook and 36Kr, game companies such as Bilibili, and research reports when they would like to recommend or comment on a mobile game.

Functions

Game content curation and recommendation

TapTap provides a large data base of mobile game information from which gamers can easily search for a specific game. The Group also curates and recommends games to gamers using proprietary, automated big data algorithms. Based on the analysis of gamers' data captured on TapTap, such as their past search or browsing history, previously reserved or downloaded games and social interaction activities, TapTap is able to push personally curated content to different gamers.

TapTap also provides editors' recommendation of games based on the Group's editors' judgments as well as rankings by different measures such as number of downloads, date of latest upload, sales amount or average daily play time. These functions enable gamers to locate their needed game content more efficiently.

Game review and rating

Gamers can use game review feature to share their views with other gamers and game companies. Gamers can also rate games on TapTap. Gamers may also interact with others through features such as the Like or Reply button whereby they can respond to reviews left by others. Developers can also directly communicate with gamers by responding to gamers' reviews.

TapTap's automated algorithm, applying artificial intelligence technology, continuously screens high-quality game reviews based on the analysis of a number of indicators related to each game review such as the amount of interactions on this game review, the number of words of this game review and the account level of its author on TapTap. Such reviews will be included in the popular review section appearing on the home page of TapTap to be circulated to a wider group of gamers.

Forum

TapTap serves as a community around gamers and game companies and offers forum function that enables social interaction among gamers and between gamers and developers. These interactions create bonds between gamers, game companies and the Group's community. Gamers can discuss game-related topics under the forum section on TapTap. Forums are categorized by themes, such as newly discovered games, game culture or the lifestyle of gamers, as well as different games.

Game pre-registration

Gamers can use the pre-registration function to follow the games which will be tested or downloadable on TapTap. They receive regular updates through the message function of TapTap encouraging their deep engagement and involvement during the whole process.

Game download

Gamers can download mobile games on TapTap's Android app. See “— *TapTap* — *The Group's Contents — Game library.*” Active gamers may be invited to try games exclusively tested on TapTap.

TapTap Developer Center

Each developer registered on TapTap has an account with the TapTap Developer Center, through which they can apply to distribute games. For each game, developers need to upload games, basic information, intellectual property certificates and required approvals from competent governmental authorities. The Group carefully reviews each application to ensure that the mobile game does not contain pornographic, gambling or other illegal content and it has received the necessary preapproval from the NAPP. It normally takes up to 24 hours for an application to be reviewed and approved. Game companies can apply to conduct game testing through the TapTap Developer Center and the procedure is similar to game distribution. TapTap Developer Center enables game companies to track a number of indicators with respect to the performance of their games on TapTap such as number of downloads, followers and pre-registrations.

Advertising Center

TapTap helps developers promote their games through placing advertisements on the home page of TapTap. TapTap feeds different gamers with personalized advertisements based on big data analysis of gamer data generated on TapTap, such as their download or browsing history. Only games with a TapTap rating of three or above are eligible for the online marketing service. The Group also focuses on the content, style, design and interactive features of the advertisements so that they will appear naturally on the user interface of TapTap.

TapDB

TapDB is a free data analytics tool developed by the Group, which enables developer registered on TapTap to monitor the performance of their games on a real-time basis. It provides game developers with visualized information of hundreds of operating indicators, such as the number of registered users, user retention rate, DAUs, MAUs and MPUs, which facilitate their identification of operational problems and optimization of games.

MONETIZATION AND PRICING

The Group's Games

Online games

All of the Group's online games are free to play. The Group generates its game revenue from the sales of in-game virtual items, which contribute almost all of its game operating revenue. The virtual items the Group sells in its online games include items, avatars, skills, privileges or other in-game consumables, features or functionality. Gamers purchased those virtual items to enhance their characters' capabilities, obtain new skills or accelerate the level-up process. The Group releases new editions with new characters, new functions and additional tasks to stimulate user spending and extends the life cycle of its games. The Group also routinely hold events or game competitions and offer rewards to higher ranking gamers, which it believes, will motivate gamers to purchase more in-game items to improve their performance.

The Group typically has the sole discretion to determine the price of virtual items offered in its self-developed games. For games licensed from third parties, the Group, together with third-party game developers, set the price. The Group prices each virtual item based on a variety of factors, such as the price of similar items offered in other games, the benefits or advantage associated with the virtual item, the level of demand for the virtual item, and the income level of a certain country or region. The Group continuously monitors the sales of the virtual items in its games and adjust prices accordingly to stimulate more purchases and improve the gamer loyalty.

Premium games

For the Group's premium games, gamers need to pay a fixed price before downloading the games, after which the gamers will have unlimited access to such games. The prices for the Group's premium games are generally in line with the prices of similar games in local markets. Some of the Group's premium games also offer in-game purchases for unlocking additional game content.

TapTap

The Group generates information service revenue primarily through providing online marketing services to advertisers on TapTap. Advertisers can top up their accounts with TapTap and online marketing fees will be directly deducted from their account based on the pricing model utilized. The value remaining in the advertisers' accounts can be refunded to them within one week upon request. Advertisers bid through a real-time bidding system and advertising inventory is bought and sold via programmed instantaneous auctions. The Group charges the customers for its online marketing services based on a CPA or CPS pricing model.

Apart from the online marketing service, for pay-to-play games distributed through TapTap, the Group generally charges up to 5% of the game price as a distribution platform fee. For free-to-play games, the Group does not charge a distribution platform fee.

THE GROUP'S TECHNOLOGY AND NETWORK INFRASTRUCTURE

Multidimensional Data Analysis Engine

The Group processes large volumes of data while operating games. The Group's proprietary multidimensional data analysis engine collates and synthesizes a variety of game performance indicators in different combinations for ad hoc analysis, real-time in-line analysis and standardized reports. Such data analysis generates visualized results, which facilitates the Group's identification of key performance drivers, bottleneck analysis or the effectiveness of the Group's promotion activities. As a result, the Group is able to gain invaluable insights on gamer needs, preferences and behaviour, through which the Group improve its games and user experience and discover hidden opportunities for improving user retention and increasing a gamer's lifetime value.

Automated Personalized Content Recommendation System

The Group has developed and continually enhances the automated recommendation algorithm of TapTap. The Group's sophisticated big data analytics capabilities enable them to study the behaviour and profiles of individual users. The Group can utilize such user data to predict content or games that the user may have an interest in and facilitate interactions among users and various elements on its platform. In order to distribute the Group's game content and advertisements in a manner that creates a personalized experience for its users, the Group invites its users to set and adjust their preferences for games through their registered accounts. The Group's data analysis system will also capture and analyse the data on that user's download history, reservations, as well as search and browsing history on TapTap. As a user's behaviour increases, the Group's recommendations become more focused and accurate. Through the Group's automated recommendation algorithm, the Group can better curate content to attract users. The Group believes that its automated content recommendation algorithm is increasingly crucial to creating a user-friendly environment and the success of its platform.

Network Infrastructure

The Group's diversified online game portfolio, especially those with numbers of MAUs, and large global user base in various countries and regions, are supported by a stable and powerful network infrastructure. All of the Group's online games featuring real-time interaction, which require the Group's server network to respond promptly with low latency. As of 31 December 2020, the Group leased a number of physical servers hosted by data server providers in Beijing. In addition, the Group also entered into agreements with several reputable cloud server service providers for the use of multiple functions including cloud computing, data storage, and bandwidth

service. The Group believes that its current network infrastructure can provide them with sufficient capacity to carry out its current operations and is able to be expanded to meet additional capacity needs relatively fast and with minimal incremental cost.

MARKETING AND PROMOTION

The Group formulates and implements a variety of marketing and promotion measures for its games and TapTap.

