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XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

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

(Stock Code: 40646)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2021 (the “Reporting Period”). The results have been audited by the Auditor in accordance with International Standards on Auditing, and have also been reviewed by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended December 31,		
	2021	2020	Change
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>%</i>
Revenues	2,703,173	2,847,553	-5.1
Gross profit	1,226,243	1,532,028	-20.0
(Loss)/Profit for the year	(917,288)	55,788	N/A
(Loss)/Profit attributable to equity holders of the Company	(863,811)	9,145	N/A

KEY OPERATING INFORMATION

	For the year ended December 31,		
	2021	2020	Change
	<i>(in thousands)</i>	<i>(in thousands)</i>	<i>%</i>
ONLINE GAMES			
Average MAUs ⁽¹⁾	16,692	25,177	-33.7
Average MPUs ⁽²⁾	977	917	6.5
TAPTAP			
Average App MAUs in TapTap China	31,570	25,700	22.8
Average App MAUs in TapTap International	12,242	4,813	154.3

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

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

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

BUSINESS REVIEW AND OUTLOOK

Our TapTap and premium games have maintained steady growth throughout 2021. However, as our major titles were at the mature stage of their life cycles, and as our newest projects were still in development, the online game revenue for the year ended December 31, 2021 declined as compared to the corresponding period of the previous year. In 2021, we have built out a comprehensive R&D team, continuing to push forward with 13 new game projects as well as restructuring the technical infrastructure behind TapTap and achieving milestones. We have established a regional operations center in Singapore and the average MAU of TapTap International has reached 10 million, which serves as a good foundation for our future overseas expansion. In 2022, we plan to focus on international markets as a key growth area, as well as strive to provide a better gaming and service experience for domestic gamers. In the long term, we will continue to pursue our mission “To impact each and every gamer by promoting the spirit of craftsmanship” by delivering high-quality content to gamers around the world and supporting game developers in the creative and distribution processes.

Despite the deficit from 2021, we continue to be optimised about our prospects. As of December 31, 2021, we hold over RMB3.9 billion in cash, cash equivalents and short-term investments, which is an abundance of capital to support our business endeavors. Most of our games in development are scheduled to be completed and launched in 2022 and 2023.

The following is an overview of our major products and services.

Games

As of December 31, 2021, our portfolio consisted of 19 online games and 19 premium games.

Online Games

For the year ended December 31, 2021, the MAU of our online games decreased by 33.7% as compared to the corresponding period of the previous year, while the average MPU increased by 6.5% as compared to the corresponding period of the previous year. These trends were primarily due to the evident MAU decrease of Sausage Man (香腸派對) as compared to the same period of the previous year. However, there was an increase in payment rates. For the year ended December 31, 2021, Sausage Man (香腸派對), Ragnarok M (仙境傳說M), Ulala (不休的烏拉拉), Arkknights (明日方舟) and Lan Yan Qing Meng (藍顏清夢) were our top five games in terms of revenue contribution. The following is an overview of our existing major games.

- **Sausage Man (香腸派對)**: the game was launched in China in April 2018. Although it has been nearly four years since the game was released, as a battle arena game, the game has remained rather popular and has demonstrated continued growth. Following the pandemic in 2020, the game attracted a large influx of new players and recorded a significant surge in MAU. Subsequently in 2021, as the spread of the pandemic in China eased and the stay-at-home order lifted, the MAU of the game declined to a certain extent while the MPU increased, which resulted in an increase in its revenue performance as compared to the corresponding period of the previous year and made it our highest-revenue game in 2021. In January and February 2022, the revenue performance of Sausage Man attributable to users in China continues to record a significant high growth compared to the corresponding period of the previous year. Meanwhile, the game was launched in Southeast Asia at the end of June in 2021 and quickly became popular among players with a record of over 15 million downloads within 30 days since its launch. We also plan to release the game in many overseas countries and regions this year as well.

- **Ragnarok M (仙境傳說M)**: the game was initially launched in China in January 2017, and was subsequently released in many countries and regions around the world, which is now at its maturity stage. Due to the life cycle of the game, the revenue of the game for the year ended December 31, 2021 decreased to a certain extent compared with the same period of the previous year. Early 2022, we made some adjustments to the game’s development and operation team aiming to continue to bring more joys to our users.

- **Ulala (不休的烏拉拉)**: the game was initially launched in Taiwan in May 2019, and was subsequently released in many countries and regions around the world, which is now at its maturity stage. Due to the game’s current standing in its life cycle, its revenue for the year ended December 31, 2021 was lower compared to the same period of the previous year.

Games in Development

We regard self-developed games as one of the core drivers of our development and continue to increase our investment in game development. As of December 31, 2021, we had approximately 1,270 employees engaged in game development, representing an increase of approximately 140 employees as compared to our number of employees as of December 31, 2020. As of December 31, 2021, we had 13 games in the development stage, five of which have already entered the “TapTap Campfire Project”, which is a game test project on TapTap that allows TapTap users to try out game prototypes and volunteer to participate in the early development stage of the game. In January 2022, Torchlight: Infinity (火炬之光：無限), a Diablo-like game, opened a closed test in the North America and received a lot of positive feedbacks from its core gamers. In February 2022, the platform fighting game named Flash Party was released as a soft launch and topped the Apple Store free games

list for 12 consecutive days in Japan. In 2022, we expect more games in development to be released in the test stage or officially launch.

Premium games

In addition to expanding our product portfolio and optimizing the ecosystem around our platform, our premium games helped us build a strong reputation in the industry. We achieved steady growth in our premium games business in 2021. Terraria mobile (泰拉瑞亞移動版) achieved a strong impact within the gamer community. Eastward (風來之國) and Sands of Salzaar (部落與彎刀) topped the leaderboard of top-sellers of Steam and received outstanding user reviews and recorded significant sales across all platforms. Moncage (籠中窺夢) and Dice Elementalist (骰子元素師) have both achieved excellent performance after launched on Steam and TapTap. In the future, we will continue to expand the product portfolio of our premium games, extend product lifecycle, and bring more high-quality and enjoyable experiences to gamers across all platforms.

TapTap

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

TapTap PRC

In 2021, TapTap PRC had 31.6 million mobile App MAUs and accounted for 579.4 million game downloads, representing an increase of 22.8% and 42.1% as compared to the corresponding period of the previous year, respectively. In the meantime, we reorganized TapTap's organization and recruited a large number of employees for product and technical, and conducted a series of restructuring of TapTap's product and technical framework. With the technology upgrades, the efficiency of the game distribution and advertising system of TapTap have been significantly improved. In 2021, we also developed features such as cloud gaming and Tap Booster to meet more game-related demands of gamers. In July 2021, we held the second annual TapTap presents which introduced 27 new games to our gamer community and generated over 170 million online presentations.

During the period from January to February 2022, the user number of TapTap PRC continued to grow as compared to the corresponding period in 2021. We plan to sustainably enhance our operations to stimulate user engagement this year to bring better service to more games.

TapTap International

For the year ended December 31, 2021, TapTap International had an average of 12.2 million mobile App MAUs, with an increase of 154.3% as compared to the corresponding period of the previous year. TapTap International grew faster in the first half of 2021 due to the impact of individual popular games and the overseas pandemic, while the number of users declined in the second half of the year. In 2022, we plan to strengthen TapTap's international operations with the key goal of building a community atmosphere and targeting specific regions for product customization and user growth.

Currently, TapTap International is not yet monetized.

TapTap Developer Services

We began to grant third-party developers access to our TapTap Developer Services (TDS) in the second quarter of 2021 and have continuously enriched its functions such as real-time voice, real-name authentication, anti-addiction for minors, friend system, cloud archiving, leaderboards and other features during the year, which are currently serving more than 100 games. As of February 2022, approximately 7 million gamers have earned TapTap achievements in games. In 2022, as well as further enriching its product line, TDS will focus more on internationalization to meet the general demand of Chinese game makers to go abroad on the one hand and attract overseas game developers to TapTap International Edition on the other hand.

Currently, the TDS business is free or cost-based to the third-party developers.

FINANCIAL REVIEW

Revenues

Our revenue is mainly derived from (i) games, the principal operating business where we generate revenue primarily from sales of in-game virtual items in online games and sales of premium games through third-party and our proprietary distribution platforms, and (ii) information services where we generate revenue primarily from providing online marketing services on TapTap. The following table sets forth our revenue by line of business for the years ended December 31, 2021 and 2020.