Online marketing

The Group places advertisements for its games and TapTap on a wide range of online channels, including searching engines, popular websites and social network media in different local markets. The Group also carries out various promotion activities in its games to attract gamers. The Group organizes gamer tournaments, in-game battles, leader board rankings and other gamer activities. The Group rewards gamers with high-ranking game play performance by inviting them to special events organized by them. Discounted virtual items are also offered regularly during holiday seasons.

Offline marketing

The Group sometimes promotes its games through advertisements in metro stations and at trade shows and industry events such as ChinaJoy, Tokyo Game Show and Global Game Exhibition G-STAR. To strengthen its bond with the gamers, the Group also holds special events. For example, the Group held several concerts for gamers of Ragnarok M and the Group held the first TapTap Carnival in Shanghai in April 2019. The Group also engaged a well-known artist to represent its popular games to further build awareness of its brand. In July 2020, the Group held TapTap Workshop 2020, which gathered over 200 game producers, hardcore researchers and professional game medias.

THE GROUP'S CUSTOMER SERVICE

The Group has a dedicated service team to provide customer support to gamers in multiple languages. For the years ended 31 December 2018, 2019 and 2020, the Group also outsourced to a third-party customer service company part of its customer service related to games operated in China. Gamers can seek customer service through multiple channels, including by mainstream online communication tools, email or via its in-game customer service system on a 24/7 basis. Upon receipt of inquiries or complaints from gamers relating to functions and features of its games, the Group's customer service team will respond promptly and provide detailed explanations and instructions to guide gamers in solving their problems. Inquiries and complaints on technical issues, such as in-game payments, delivery of virtual items or programming errors, are reported to the relevant departments to be dealt with.

For TapTap, both gamers and developers can reach TapTap for help by using the message function on TapTap, or via email or mainstream online communication tools.

The Group believes that good customer service plays a significant role in retaining users and improving their user experience. In serving its users, the Group's customer service team also collects valuable first-hand user experience and feedback, which helps the Group both better understand user preferences and demands and further enhances its games. As at the date of this Offering Circular, the Group had not received any material complaints from its users that resulted in a material adverse effect on its business.

RESEARCH AND DEVELOPMENT

The Group has invested and will continue to invest substantial resources in its research and development activities, including game development and technology development. The Group's game development focuses on enhancing the gameplay itself, artwork designing and user experience; and the Group's technology development focuses on the research and development of new technology such as game engine technology, the data integration analysis and data security. See "*— Game Development*" and "*— The Group's Technology and Network Infrastructure.*"

As of 31 December 2020, the Group had a research and development team of 1,355 employees, consisting of 1,129 focusing on game development and 226 focusing on technology development, each of whom had been with the Group for an average of approximately four years. The Group's research and development expenses were RMB197.8 million, RMB317.6 million and RMB657.5 million in 2018, 2019 and 2020, respectively, accounting for 10.5%, 11.2% and 23.1% of the Group's total revenue, respectively.

INTELLECTUAL PROPERTIES

Protection of intellectual properties is of significant importance to the Group's business. The Group's intellectual properties are in the form of software and work copyrights, domain names, patents and trademarks.

The Group protect its intellectual properties in China by relying on local laws and contractual restrictions. The Group engages professional third-party agents in respect of patent, copyright and trademark applications and registration and engage local intellectual property counsel to enforce its intellectual properties. Apart from signing an intellectual property protection agreement with its employees to determine the ownership and restrictions on disposal relating to the Group's proprietary intellectual properties and those developed by them, the Group enters into confidentiality and non-compete agreements or provisions with its employees. The Group has a comprehensive patent management system and grant monetary awards as incentives to employees who develop patents for the Company. In addition, the Group also has confidentiality arrangements with its business partners.

The Group actively engages in monitoring and enforcement activities with respect to infringements of its intellectual property by third parties. As at 31 December 2020, the Group had 416 registered trademarks, 11 registered patents, 143 registered software copyrights and 126 registered work copyrights in China. As at 31 December 2020, the Group had 103 registered trademarks in countries and regions outside China, including the Japan, South Korea, Hong Kong and Taiwan. As at 31 December 2020, the Group has also registered 32 domain names, including www.xd.com, www.ro.com and www.taptap.com. While the Group actively takes steps to protect its proprietary rights, such steps may not be adequate to prevent the infringement or misappropriation of the intellectual properties created by or licensed to the Group.

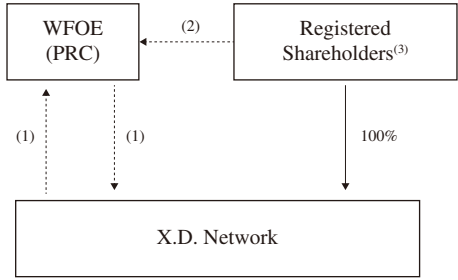
CONTRACTUAL ARRANGEMENTS

In line with common practice in industries in China subject to foreign investment restrictions and prohibitions, the Group would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by the Group's PRC Consolidated Affiliated Entities through the Contractual Arrangements between WFOE, on the one hand, and the Group's PRC Consolidated Affiliated Entities and their respective shareholders, on the other. The Contractual Arrangements allow the results of operations and assets and liabilities of X.D. Network and its subsidiaries to be consolidated into the Group's results of operations and assets and liabilities under IFRS as if they were the Group's subsidiaries.

On 6 June 2019, XD Interactive Entertainment Co., Ltd. (心動互動娛樂有限公司, the "WFOE") was incorporated in the PRC as a wholly owned subsidiary of XD (HK) Limited.

On 16 June 2019, the WFOE entered into a series of contractual agreements (collectively the "**Contractual Arrangements**") with, among others, X.D. Network Inc. Pursuant to the Contractual Arrangements, the WFOE is able to effectively control the operating and financing decisions of X.D. Network Inc. and its PRC subsidiaries with restricted operation (collectively the "**PRC Consolidated Affiliated Entities**") and receives substantially all the economic benefits generated by the PRC Consolidated Affiliated Entities. Accordingly, the PRC Consolidated Affiliated Entities are treated as controlled structured entities of the Company and consolidated by the Company.

The following simplified diagram illustrates the flow of economic benefits from the Group’s PRC Consolidated Affiliated Entities to WFOE as stipulated under the Contractual Arrangements.



“ ————— ” denotes legal and beneficial ownership in the equity interest
 “ ” denotes the Contractual Arrangements

- (1) WFOE provides technical consultation and other services in exchange for service fees from X.D. Network. See “Exclusive Service Agreement.”
- (2) The Registered Shareholders executed an exclusive option agreement in favor of WFOE, for the acquisition of all or part of the equity interests and/or assets in X.D. Network. See “Exclusive Option Agreement.”

The Registered Shareholders granted first priority security interests in favor of WFOE, over the entire equity interests in X.D. Network held by Registered Shareholders. See “Equity Pledge Agreement.”

The Registered Shareholders executed the Voting Rights Proxy Agreement and Powers of Attorney in favor of WFOE, for the exercise of all shareholders’ rights in X.D. Network. See “Voting Rights Proxy Agreement and Powers of Attorney.” The spouse of each Relevant Individual Shareholders executed an undertaking in favor of WFOE. See “Spouse Undertakings.”