	For the year ended December 31,		2020	
	2021		2020	
	Amount	% of revenue	Amount	% of revenue
	<i>(RMB in thousands, except for percentages)</i>			
Games	2,010,820	74.4	2,331,967	81.9
Game operating	1,987,999	73.6	2,291,990	80.5
Online games	1,784,032	66.0	2,148,320	75.4
Premium games	203,967	7.6	143,670	5.1
In-game marketing and promotion	16,309	0.6	36,044	1.3
Others	6,512	0.2	3,933	0.1
Information services	692,353	25.6	515,586	18.1
Total revenue	<u>2,703,173</u>	<u>100.0</u>	<u>2,847,553</u>	<u>100.0</u>

Games

Our revenue from game business decreased by 13.8% to RMB2,010.8 million for the year ended December 31, 2021 on a year-on-year basis. In particular,

- Our revenue from online games decreased by 17.0% to RMB1,784.0 million for the year ended December 31, 2021 on a year-on-year basis, primarily due to a decrease of revenue from certain existing games under maturity stage, such as Ragnarok M (仙境傳說M) and Ulala (不休的烏拉拉), and partially offset by solid performance of Sausage Man (香腸派對).
- Our revenue from premium games increased by 42.0% to RMB204.0 million for the year ended December 31, 2021 on a year-on-year basis, primarily due to (i) the solid performance of Muse Dash (喵斯快跑), (ii) the launch of Human Fall Flat (人類跌落夢境) in TapTap in November 2020, and (iii) the launch of Terraria (泰拉瑞亞) in TapTap in September 2021.

The following table sets forth a breakdown of our game operating revenue by revenue recognition method for the years ended December 31, 2021 and 2020.

	For the year ended December 31,			
	2021		2020	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
Revenue recognized on a gross basis	1,629,801	82.0	1,719,833	75.0
Revenue recognized on a net basis	358,198	18.0	572,157	25.0
Total game operating revenue	<u>1,987,999</u>	<u>100.0</u>	<u>2,291,990</u>	<u>100.0</u>

During the years ended December 31, 2021 and 2020, as a percentage of the total game operating revenue, our game operating revenue recognized on a gross basis increased and that recognized on a net basis decreased, mainly as a result of the decreased revenue contribution from Ragnarok M in overseas markets.

We have started to offer in-game marketing and promotion services in Sausage Man (香腸派對) since January 2020. Our in-game marketing and promotion revenue decreased by 54.8% to RMB16.3 million for the year ended December 31, 2021 on a year-on-year basis, mainly because we no longer treated in-game marketing and promotion services as an important revenue source of this game, in light of the weakness of overall in-game-advertisement market and the solid performance of in-game virtual items sales of Sausage Man (香腸派對).

Information services

Our revenue from information services business increased by 34.3% to RMB692.4 million for the year ended December 31, 2021 on a year-on-year basis, primarily due to (i) the growth of the average mobile MAUs of TapTap PRC, which increased by 22.8% to 31.6 million for the year ended December 31, 2021 on a year-on-year basis, and (ii) the improvement of efficiency of our advertisement system.

We have yet monetized TapTap International.

Cost of Revenues

Our cost of revenue increased by 12.3% to RMB1,476.9 million for the year ended December 31, 2021 on a year-on-year basis. The following table sets forth our cost of revenue by line of business for the years ended December 31, 2021 and 2020.

	For the year ended December 31,			
	2021		2020	
	Amount	% of segment revenue	Amount	% of segment revenue
	<i>(RMB in thousands, except for percentages)</i>			
Games	1,283,763	63.8	1,240,906	53.2
Information services	193,167	27.9	74,619	14.5
Total	<u>1,476,930</u>	<u>54.6</u>	<u>1,315,525</u>	<u>46.2</u>

Our cost of revenue for game business primarily consists of sharing of proceeds to game developers and commissions charged by distribution platforms and payment channels where we act as a principal, bandwidth and servers custody fee, employee benefits expenses and amortization of game license fees. Our cost of revenue for information services business primarily consists of bandwidth and servers custody fee and employee benefits expenses. The following table sets forth our cost of revenue by nature for the years ended December 31, 2021 and 2020.

	For the year ended December 31,			
	2021		2020	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
Sharing of proceeds to game developers	467,953	31.7	477,262	36.3
Commissions charged by distribution platforms and payment channels	398,895	27.0	423,825	32.2
Bandwidth and servers custody fee	286,861	19.4	189,151	14.4
Employee benefits expenses	148,055	10.0	66,464	5.1
Amortization of intangible assets	50,670	3.4	58,927	4.5
Others	124,496	8.5	99,896	7.5
Total	<u>1,476,930</u>	<u>100.0</u>	<u>1,315,525</u>	<u>100.0</u>

Our cost of revenue for game business increased by 3.5% to RMB1,283.8 million for the year ended December 31, 2021 on a year-on-year basis, primarily due to the increases in personnel and level of employee benefits of our game operation staff, and partially offset by the decrease in commissions charged by distribution platforms and payment channels, which was generally in line with our moderate decline in game revenue recognized on a gross basis.