- (3) Xindong Holding, Shanghai Jiexin Investment Management Partnership (Limited Partnership), Fuzhou Tianmeng Digital Company Limited (福州天盟數碼有限公司), Shanghai Muxinyinxi Investment Management Partnership (Limited Partnership), Dongfang Xinghui (Shanghai) Investment Center (Limited Partnership) (東方星輝(上海)投資中心(有限合夥)), Shanghai Yousu Investment Management Co., Ltd. (上海游素投資管理有限公司), Tibet Taifu Culture Media Co., Ltd. (西藏泰富文化傳媒有限公司), Xiamen Qunce Chuangying Equity Investment Partnership (Limited Partnership), Xiamen Jixiang Equity Investment Co., Ltd. (廈門吉相股權投資有限公司), Tianjin Jinwutong Investment Management Partnership (Limited Partnership) and the Relevant Individual Shareholders (including Mr. Huang, Mr. Dai, Mr. Zhao, Mr. Hong Shen, Mr. Shen Sheng, Mr. Wang Chenguang, Mr. Pan Zuqiang, Ms. Zhang Aifen, Ms. Chen Ying, Mr. Jia Shaochi, Mr. Huang Yecheng, Ms. Pan Chenping and Mr. Huang Xiwei) are collectively referred to as “Registered Shareholders.”

A summary of the specific agreements that comprises the Contractual Arrangements is set out below.

Exclusive Service Agreement, pursuant to which X.D. Network agreed to engage the WFOE as its exclusive provider of technical support, consultation and various other services and to provide service fees consisting its total consolidated profits to the WFOEs in return subject to certain customary adjustments. During the term of the Exclusive Service Agreement, the WFOE enjoys all the economic benefits.

in relation to X.D. Network business operation, and has the exclusive and proprietary ownership, rights and interests in all intellectual property arising out of or created thereunder.

Exclusive Option Agreements, pursuant to which the WFOE has the right to require and/or designate any third party to require (i) X.D. Network's shareholders to transfer all or any part of their equity interests in X.D. Network and (ii) X.D. Network to transfer all or any part of its assets to the WFOE, for a nominal price unless otherwise required by relevant authorities.

Equity Pledge Agreements, pursuant to which X.D. Network's shareholders agreed to pledge all their respective equity interests in X.D. Network to the WFOE as collateral security to guarantee the performance of their obligations under the Contractual Arrangements or for any and all of the secured indebtedness under the Contractual Arrangements. The pledge takes effect upon execution and shall remain valid until after all the contractual obligations of X.D. Network's shareholders and X.D. Network under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of them under the relevant Contractual Arrangements have been fully paid.

Voting Rights Proxy Agreement and Powers of Attorney, pursuant to which X.D. Network's shareholders irrevocably appointed the WFOE or its designated persons as their exclusive agents to exercise, on their behalf, all rights that they have as the shareholders of X.D. Network in accordance with X.D. Network's articles of association. The proxy shall remain valid unless the entire equity interests held by X.D. Network's shareholders in X.D. Network and/or the entire assets held by X.D. Network have been transferred to the WFOE pursuant to the Exclusive Service Agreement, or if the WFOE terminates the proxy by writing 30 days in advance.

Spouse Undertakings, pursuant to which each spouse of the Relevant Individual Shareholders undertook to (i) have full knowledge of the Relevant Individual Shareholder entering into the relevant Contractual Arrangements, (ii) comply with and take all necessary actions to ensure the appropriate implementation of the relevant Contractual Arrangements; (iii) have no direct right or interest or any claim in the Relevant Individual Shareholder's interest, and (iv) in the event h/she holds the interests in X.D. Network, enter into agreements similar to the Contractual Arrangements upon request by the WFOE.

The Group's PRC Legal Adviser has advised that (i) the Contractual Arrangements provide protection to the Group even in the event of death or divorce of any Relevant Individual Shareholder; and (ii) the death or divorce of such Relevant Individual Shareholder would not affect the validity of the Contractual Arrangements, and WFOE or the Company can still enforce its rights under the Contractual Arrangements against the Registered Shareholders.

For more detailed information on the Group's contractual arrangements, please refer to pages 206 to 227 of the prospectus of the Company dated 29 November 2019 which are also incorporated by reference into the Offering Circular.

EMPLOYEES

The Group had 911, 1,236 and 1,952 full-time employees as of 31 December 2018, 2019 and 2020, respectively. Their employment agreements with the Group are typically for a term of three years. As of 31 December 2020, substantially all of the Group's employees were based in Shanghai. The following table sets forth the numbers of the Group's employees by function as of 31 December 2020.

Function	Number of Employees	% of Total Employees
Research and development	1,355	69.4
Marketing and sales	114	5.8
Operations.....	285	14.6
General and Administration.....	198	10.1
Total	1,952	100

COMPETITION

The Group competes primarily with other online game publishers and operators in both China and its major overseas markets. The Group competes on the basis of a number of factors, including user base, game portfolio, quality of user experience, ability to extend the life cycle of mobile games, brand awareness and reputation, access to and relationships with distribution platforms and payment channels. The Group also competes with other mobile game developers on the basis of the capability to develop excellent online games, sourcing popular intellectual properties, upgrading existing games and recruiting qualified research and development personnel. The Group believes that it competes favourably on these factors. However, the mobile game industry in which the Group operates is highly competitive, characterized by the frequent introduction of new products and services, limited product life cycles, evolving industry standards, rapid adoption of technological and product advancements, as well as price sensitivity on the part of gamers. Some of the Group's existing and potential mobile game competitors have greater financial, technological and marketing resources, larger user bases, stronger relationships with industry participants and a larger and more diverse portfolio of mobile games and resources than do the Group. The Group's mobile game competitors could also publish more popular games to compete with its offerings and adversely affect its ability to attract and retain gamers and their leisure time. See "*Risk Factors — Risks Related to the Group's Business and Industry — If the Group is unable to compete effectively, its business and results of operations may suffer.*"

In addition, as the operator of TapTap, the Group primarily competes with other mobile game communities and platforms, traditional game websites and mobile app stores. The Group competes for users base, cooperation with excellent game developers and quality game content.

PROPERTIES

As at the date of this Offering Circular, the Group operated its businesses mainly through 24 leased properties in Shanghai. The Group's lease agreements have terms ranging from one year to six years.

DATA PRIVACY

The Group considers sufficient maintenance, storage and protection of user data and other related information is critical to its business and its platform business department monitors the operating status of the Group's network devices, servers, operating systems and database, and responds to and deals with any issues that may arise in a timely manner.

The Group has adopted measures to protect its user data and to prevent technical issues in its network infrastructure and information technology system. Such measures cover key areas such as information collection, storage, inquiry, access control, use of personal information, audit of information behaviour and emergency treatment.

LEGAL PROCEEDINGS

The Group is subject to legal proceedings, investigations and claims arising from the ordinary course of its business from time to time. For the years ended 31 December 2018, 2019 and 2020 and as at the date of this Offering Circular, the Group was not aware of any pending or threatened legal, arbitral or administrative proceedings against them or the Group's Directors that could, individually or in the aggregate, have a material adverse effect on its business, financial condition and results of operations.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Group's Board consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The following table provides certain information about the Group's Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. Huang Yimeng (黃一孟)	39	Executive Director and Chairman of the Board and Chief Executive Officer
Mr. Dai Yunjie (戴雲傑).	38	Executive Director and President
Mr. Shen Sheng (沈晟).	43	Executive Director
Mr. Fan Shuyang (樊舒陽).	37	Executive Director and one of the Joint Company Secretaries
Mr. Tong Weiliang (童瑋亮).	47	Non-executive Director
Mr. Liu Wei (劉偉)	34	Non-executive Director
Mr. Pei Dapeng (裴大鵬)	43	Independent non-executive Director
Mr. Xin Quandong (辛全東).	47	Independent non-executive Director
Ms. Liu Qianli (劉千里).	45	Independent non-executive Director

Executive Directors

Mr. Huang Yimeng (黃一孟), aged 39, is an executive Director, the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Huang has over 14 years of experience in games, telecommunications, technology and internet industries and is primarily responsible for the overall operations and management of the Group. Mr. Huang has been the chairman of the board of directors of X.D. Network since July 2011. Mr. Huang currently also holds directorships in various of the Group's subsidiaries, the Group's PRC Consolidated Affiliated Entities and entities directly or indirectly held by X.D. Network in the PRC ("**Relevant Entities**"). In addition, Mr. Huang has abundant management experience in the technology industry, including as the chief executive officer of Shanghai Shaosi Network Technology Co., Ltd. (上海少思網絡科技有限公司) from May 2007 to June 2011, and the chief executive officer of Shanghai Weixi Network Technology Co., Ltd. (上海維西網絡科技有限公司) from June 2005 to April 2007. Mr. Huang graduated from Fudan High School in China in July 2000.