Our cost of revenue for information services business increased by 158.9% to RMB193.2 million for the year ended December 31, 2021 on a year-on-year basis, primarily due to increases in bandwidth and servers custody fee, and employee benefits expenses of TapTap's operation staff, which was mainly attribute to (i) the growths in the average mobile MAUs of TapTap PRC and TapTap International, and (ii) the exploration and expansion of new businesses such as TapTap Developer Services (TDS), TapTap Cloud Gaming, Tap Booster, and international operations.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit decreased by 20.0% to RMB1,226.2 million for the year ended December 31, 2021 on a year-on-year basis. Our gross margin decreased to 45.4% for the year ended December 31, 2021 from 53.8% for the year ended December 31, 2020, primarily due to (i) a decrease in our gross margins of game segment from 46.8% for the year ended December 31, 2020 to 36.2% in the corresponding period of 2021, due to the increase in the contribution from game operating revenue recognized on a gross basis to total game operating revenue from 75.0% for the year ended December 31, 2020 to 82.0% in the corresponding period of 2021, mainly due to the solid performances of our licensed games, such as Sausage Man (香腸派對) and Another Eden: The Cat Beyond Time and Space (另一個伊甸：超越時空的貓), (ii) a decrease in gross margin of information services segment from 85.5% for the year ended December 31, 2020 to 72.1% in the corresponding period of 2021, mainly arising from the relevant cost of a number of new businesses such as TapTap International, TDS, TapTap Cloud Gaming and Tap Booster, but have yet monetized them. This decrease was partially offsetted by an increase in the contribution of revenue from our information services business to our total revenue from 18.1% for the year ended December 31, 2020 to 25.6% in the corresponding period of 2021, which in general enjoys a higher gross margin than the game business.

Selling and Marketing Expenses

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

Our selling and marketing expenses increased by 23.2% to RMB780.2 million for the year ended December 31, 2021 on a year-on-year basis. This was primarily due to (i) the increases in marketing expenses for TapTap PRC and TapTap International, as we continued to attract new users and bring in high quality exclusive games in both PRC and overseas, (ii) the increases in personnel of video production and streaming media marketing, and (iii) the increases in marketing expenses for existing games through IP collaborations and newly launched games.

Research and Development Expenses

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

Our research and development expenses increased by 88.9% to RMB1,242.2 million for the year ended December 31, 2021 on a year-on-year basis. This was primarily due to an increase in the number of our research and development personnel from 1,355 as of December 31, 2020 to 1,635 as of December 31, 2021, the increased levels of employee benefits, and an increase in expenses relating to professional and technical services during the year ended December 31, 2021, as we continued to enhance our game development capabilities and TapTap's user experience.

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) employee benefits expenses relating to our administrative employees, (ii) office expenses incurred in the ordinary course of business, (iii) professional and technical services fees, such as fees paid to audit and law firms, and (iv) depreciation of property, plant and equipment in connection with our office space in Shanghai and right-of-use assets pursuant to IFRS 16.

Our general and administrative expenses increased by 30.7% to RMB235.1 million for the year ended December 31, 2021 on a year-on-year basis. This was primarily due to (i) the increased back office personnel and the increased level of employee benefits, (ii) the increased rental and utilities expenses as our office spaces enlarged, and (iii) the increased depreciation of property, plant and equipment as our office equipment increased.

Income Tax Credits/(Expenses)

We recorded income tax credits of RMB38.6 million for the year ended December 31, 2021, comparing the income tax expenses of RMB51.2 million for the corresponding period of 2020. Among which, for the year of 2021, we recorded current income tax expense of RMB19.6 million relating to some of our profit-making subsidiaries, and recorded deferred income tax of RMB58.2 million in relation to some of our loss-making subsidiaries.

(Loss)/Profit for the Year

Our net loss for the year was RMB917.3 million for the year ended December 31, 2021, comparing a net profit of RMB55.8 million for the corresponding period of 2020.

(Loss)/Profit for the Year attributable to Equity holders of the Company

Our net loss for the period attributable to equity holders of the Company was RMB863.8 million for the year ended December 31, 2021, comparing a net profit attributable to equity holders of the Company of RMB9.1 million for the corresponding period of 2020.

Our net loss for the year attributable to non-controlling interests was due to non-controlling interests in (i) Yiwan (Shanghai) Network Science and Technology Co., Ltd. (易玩(上海)網絡科技有限公司) (“Yiwan”), (ii) Shanghai Longcheng Network Technology Co., Ltd. (“Longcheng”), (iii) X.D. Global (HK) Limited, (iv) Hyper Times Limited, and (v) Taptap Holding Limited.