Mr. Dai Yunjie (戴雲傑), aged 38, is an executive Director and the President of the Company. Mr. Dai has over 14 years of experience in games, telecommunications, technology and internet industries and is primarily responsible for daily operations, overseas business development and human resources of the Group. Mr. Dai has been the president of X.D. Network since July 2011. Mr. Dai currently also holds directorships in various of the Group's subsidiaries, Consolidated Affiliated Entities and Relevant Entities. Mr. Dai has been an executive director of Shanghai Qingwu Network Technology Co., Ltd. (上海輕舞網絡科技有限公司) since August 2014, and an executive director of Shanghai Yinzhi Network Technology Co., Ltd. (上海隱志網絡科技有限公司) since November 2003. In addition, Mr. Dai was the chief operating officer of Shanghai Shaosi Network Technology Co., Ltd. (上海少思網絡科技有限公司) from May 2007 to June 2011, and the chief operating officer of Shanghai Weixi Network Technology Co., Ltd. (上海維西網絡科技有限公司) from June 2005 to April 2007. Mr. Dai graduated from Shanghai University in China majoring in mechanical engineering and automation in June 2006.

Mr. Shen Sheng (沈晟), aged 43, is an executive Director of the Company. Mr. Shen has more than eight years of experience in games, telecommunications, technology and internet and is primarily responsible for the overall technological policies, product research and development and the establishment of technological platforms of the Group. Mr. Shen has been a director of X.D. Network since July 2011. Mr. Shen has served as an executive director of Shanghai Yuanzhi Investment Management Co., Ltd. (上海源志投資管理有限公司) since September 2014, the chairman of the board of directors of Shanghai Pinzhi Culture Communication Co., Ltd. (上海品志文化傳播有限公司) since October 2011, and the chairman of Shanghai Archer Information Technology Co., Ltd. (上海射手信息科技有限公司) since March 2010. Mr. Shen attended Shanghai Finance College in China from September 1995 to June 1998 studying International Finance.

Mr. Fan Shuyang (樊舒陽), aged 37, is an executive Director and one of the joint company secretaries of the 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 13 years of experience in game and consultancy industries and is primarily responsible for daily operations, corporate governance and legal and compliance affairs of the Group. Prior to joining the 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.

Non-Executive Directors

Mr. Tong Weiliang (童瑋亮), aged 47, is a non-executive Director of the Company. Mr. Tong has extensive experience in investment and technology industries. Mr. Tong has also served as a director of X.D. Network since May 2015. He founded Beijing Tonghang Investment Management

Co., Ltd. (北京桐行投資管理有限公司) in October 2013. He founded Phoenix Tree Capital Partners (天津金梧桐投資管理合夥企業(有限合夥)) in December 2014 and currently serves as the founding partner. Before that, Mr. Tong was a partner of Beijing Gebi Investment Advisory Co., Ltd. (北京戈壁投資諮詢有限公司) and its related companies and Beijing Zhitong Wuxian Technology Co., Ltd. (北京智通無限科技有限公司) and its related companies from January 2011 to September 2013 and December 2005 to December 2010, respectively. Mr. Tong obtained his college's degree in computer applications from Jinling Institute of Technology (金陵科技學院) in September 1993 and MBA from Concordia University Wisconsin in the United States in September 2011.

Mr. Liu Wei (劉偉), aged 34, is a non-executive Director and a member of the strategy and development committee of the Company. Mr. Liu served as the supervisor of miHoYo Co. Ltd. (“miHoYo”) from February 2012 to March 2012, the director and deputy general manager of miHoYo from March 2012 to October 2015, the director, deputy general manager and secretary of the board of directors of miHoYo from October 2015 to April 2016, and from April 2016 to date, Mr. Liu serves as the director, deputy general manager and president of miHoYo. Mr. Liu obtained his bachelor's degree in Information Engineering from Shanghai Jiaotong University in 2009 and master's degrees in Communication and Information Systems and Electrical Computer Engineering from Shanghai Jiaotong University and Georgia Institute of Technology in 2012, respectively. Mr. Liu has been the vice president of the Shanghai Youth Entrepreneurship Association (上海市青年創業協會) for a four-year term since May 2019.

Independent Non-Executive Directors

Mr. Pei Dapeng (裴大鵬), aged 43, is an independent non-executive Director of the Company. 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 the 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.

Mr. Xin Quandong (辛全東), aged 47, is an independent non-executive Director of the Company. Mr. Xin also serves as an independent director of X.D. Network since October 2017. Mr. Xin has extensive experience in accounting and investment industries. In addition to his positions in the Group, Mr. Xin has been founding partner and chief executive officer of Shanghai

Honggu Equity Investment Fund (上海紅穀股權投資基金) since August 2015. Before that, Mr. Xin served as the partner and managing director of Shanghai Chengding Equity Investment Fund (上海誠鼎股權投資基金) from May 2010 to July 2015, as chairman and general manager of Shanghai Big Thumb Home Service Co., Ltd. (上海大拇指家庭服務有限公司) from June 2008 to May 2010, as executive vice president of Shanghai East Joy Long Motor Airbag Co., Ltd. (上海東方久樂汽車安全氣囊股份有限公司) from December 2006 to July 2007, as chief financial officer and deputy general manager of Shanghai Huabo Investment Consulting Co., Ltd. (上海華博投資諮詢有限公司) from April 2003 to December 2006, as investment manager of Shanghai Keyuan Investment Consulting Co., Ltd. (上海科遠投資諮詢有限公司) from April 2001 to November 2012. Mr. Xin obtained his bachelor's degree in accounting from Shanghai University of Finance and Economics in China in July 1996. Mr. Xin has been accredited as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since 1998 and has obtained the fund practice qualification from Asset Management Association of China in 2017.

Ms. Liu Qianli (劉千里), aged 45, is an independent non-executive Director of the Company. Ms. Liu has over 17 years of experience in investment banking and corporate finance. Ms. Liu served as a senior associate in The Parthenon Group (Strategic Management Consulting) from 1997 to 2000; a vice president in TRULY CUSTOM CONSTRUCTION, INC. (E-Commerce) from 2000 to 2001; a vice president of investment banking department in Lehman Brothers in Hong Kong and an associate of investment banking department in Lehman Brothers in New York from July 2003 to June 2007; the chief financial officer of MainOne Information Technology Company Ltd., an information technology company, from June 2007 to August 2008; the chief financial officer of ChinaEdu Corp., an education services provider in China from October 2008 to November 2010; the chief financial officer of Phoenix New Media Limited, a media company listed on the New York Stock Exchange (Stock Code: FENG), from December 2010 to July 2013; an independent non-executive director of BAIOO Family Interactive Limited, a children's web game developer listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 2100) from March 2014 to present; an independent non-executive director of Feiyu Technology International Company Ltd., a leisure mobile game developer listed on the Main Board of the Stock Exchange (Stock Code: 1022) from November 2014 to date; and Ms. Liu serves as the Assistant Head of School, Business of Keystone Academy from 2020 to present. Ms. Liu obtained her bachelor's degree in arts from Dartmouth College in 1997 and her master's degree in Business Administration from the Massachusetts Institute of Technology Sloan School of Management in 2003.

SENIOR MANAGEMENT

The following table provides certain information about the Group's senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. Huang Yimeng (黃一孟)	39	Executive Director, Chairman of the Board and Chief Executive Officer
Mr. Dai Yunjie (戴雲傑).	38	Executive Director and President
Mr. Fan Shuyang (樊舒陽).	37	Executive Director and one of the Joint Company Secretaries
Mr. Gong Rui (龔睿)	35	Chief Financial Officer

For biographical details of Mr. Huang, Mr. Dai and Mr. Fan Shuyang, see “— *Directors — Executive Directors.*”

Mr. Gong Rui (龔睿), aged 35, has been appointed as the Chief Financial Officer of the Company since 3 June 2019 and is primarily responsible for the overall finance, investments, and strategic development of the Group. Mr. Gong has been the chief financial officer of X.D. Network since November 2018. Mr. Gong has 10 years of experience in the investment banking and financial management industries. Prior to joining the Group, Mr. Gong served as associate vice president and vice president in China Culture Industry Investment Fund Management Co., Ltd. (中國文化產業投資基金管理有限公司) from September 2014 to November 2018, an associate in BOCI Asia Limited from July 2012 to September 2014, and an analyst in BOCI Asia Limited from June 2010 to June 2012 and BOCI Securities Limited from December 2009 to May 2010. Mr. Gong obtained his bachelor's degree in science in Peking University in China in July 2008 and his master's degree in science in Boston University in the United States in September 2009.

PRINCIPAL SHAREHOLDERS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

(i) Interest in Shares and underlying Shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Huang Yimeng	Settlor of a discretionary trust ⁽¹⁾	157,605,000	36.82%
	Beneficial owner	2,100,000	0.49%
Mr. Dai Yunjie	Settlor of a discretionary trust ⁽²⁾	67,545,000	15.78%
Mr. Shen Sheng.	Settlor of a discretionary trust ⁽³⁾	1,188,000	0.28%
	Beneficiary of a trust ⁽⁴⁾	10,486,271	2.45%
Mr. Fan Shuyang.	Administrator ⁽⁵⁾	36,212,839	8.46%

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. Credit Suisse Trust Limited 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, Credit Suisse Trust Limited and Happy Today Company Limited is deemed to be interested in the Group’s Shares held by Happy Today Holding Limited.
- (2) Kros Dai Inc. (formerly known as Aiks Danger Inc.) is a company incorporated in the British Virgin Islands and is wholly owned by Danger & Sons Inc. Danger & Sons Inc. is held by the Danger and Sons Trust, which was established by Mr. Dai as the settlor. Credit Suisse Trust Limited is the trustee of the Danger and Sons Trust, and Mr. Dai and his family members are the beneficiaries of the Danger and Sons Trust. Mr. Dai is also a director of Kros Dai Inc. As such, each of Mr. Dai, Credit Suisse Trust Limited and Danger & Sons Inc. is deemed to be interested in the Group’s Shares held by Kros Dai Inc.
- (3) Xochipilli Ltd is a company incorporated in the British Virgin Islands and is held by the Toliman Trust, which was established by Mr. Shen Sheng as the settlor. First American Trust of Nevada, LLC is the trustee of the Toliman Trust, and Mr. Shen Sheng, his spouse and his decedents (only after the death of Mr. Shen Sheng) are the beneficiaries of the Toliman Trust. Mr. Shen Sheng is also a director of Xochipilli Ltd. As such, Mr. Shen Sheng is deemed to be interested in the 1,188,000 Shares held by Xochipilli Ltd.

- (4) Jiexin Management Limited was a company incorporated in the British Virgin Islands on 4 June 2019 and was held by the Jiexin Trust. The beneficiaries of the Jiexin Trust were Onshore Key Employee Shareholders and Mr. Shen Sheng is interested in 27.89% of the Shares held by the Jiexin Trust as one of the beneficiaries. On 3 August 2020, Jiexin Trust transferred 10,486,271 shares to Mr. Shen Sheng and as at the date of this Offering Circular, Mr. Shen Sheng is interested in the 10,486,271 shares as a beneficial owner.
- (5) Jiexin Management Limited was a company incorporated in the British Virgin Islands on 4 June 2019 and was held by the Jiexin Trust. Mr. Fan Shuyang is the administrator of the Jiexin Trust. On 7 July 2020, Mr. Fan Shuyang was no longer the administrator of the Jiexin Trust. As such, Mr. Fan Shuyang was no longer interested in the 36,212,839 Shares held by Jiexin Trust as at the date of this Offering Circular.
- (6) On 3 July 2020, the Company completed a placing of existing shares and subscription of new shares under general mandate. Immediately following the completion of the placing and subscription, the approximate percentage of shareholding for Mr. Huang Yimeng, Mr. Dai Yunjie, Mr. Fan Shuyang and Mr. Shen Sheng is 35.17%, 14.87%, 7.97% and 2.57%, respectively.

(ii) Interest in associated corporations

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Associated corporations</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Mr. Huang Yimeng	Interest in controlled corporation	X.D. Network	165,900,000	55.98%
	Beneficial owner	X.D. Network	47,281,500	15.95%
Mr. Dai Yunjie . . .	Beneficial owner	X.D. Network	20,263,500	6.84%

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Company, as at 30 June 2020, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

<u>Name of Shareholder</u>	<u>Nature of Interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Credit Suisse Trust Limited	Trustee	232,226,065	54.26%
Happy Today Company Limited	Interest in controlled corporation	157,605,000	36.82%
Happy Today Holding Limited	Beneficial owner	157,605,000	36.82%
Danger & Sons Inc.	Interest in controlled corporation	67,545,000	15.78%
Kros Dai Inc. (formerly known as Aiks Danger Inc.)	Beneficial owner	67,545,000	15.78%
Trident Trust Company (HK) Limited.	Trustee ⁽¹⁾	36,212,839	8.46%
Jiexin Management Limited	Beneficial owner ⁽¹⁾	36,212,839	8.46%
IGG Inc	Beneficial owner ⁽²⁾	24,648,000	5.76%

Note:

- (1) Jiexin Management Limited was a company incorporated in the British Virgin Islands on 4 June 2019 and was held by the Jiexin Trust. The beneficiaries of the Jiexin Trust were Onshore Key Employee Shareholders. Trident Trust Company (HK) Limited was the trustee of the Jiexin Trust. On 3 August 2020, Trident Trust Company (HK) Limited, being the trustee for the Jiexin Trust, transferred 16,875,669 shares to Jiexin Trust and its interest in the Shares or underlying Shares has fallen below 5% as at 31 December 2020.
- (2) On 28 August 2020, IGG Inc completed the sale of 130,000 shares and its interest in the Shares or underlying Shares has fallen below 5% as at 31 December 2020.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value of shares	Equivalent nominal value of shares	Share premium
	'000	USD'000	RMB'000	RMB'000
Authorized				
As at 31 December 2020 and 2019 . . .	1,000,000	100	—	—
Issued and fully paid				
Issuance of ordinary shares in relation to the reorganisation of the Group (Note a)	351,921	35	240	4,750,933
Issuance of ordinary shares upon IPO (Note b)	63,600	6	44	606,181
As at 31 December 2019	415,521	41	284	5,357,114
As at 1 January 2020	415,521	41	284	5,357,114
Issuance of ordinary shares upon exercise of OAO (Note c)	4,060	—	3	36,669
Issuance of ordinary shares (Note d)	26,094	3	19	701,761
As at 31 December 2020 (Note e) . . .	445,675	44	306	6,095,544

(a) From 10 April 2019 to 17 June 2019, as part of the reorganisation, the Company allotted and issued an aggregate of 351,920,960 shares of USD0.0001 each share at par value to offshore holding companies which are beneficially owned by the equity owners of X.D. Network Inc. as at that date. Upon the completion of the reorganisation, the amount of RMB4,751 million other reserves have been transferred to share premium accordingly.