Liquidity and Capital Resources

Our cash positions and short-term investments as at December 31, 2021 and December 31, 2020 are as follows:

	As at December 31, 2021 (RMB'000)	As at December 31, 2020 (RMB'000)
Cash and cash equivalents	3,164,726	2,319,512
Short-term investments		
— Term deposits with initial terms over three months	102,920	—
— Wealth management products	689,518	—
Restricted Cash	296	—
	<u>3,957,460</u>	<u>2,319,512</u>

As at December 31, 2021, our short term investments are mainly consist of (i) term deposits with initial terms ranging from three months to twelve months, and (ii) wealth management products issued by large reputable commercial banks. The principle and returns of such term deposits are guaranteed by relevant banks. These wealth management products invest principally in low risk and liquid fixed-income instruments that are quoted on the interbank market or exchanges in China. The returns of such wealth management products are not guaranteed or protected by the issuing banks. The effective rates of return of these wealth management products ranges from 0.81% to 4.59% per annum. The increase of our cash positions and short-term investments was primarily due to net cash generated from financing activities of RMB2,387.7 million for the year ended December 31, 2021, and partially offset by the net cash used in operating activities of RMB475.2 million.

As of December 31, 2021, saving for the convertible bonds issued on April 12, 2021, we did not have any borrowings or unutilized banking facilities. These convertible bonds are in the specified denomination of USD200,000 each and integral multiples of USD1,000 thereof with the aggregate principal amounts of USD280.0 million, bearing an interest of 1.25% per annum payable semi-annually and will mature on April 12, 2026.

Our gearing ratio was 52.8% as at December 31, 2021, comparing a gearing ratio of 22.9% as at December 31, 2020. The increase in gearing ratio is mainly attribute to the issue of convertible bonds. This ratio was calculated as total liabilities divided by total assets.

The Company completed an issue of convertible bonds and a placing of new shares in April 2021. Please refer to the section headed “Other Information — Issuance of convertible bonds in April 2021”, “Other Information — Placing of shares in April 2021” in this announcement, and the announcements of the Company dated March 31, 2021, April 12, 2021 and April 13, 2021 published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (2400.hk) for details.

Material acquisitions and Disposals of Subsidiaries, Associates and Joint ventures

On May 12, 2021, X.D. Network Inc. (“X.D. Network”), our PRC Consolidated Affiliated Entity, entered into a equity transfer agreement with Shanghai Xinhe Business Consultation Partnership (Limited Partnership) (上海芯赫商務諮詢合夥企業(有限合夥)) (“Shanghai Xinhe”), pursuant to which, X.D. Network has conditionally agreed to purchase, and Shanghai Xinhe has conditionally agreed to sell, 6.86% equity interest in Yiwan held by them for a consideration of RMB171,610,290.98. Yiwan operates TapTap, a leading game community and platform in China. For further details, please refer to the announcement of the Company dated May 12, 2021.

Pledge of Assets

As of December 31, 2021, we did not pledge any of our assets.

Future Plans for Material Investments or Capital Assets

As of December 31, 2021, we did not have any future plans for material investments and capital assets.

Foreign Exchange Risk Management

We generate revenue from overseas markets in relation to our international business, and therefore, we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Hong Kong dollar. We also pay licensing fees for foreign game developers and intellectual property providers, which are primarily in US dollars. We currently do not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

Contingent Liabilities

As of December 31, 2021, we did not have any material contingent liabilities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	<i>Notes</i>	Year ended December 31,	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Revenues	3	2,703,173	2,847,553
Cost of revenues	4	(1,476,930)	(1,315,525)
Gross profit		1,226,243	1,532,028
Selling and marketing expenses	4	(780,184)	(633,394)
Research and development expenses	4	(1,242,174)	(657,506)
General and administrative expenses	4	(235,105)	(179,916)
Net impairment reversal/(losses) on financial assets	4	262	(1,624)
Fair value changes on investments measured at fair value through profit or loss		9,347	(1,426)
Other income	5	44,999	26,166
Other gains, net	6	21,091	3,361
Operating (loss)/profit		(955,521)	87,689
Finance income		13,533	15,505
Finance costs		(40,264)	(3,986)
Finance (costs)/income, net		(26,731)	11,519
Share of results of investments accounted for using equity method		28,387	14,915
Impairment of investments accounted for using equity method		(2,023)	(7,137)
(Loss)/profit before income tax		(955,888)	106,986
Income tax credits/(expenses)	7	38,600	(51,198)
(Loss)/profit for the year		(917,288)	55,788
Other comprehensive loss:			
<i>Items that may be reclassified to profit or loss</i>			
— Currency translation differences		(1,793)	(25,062)
<i>Items that may not be reclassified to profit or loss</i>			
— Currency translation differences		(56,316)	(96,170)
Total comprehensive loss for the year		(975,397)	(65,444)

		Year ended December 31,	
		2021	2020
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year attributable to:			
	Equity holders of the Company	(863,811)	9,145
	Non-controlling interests	(53,477)	46,643
		<u>(917,288)</u>	<u>55,788</u>
Total comprehensive loss for the year attributable to:			
	Equity holders of the Company	(921,097)	(103,896)
	Non-controlling interests	(54,300)	38,452
		<u>(975,397)</u>	<u>(65,444)</u>
(Loss)/earnings per share for profit for the year attributable to the equity holders of the Company			
	Basic and diluted (loss)/earnings per share (RMB)	(1.86)	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		148,561	112,592
Right-of-use assets		139,900	129,555
Intangible assets		248,808	199,322
Deferred tax assets		75,518	16,810
Investments accounted for using the equity method		89,846	66,326
Long-term investments measured at fair value through profit or loss		30,102	23,670
Prepayments, deposits and other assets		63,383	26,713
		796,118	574,988
Current assets			
Trade receivables	9	223,550	299,161
Income tax prepayment		2,258	30,254
Prepayments, deposits and other assets		64,746	120,827
Short-term investments		792,438	—
Restricted cash		296	—
Cash and cash equivalents		3,164,726	2,319,512
		4,248,014	2,769,754
Total assets		5,044,132	3,344,742
EQUITY			
Share capital	10	329	312
Share premium	10	7,035,801	6,095,544
Shares held for share award schemes	10	(6)	(6)
Other reserves		(4,512,959)	(4,444,279)
(Accumulated deficit)/retained earnings		(218,923)	644,888
Equity attributable to equity holders of the Company		2,304,242	2,296,459
Non-controlling interests		78,165	283,667
Total equity		2,382,407	2,580,126

		As at December 31,	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		6,163	1,621
Lease liabilities		83,849	81,920
Convertible bonds		1,662,058	—
		<u>1,752,070</u>	<u>83,541</u>
Current liabilities			
Trade payables	<i>11</i>	205,390	164,560
Advance from customers		37,025	21,215
Other payables and accruals		341,578	239,968
Contract liabilities		206,642	128,546
Current income tax liabilities		42,740	78,713
Lease liabilities		54,275	48,073
Convertible bonds		22,005	—
		<u>909,655</u>	<u>681,075</u>
Total liabilities		<u>2,661,725</u>	<u>764,616</u>
Total equity and liabilities		<u>5,044,132</u>	<u>3,344,742</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

XD Inc. (the “Company”) is an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 25, 2019.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “Group”) are principally engaged in the development, operation, publishing and distribution of mobile and web games and provision of information services (the “Listing Business”) in the People’s Republic of China (the “PRC”) and other countries and regions.

The Company has its primary listing (“IPO”) on the Stock Exchange of Hong Kong Limited on December 12, 2019.

The consolidated financial statements for the year ended December 31, 2020 and 2021 are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) unless otherwise stated.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

(a) *New and amended standards adopted by the Group*

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on January 1, 2021:

Amendments to IFRS 16	COVID-19-related rent concessions
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Phase 2 amendments to interest rate benchmark reform

The adoption of these new and amended standards does not have material impact on the consolidated financial statements of the Group.

(b) *New standards and amendments not yet adopted by the management of the Group*

The following new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2021 and have not been early adopted by the Group in preparing these consolidated financial statements. None of these new standards and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

		Effective for accounting year beginning on or after
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 37	Onerous contract — cost of fulfilling a contract	January 1, 2022
Annual Improvements	Improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IAS 1	Classification of Liabilities as current and non-current	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IAS 28 and IFRS 10	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, and amendments. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

3 Segment information and revenue

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

Game segment

The game segment offers game publishing and operating services on its own and via other Distribution Channels. Revenues from the game segment are primarily derived from game publishing and operating services. The game segment also earns online marketing service revenue from in-game marketing and promotion services.

Information service segment

The information service segment offers online marketing services to game developers, game publishers or their agents. Revenues from the information service segment are primarily derived from performance-based online marketing services.

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

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

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

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

As at December 31, 2020 and 2021, substantially all of the non-current assets of the Group were located in the PRC.