(b) On 12 December 2019, upon its listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 63,600,000 new ordinary shares at HKD11.10 per share, and raised gross proceeds of approximately HKD706 million (equivalent to RMB629 million). The net proceeds was approximately HKD680 million (equivalent to RMB606 million) after deducting listing expenses directly relating to the share issuance.

(c) On 3 January 2020, following the full exercise of over-allotment option available upon its IPO, the Company issued 4,060,000 new ordinary shares at HKD11.10 per share and raised gross proceeds of approximately HKD45 million (equivalent to RMB40 million). The net proceeds were approximately HKD42 million (equivalent to RMB37 million) after deducting listing expenses directly relating to the share issuance.

- (d) On 3 July 2020, a total of 26,094,200 new shares were subscribed at HKD29.90 per share under a general mandate granted during IPO. The Company raised gross proceeds of approximately HKD777 million (equivalent to RMB711 million) and received net proceeds of approximately HKD767 million (equivalent to RMB702 million) from the subscription.
- (e) On 17 June 2019, under the RSU Scheme, 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 31 December 2020, no shares have been granted by the Company under the RSU Scheme and are represented as treasury shares of the Group. Including the shares issued under the RSU Scheme, the total number of issued and fully paid shares of the Group as at 31 December 2020 was 454,112,700.

GENERAL MANDATE TO ISSUE SHARES

The Group's Directors have been granted a general unconditional mandate on 24 June 2020 to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Group's Shares in issue as at 24 June 2020 (subject to adjustment in the case of any consolidation or subdivision of Shares of the Company after the date of passing of the relevant shareholder resolution); and
- the aggregate nominal value of Shares repurchased by the Group under the authority referred to in the paragraph headed "*General Mandate to Repurchase Shares*" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of the Company unless otherwise renewed by an ordinary resolution of its Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which the Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of the Group's Shareholders in general meeting.

GENERAL MANDATE TO REPURCHASE SHARES

The Group's Directors have been granted a general unconditional mandate on 24 June 2020 to exercise all the powers of the Company to repurchase its own securities with nominal value of up to 10% of the aggregate nominal value of its Shares in issue as at 24 June 2020 (subject to adjustment in the case of any consolidation or subdivision of Shares of the Company after the date of passing of the relevant shareholder resolution).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Group's Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of the Company unless otherwise renewed by an ordinary resolution of its Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which the Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of its Shareholders passed in a general meeting.

THE GROUP'S RSU SCHEME

The RSU Scheme was adopted on 3 June 2019 to recognize and reward participants for their contribution to the Group, to attract best available personnel, and to provide additional incentives to them to remain with and further promote the success of the Group's business. Each RSU is a right to receive (i) one Share; or (ii) an equivalent value in cash with reference to the market value of one Share on or about the date of vesting, at the end of the vesting period, subject to vesting conditions provided for under the RSU Scheme. In order to allow release of Shares to beneficiaries upon vesting of each RSU under the RSU Scheme, the Company has allotted and issued 8,437,540 Shares in aggregate to the RSU Holding Entity which holds its Shares on trust, representing approximately 1.97% of the issued share capital of the Company as at 30 June 2020. As at 30 June 2020, no RSUs have been granted by the Company.

EXCHANGE RATE INFORMATION

PRC

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. The PBOC also takes into account other factors such as general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the U.S. dollars from 0.3% to 0.5% around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollars by up to 0.5% above or below the central parity rate published by the PBOC. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0%. Such floating band was further enlarged from 1.0 per cent. to 2.0 per cent., effective from 17 March 2014, as announced by the PBOC on 15 March 2014. On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider such factor as the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change with respect to primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System, a subinstitutional organization of the PBOC, published the China Foreign Exchange Trade System Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, so as to guide the market to measure the Renminbi exchange rate from a new perspective. The PRC government may in the future make further adjustments to the exchange rate system.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicates:

Period	Low	Average ⁽¹⁾	High	Period End
		<i>(Renminbi per US\$1.00)</i>		
2016	6.4480	6.6549	6.9580	6.9430
2017	6.4773	6.7350	6.9575	6.5063
2018	6.2649	6.6292	6.9737	6.8755
2019	6.6822	6.9013	7.1786	6.9618
2020	6.5208	6.9057	7.1681	6.5250
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4344	6.4601	6.4869	6.4730
March (through 19 March 2021) . . .	6.4648	6.4950	6.525	6.507

Note:

⁽¹⁾ Yearly averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

Hong Kong

The HK dollars are freely convertible into other currencies, including the U.S. dollars. Since 1983, the HK dollars have been linked to the U.S. dollars at the rate of HK\$7.80 to US\$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China (the “**Basic Law**”), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the HK dollars against the U.S. dollars continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. In May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK\$7.80 per US\$1.00 to a rate range of HK\$7.75 to HK\$7.85 per US\$1.00. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the HK dollars will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the HK dollars will remain freely convertible into other currencies, including the U.S. dollars. However, the Issuer cannot assure you that the Hong Kong government will maintain the link within the rate range of HK\$7.75 to HK\$7.85 per US\$1.00, or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in HK dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Low	Average ⁽¹⁾	High	Period End
		<i>(HK\$ per US\$1.00)</i>		
2016	7.7505	7.7618	7.8270	7.7534
2017	7.7540	7.7950	7.8267	7.8128
2018	7.8043	7.8376	7.8499	7.8305
2019	7.7850	7.8344	7.8499	7.7894
2020	7.7498	7.7559	7.7951	7.7534
2021				
January	7.7517	7.7533	7.7555	7.7531
February	7.7515	7.7529	7.7567	7.7567
March (through 19 March 2021) ...	7.7562	7.7625	7.7698	7.7646

Note:

⁽¹⁾ Yearly averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

MARKET PRICE INFORMATION

The Shares have been listed on the Hong Kong Stock Exchange (Stock Code: 2400) since 12 December 2019. The table below sets forth the closing prices and the quarterly trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			Daily Average Trading Volume of Shares
	High	Low	Average	
	<i>(HK\$)</i>			<i>(000's)</i>
2019				
Fourth Quarter (from 12 December 2019 to 31 December 2019).	17.00	11.86	13.41	8,449
2020				
First Quarter	29.70	18.02	24.76	2,584
Second Quarter	33.05	18.98	24.64	3,774
Third Quarter	46.95	32.70	39.54	3,297
Fourth Quarter	46.85	33.35	38.25	2,322
2021				
First Quarter (up to 19 March 2021) . .	59.30	55.80	57.55	3,752

Source: Hong Kong Stock Exchange

TAXATION

This section addresses the taxation of holders of the Bonds under the current laws and practices of the Cayman Islands, Hong Kong and China. The following summary of the tax position is not a complete description of all tax considerations that may be relevant to you or to your decision to purchase, own or dispose of the Bonds. It is subject to changes and does not constitute legal or tax advice to any person. It does not deal with all possible tax consequences applicable to all categories of investors and does not consider an investor's particular circumstances. It does not address the tax treatment of investors subject to special rules. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the Bonds.

Cayman Islands Taxation

No stamp duty is payable in respect of the issue of the Bonds. The holder of any Bonds (or a legal personal representative of such holder) whose Bonds are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Bonds. Certificates evidencing registered Bonds, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a registered Bonds, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by the Company if any such documents are executed in or brought within the jurisdiction of the Cayman Islands.

The Cayman Islands does not have any income tax treaty arrangement with any country, however the Cayman Islands has entered into tax information exchange agreements with a number of countries.

Pursuant to section 6 of the Tax Concessions Act of the Cayman Islands (As Revised), the Company has obtained an undertaking from the Financial Secretary that:

- no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Company has obtained an undertaking for a period of 30 years from 14 November 2019.

Hong Kong Taxation

Withholding tax

No withholding tax in Hong Kong is payable on payments of principal or interest in respect of the Bonds or in respect of any capital gains arising from the sale of the Bonds.

No tax is payable in Hong Kong by withholding or otherwise in respect of payments of dividends on the Shares.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond, or issue of Shares upon conversion of the Bond.

Hong Kong stamp duty is payable on any transfer of Hong Kong stock, including the transfer of the Shares to the holder of the Bonds upon the exchange. The duty is charged on each of the transferor and the transferee at the ad valorem rate of 0.1 per cent. of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.2 per cent. is currently payable on a typical transfer (i.e. sale and purchase transaction) of Shares. *The Hong Kong government has gazetted the Revenue (Stamp Duty) Bill 2021 to increase the ad valorem rate of stamp duty on transfers of Hong Kong stock from 0.1 per cent. to 0.13 per cent., which is expected to take effect on 1 August 2021.* In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a transfer of Shares registered on a Hong Kong share register is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

If stamp duty is not paid, in general, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase of any Hong Kong stock if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed.

PRC Taxation

Taxation on interests

The EIT Law imposes a tax at the rate of 10% on interests realized by an enterprise holder of the Bonds that is a “non-resident enterprise” which does not have an establishment or place of business in the PRC or, whose relevant income is not effectively connected with its establishment or place of business in the PRC despite the existence of such establishment or place of business in the PRC, to the extent such interests are sourced within the PRC. The Individual Income Tax Law

imposes a tax at the rate of 20% on interest paid to a foreign individual who is neither domiciled nor resides in the PRC, to the extent such income is sourced within the PRC. Pursuant to these provisions of the EIT Law and the Individual Income Tax Law, it is unclear whether the Issuer is considered as a PRC resident enterprise. If the Issuer is considered as a PRC resident enterprise, interests paid to non-resident enterprise holders and non-resident individual holders of the Bonds may be treated as income derived from sources within the PRC and thus subject to PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower withholding tax rate, such lower rate may apply to qualified enterprise investors in the Bonds.

Taxation on capital gains

The EIT Law impose a tax at the rate of 10% on capital gains realized by an enterprise holder of Bonds that is a “non-resident enterprise” which does not have an establishment or place of business in the PRC or, where despite the existence of establishment or place of business in the PRC, the relevant gain is not effectively connected with such establishment or place of business in the PRC, to the extent such capital gains are sourced within the PRC. The Individual Income Tax Law imposes a tax at the rate of 20% on capital gains realized by a foreign individual who is neither domiciled nor resident in the PRC, to the extent such capital gains are sourced within the PRC. Pursuant to these provisions of the EIT Law and the Individual Income Tax Law, although the matter is unclear, if the Issuer is considered a PRC resident enterprise, capital gains realized by non-resident enterprise holders and non-resident individual holders of the Bonds may be treated as income derived from sources within the PRC and be subject to PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified enterprise investors in the Bonds.

Stamp duty

Except for the PRC stamp duty on booking capital account which must be paid by the Company as a result of the issuance of Shares on the conversion of the Bonds, no PRC stamp tax will be chargeable to non-PRC holders of the Bonds and non-PRC shareholders of Shares upon the issue, conversion or transfer of a Bond, for so long as such issue, conversion or transfer takes place outside of the PRC.

DESCRIPTION OF THE SHARES

The discussion below provides information about the Issuer's share capital and summaries of related provisions of the Issuer's Memorandum and Articles of Association and the Cayman Companies Act. These summaries do not purport to be complete and are qualified in their entirety by reference to the Issuer's full Memorandum and Articles of Association.

The Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Companies Law and the terms of the Memorandum of Association and Articles of Association, the Company may from time to time by ordinary resolution of shareholders (i) increase its authorized share capital; (ii) consolidate and divide its share capital into shares of larger amount; (iii) subdivide its shares into shares of smaller amount; and (iv) cancel any shares which have not been taken or agreed to be taken by any person. In addition, the Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution.

Voting Rights

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 on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally 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 personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

Dividends and Other Methods of Distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and

- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Procedure on Liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies.

Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

Special Resolution — Majority Required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three- fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

Accounts and Audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company’s affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director’s report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company’s affairs as at the end of such period, an auditor’s report on such accounts and such

other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

Disclosure

The Hong Kong Stock Exchange imposes a requirement on the Issuer to keep the Hong Kong Stock Exchange, its Shareholders and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the Issuer, including information on any major new developments which are not public knowledge, which (i) is necessary to enable them and the public to appraise the Issuer's position, (ii) is necessary to avoid the establishment of a false market in the Issuer's securities, or (iii) might be reasonably expected to materially affect market activity in and the price of the Issuer's securities.

There are also requirements under the Listing Rules for the Issuer to obtain prior Shareholders' approval and/or to disclose to Shareholders details of certain acquisitions or disposals of assets and connected transactions.

DIVIDENDS

Subject to the Companies Act and the Articles of Association, the Issuer may declare dividends in general meeting but no dividends shall exceed the amount recommended by its board of directors. The Issuer's board of directors may from time to time pay such interim dividends to the Shareholders as may appear to the board of directors to be justified by its profits. No dividend shall be paid otherwise than out of the Issuer's profits and reserves lawfully available for distribution including out of the share premium account, subject to certain requirements in accordance with the Companies Act. No dividends shall carry interest.

The Issuer did not declare final dividends for the years ended 31 December 2019 and 2020.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Managers dated 31 March 2021 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Managers, and each of the Joint Managers has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds at an issue price of 100 per cent. of their principal amount below:

	Principal amount of the Bonds to be subscribed
Joint Managers	
Credit Suisse (Hong Kong) Limited	US\$196,000,000
CLSA Limited	US\$84,000,000
Total	<u>US\$280,000,000</u>

To the best of the knowledge, information and belief of the directors of the Issuer, having made all reasonable enquiries, each of the Joint Managers is a third party independent of the Issuer and are not a connected person (as defined in the Listing Rules) of the Issuer.

To the best of the knowledge, information and belief of the directors of the Issuer, none of the initial placees (and their ultimate beneficial owners) will be connected persons (as defined in the Listing Rules) of the Issuer.

The Issuer has undertaken with the Joint Managers in the Subscription Agreement and the placing agreement dated 31 March 2021 among the Issuer and the Joint Managers (the “**Placing Agreement**”) that neither the Issuer nor any person acting on its or its behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Managers between the date of the Subscription Agreement and the date which is 90 days after the Closing Date (both dates inclusive); except for (i) the Bonds and the Shares issued on conversion of the Bonds; (ii) any Shares or options granted pursuant to the Issuer’s publicly disclosed share option scheme; and (iii) the issuance of the Placing Shares (as defined therein) under the Placing Agreement. Nothing in this paragraph shall prevent the Company from seeking general mandates from its shareholders to issue or buy back shares of the Company at general meetings of the Company.