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

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

	Year ended December 31, 2021		
	Information		
	Game segment <i>RMB'000</i>	service segment <i>RMB'000</i>	Total <i>RMB'000</i>
Game operating revenues			
— Online Games (free-to-play)	1,784,032	—	1,784,032
— Premium Games (pay-to-play)	203,967	—	203,967
	<u>1,987,999</u>	<u>—</u>	<u>1,987,999</u>
Subtotal	1,987,999	—	1,987,999
Online marketing service revenue	16,309	685,844	702,153
Others	6,512	6,509	13,021
	<u>2,010,820</u>	<u>692,353</u>	<u>2,703,173</u>
Total revenues	2,010,820	692,353	2,703,173
Cost of revenues	(1,283,763)	(193,167)	(1,476,930)
	<u>727,057</u>	<u>499,186</u>	<u>1,226,243</u>
Gross profit	727,057	499,186	1,226,243
Gross margin	36%	72%	45%

	Year ended December 31, 2020		
	Information		
	Game segment	service segment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Game operating revenues			
— Online Games (free-to-play)	2,148,320	—	2,148,320
— Premium Games (pay-to-play)	143,670	—	143,670
	<u>2,291,990</u>	<u>—</u>	<u>2,291,990</u>
Subtotal	2,291,990	—	2,291,990
Online marketing service revenue	36,044	514,490	550,534
Others	3,933	1,096	5,029
	<u>2,331,967</u>	<u>515,586</u>	<u>2,847,553</u>
Total revenues	2,331,967	515,586	2,847,553
Cost of revenues	(1,240,906)	(74,619)	(1,315,525)
	<u>1,091,061</u>	<u>440,967</u>	<u>1,532,028</u>
Gross profit	1,091,061	440,967	1,532,028
Gross margin	47%	86%	54%

Revenues of approximately RMB1,060 million and RMB948 million for the years ended December 31, 2020 and 2021, respectively, were from five largest single external customers.

The following table summarizes the percentage of revenue from two single customers individually exceeding 10% of the Group's revenue during the year ended December 31, 2020 and 2021, respectively.

	Year ended December 31,	
	2021	2020
Game operating revenues		
Customer A	*	14%
Information service revenue		
Customer B	18%	15%

* Revenue from Customer A does not exceed 10% of the total revenues during the year ended December 31, 2021.

The table below sets forth a breakdown of the Group's revenue by timing of recognition for the years ended December 31, 2020 and 2021, respectively:

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Service transferred overtime	1,265,170	1,506,594
Service transferred at a point of time	1,438,003	1,340,959
	<u>2,703,173</u>	<u>2,847,553</u>

The table below sets forth a breakdown of the Group's game operating revenue by geographical areas for the years ended December 31, 2020 and 2021, respectively:

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	953,557	999,578
Outside Mainland China (<i>Note a</i>)	1,034,442	1,292,412
Total	<u>1,987,999</u>	<u>2,291,990</u>

Note:

- (a) Outside Mainland China revenue mainly include revenue from local versions operated in Southeast Asia, South Korea, Hong Kong Special Administrative Region (SAR), Macau SAR and Taiwan, China.

4 Expenses by nature

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefits expenses	1,417,268	753,294
Promotion and advertising expenses	666,567	575,543
Sharing of proceeds to game developers	467,953	477,262
Commissions charged by Payment Channels and Distribution Channels	398,895	423,825
Bandwidth and server custody fee	291,651	192,817
Professional and technical services fee	177,340	115,991
Depreciation of property, plant and equipment and right-of-use assets	118,821	73,312
Amortization of intangible assets	68,496	68,311
Office expenses	34,474	27,013
Impairment of non-financial assets	29,929	30,833
VAT input transfer out and tax surcharges	23,130	23,265
Rental expenses and utilities	20,403	13,541
Auditor's remuneration		
— Audit service	5,700	4,175
— Non-audit service	3,172	1,287
Net impairment (reversal)/losses on financial assets	(262)	1,624
Others	10,594	5,872
	<hr/>	<hr/>
Total	<u>3,734,131</u>	<u>2,787,965</u>

5 Other income

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Government subsidies	28,383	25,832
Interest income from short-term investments measured at amortized cost	16,616	—
Others	—	334
Total	<u>44,999</u>	<u>26,166</u>

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

6 Other gains, net

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange gain, net	21,447	2,785
Dilution gain	843	—
Others	(1,199)	576
Total	<u>21,091</u>	<u>3,361</u>

7 Income Tax

Cayman Islands

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

British Virgin Islands

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

Hong Kong

Hong Kong profits tax rate is 16.5%.

Singapore

Singapore profits tax rate is 17%.