Each of Happy Today Holding Limited and Kros Dai Inc., has executed a shareholder lock-up undertaking. Each of these shareholders has undertaken in favour of the Joint Managers that, for a period commencing from the date of the respective undertaking to 90 days after the Closing Date (the “**Restricted Period**”), without the prior written consent of the Joint Managers, it will not (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any of the shares subject to the relevant shareholder lock-up undertaking (the “**Lock-up Shares**”) or securities of the same class as the Lock-up Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Lock-up Shares or securities of the same class as Lock-up Shares or other instruments representing interests in Lock-up Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of Lock-up Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Lock-up Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing. The foregoing sentence shall not apply to, in the case of Happy Today Holding Limited, (A) any transfer of the Lock-up Shares pursuant to the Securities Lending Agreement and (B) any sale, disposal or transfer of Lock-up Shares in connection with the enforcement of any existing security arrangement over the Lock-up Shares granted in favour of the private banking division of Credit Suisse AG or its affiliates, and in the case of Kros Dai Inc., any sale, disposal or transfer of Lock-up Shares in connection with the enforcement of any existing security arrangement over the Lock-up Shares granted in favour of the private banking division of Credit Suisse AG or its affiliates.

The Subscription Agreement provides that the obligations of the Joint Managers are subject to certain conditions precedent, and entitles the Joint Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer has agreed to indemnify the Joint Managers against certain liabilities in connection with the offer and sale of the Bonds.

Concurrently with this Offering, Happy Today Holding Limited, an existing shareholder of the Issuer (the “**Lender**”), has agreed to enter into (i) a securities lending contract dated 17 March 2021 and (ii) a letter agreement authorising stock borrow dated 31 March 2021 (collectively, the “**Securities Lending Agreement**”) in respect of a securities loan by the Lender to the Credit Suisse AG, Singapore Branch (the “**Borrower**”) in relation to the number of Shares specified therein. The execution and delivery on the dates thereof of the Securities Lending Agreement by the Borrower and the Lender and the compliance of the Lender with all provisions of the Securities Lending Agreement, including delivering to the Borrower of the Shares borrowed by the Borrower under the relevant Securities Lending Agreement, is a condition precedent to the closing of the offering under the Subscription Agreement. The Issuer is not a party to the Securities Lending Agreement and shall have no obligations or liabilities thereunder.

The Joint Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Joint Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer for which they have received, or will receive, fees and expenses.

Concurrent with the offering of the Bonds, the Issuer proposes to enter into an equity placement of 26,318,000 ordinary shares of the Issuer at a placement price of HKD42.38 with Bilibili Inc. and Taobao China Holding Limited. The Strategic Equity Placement will be conducted concurrently with the offering of the Bonds but the completion of the issuance of the Bonds and the Strategic Equity Placement are not inter-conditional.

Each of the Joint Managers and their respective affiliates, or the Issuer’s affiliates, may purchase Bonds or hold Shares converted from such Bonds for their own account (without a view to distributing such Bonds) and enter into transactions, including (i) credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Bonds and/or the Issuer’s securities or (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such entities may hold or sell such Bonds or purchase further Bonds or convert such Bonds into Shares for their own account in the secondary market or deal in any of the Issuer’s other securities, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being “offered” should be read as including any offering of the Bonds (and any subsequent conversion of these Bonds into Shares to the Joint Managers and their respective affiliates, or the Issuer’s affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained. Neither the Issuer nor the Joint Managers is under any obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Joint Managers and their affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the Issuer’s securities and instruments, including the Bonds. Typically, the Joint Manager and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer’s securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Joint Managers and their

respective affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or the Issuer's other financial instruments, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

Each of the Joint Managers, acting in its capacity as stabilising manager (the "**Stabilising Manager**") may, to the extent permitted by applicable laws and directives, over-allot or effect transactions with a view to supporting the market price of the Bonds and/or the Shares at a level higher than that which might otherwise prevail, but in doing so the Stabilising Manager shall not act as the Issuer's agent and any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the Stabilising Manager. However, there is no assurance that the Joint Managers will undertake stabilisation action.

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

1. **United States:** The Bonds and, the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Each of the Joint Managers has represented and warranted that it has not offered or sold, and agreed that it will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds, the Shares to be issued upon conversion of the Shares. Terms used in this paragraph have the meaning given to them by Regulation S.
2. **United Kingdom:** Each of the Joint Managers has represented, warranted and agreed that:
 - (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
 - (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

3. **Hong Kong:** Each of the Joint Managers has represented and agreed that:
- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
 - (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.
4. **Singapore:** Each of the Joint Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Managers has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds and/or Shares may not be circulated or distributed, nor may any Bonds and/or Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to

Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: *In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

5. **Japan:** The Bonds have not been and will not be registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”). Accordingly, each of the Joint Managers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan.

6. **PRC:** Each of the Joint Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

7. **Prohibition of Sales to EEA Retail Investors:** Each of the Joint Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

 - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

8. **Prohibition of Sales to UK Retail Investors:** Each of the Joint Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:
- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.
9. **Cayman Islands:** Each of the Joint Managers has represented and agreed that the offer to sell the Bonds is private and not intended for the public in the Cayman Islands and, further that each of the Joint Managers has not made and will not make any invitation to the public in the Cayman Islands or to residents of the Cayman Islands to subscribe for the Bonds.

GENERAL INFORMATION

1. **Clearance.** The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain information about the Bonds is set forth below:

	<u>ISIN number</u>	<u>Common Code number</u>
Bonds	XS2327118928	232711892

2. **Listing of the Bonds.** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds issued to professional investors only. It is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 13 April 2021.
3. **Listing of the Shares.** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares arising on conversion of the Bonds. It is expected that dealing in, and listing of, such Shares on the Hong Kong Stock Exchange will commence when they are issued.
4. **Authorizations.** The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorized by the minutes of a meeting of the board of directors of the Issuer passed on 31 March 2021. The Shares to be issued upon conversion of the Bonds are to be issued pursuant to the general mandate granted to the directors at its annual general meeting held on 24 June 2020.
5. **No Material Adverse Change.** There has not occurred any material adverse change in the financial condition, business or general affairs of the Issuer or the Group since 31 December 2020.
6. **Litigation.** Save as disclosed in this Offering Circular, neither the Issuer nor any of its respective subsidiaries is involved in any litigation or arbitration proceedings which are material in the context of the Bonds nor is the Issuer aware that any such proceedings are pending or threatened.
7. **Available Documents.** Copies of the Issuer's Memorandum and Articles of Association, the Group's audited consolidated financial statements as at and for the year ended 31 December 2019 and the Issuer's annual results announcement at and for the year ended 31 December 2020, as well as the Trust Deed and the Agency Agreement, will be available for inspection, at the Issuer's principal place of business in Hong Kong at 40/F., Dahsing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong and the specified office of the Trustee during normal office hours, so long as any of the Bonds is outstanding.

8. **Independent Auditor.** The Company's consolidated financial statements as of and for the years ended 31 December 2019 and 2020 have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong as stated in the annual report of the Company for the year ended 31 December 2019, and the annual results announcement of the Group for the year ended 31 December 2020 incorporated by reference in this Offering Circular.

9. **Reliance by the Trustee.** The Trustee may rely without liability to Bondholders on any certificate prepared by any authorised officer of the Company which may or may not be accompanied by a certificate or report prepared by an Independent Investment Bank (as defined in the Trust Deed), the Auditor or other adviser or expert pursuant to the Conditions and/or this Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Independent Investment Bank, the Auditor (as defined in the Trust Deed) or other adviser or expert in respect thereof is limited by a monetary cap or otherwise limited or excluded and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under the Conditions; any such certificate or report shall be conclusive and binding on the Company, the Trustee and the Bondholders.

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