PRC corporate income tax (“CIT”)

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended December 31, 2020 and 2021.

Certain subsidiary of the Group in the PRC, accordingly, is qualified as “high and new technology enterprise” and entitled to a preferential income tax rate of 15% during the years ended December 31, 2020 and 2021.

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

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the years ended December 31, 2020 and 2021.

PRC Withholding Tax (“WHT”)

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

Since the Group intends to permanently reinvest earnings to further expand its businesses in PRC, it does not intend to declare dividends to its immediate foreign holding entities in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period. The Company’s subsidiaries in mainland China did not have undistributed earnings as of December 31, 2021.

	Year ended December 31,	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Current income tax	19,628	57,194
Deferred income tax	(58,228)	(5,996)
	<hr/>	<hr/>
Total income tax expenses	<u>(38,600)</u>	<u>51,198</u>

The tax on the Group’s profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2020 and 2021, being the tax rate of the major subsidiaries of the Group.

The difference is analysed as follows:

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit before income tax	(955,888)	106,986
Tax calculated at statutory income tax rate of 25% in mainland China	(238,972)	26,746
Tax effects of:		
Effect of different tax rates available to different jurisdictions	6,791	(9,764)
Withholding tax on earnings expected to be remitted by subsidiaries	—	19,926
Preferential income tax rates applicable to subsidiaries	56,705	1,349
Expenses not deductible for income tax purposes	36	1,069
Super Deduction for research and development expenses	(81,544)	(50,361)
Utilization of previously unrecognized tax losses and temporary differences	(19,812)	—
Tax losses for which no deferred income tax assets were recognized	240,258	60,880
Temporary differences for which no deferred income tax assets were recognized, net	(2,062)	1,353
	<hr/>	<hr/>
Total income tax expenses	<u>(38,600)</u>	<u>51,198</u>

8 (Loss)/earnings per share

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

	Year ended December 31,	
	2021	2020
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(863,811)	9,145
Weighted average number of shares in issue (thousands)	<u>464,566</u>	<u>432,452</u>
Basic (loss)/earnings per share (in RMB)	<u>(1.86)</u>	<u>0.02</u>

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2020, the Company had potential dilutive ordinary shares arising from over-allotment option (“OAO”).

For the year ended 31 December 2021, the Group had potential dilutive ordinary shares arising from convertible bonds and share options. As the Group incurred losses for the year ended 31 December 2021, the dilutive potential ordinary shares arising from convertible bonds and share options were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution.

	Year ended December 31, 2020
Profit attributable to equity holders of the Company (RMB'000)	9,145
Weighted average number of shares in issue (thousands)	432,452
Adjustments for OAO (thousands)	13
Weighted average number of shares for the calculation of diluted EPS	<u>432,465</u>
Diluted earnings per share (in RMB)	<u>0.02</u>

9 Trade receivables

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Distribution Channels and game publishers	153,366	199,002
Online marketing service customers	71,428	104,170
Others	505	505
	225,299	303,677
Less: allowance for impairment	(1,749)	(4,516)
	223,550	299,161

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

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	203,554	290,207
3 months to 6 months	20,420	6,507
6 months to 1 year	219	2,779
1 to 2 years	17	2,074
Over 2 years	1,089	2,110
	225,299	303,677

10 Share capital and share premium

	Number of shares '000	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Shares held for share award schemes RMB'000
Authorized					
Ordinary shares of USD0.0001 each; January 25, 2019 (date of incorporation)	1,000,000	100	—	—	—
As at December 31, 2021 and 2020	<u>1,000,000</u>	<u>100</u>	<u>—</u>	<u>—</u>	<u>—</u>
Issued and fully paid					
As at January 1, 2020	423,959	41	290	5,357,114	(6)
Issuance of ordinary shares upon exercise of OAO (Note a)	4,060	—*	3	36,669	—
Issuance of ordinary shares (Note b)	<u>26,094</u>	<u>3</u>	<u>19</u>	<u>701,761</u>	<u>—</u>
As at December 31, 2020	<u>454,113</u>	<u>44</u>	<u>312</u>	<u>6,095,544</u>	<u>(6)</u>
As at January 1, 2021	454,113	44	312	6,095,544	(6)
Issuance of ordinary shares (Note c)	<u>26,318</u>	<u>3</u>	<u>17</u>	<u>940,257</u>	<u>—</u>
As at December 31, 2021	<u>480,431</u>	<u>47</u>	<u>329</u>	<u>7,035,801</u>	<u>(6)</u>

* The amount is less than USD1,000.

- (a) On January 3, 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 was approximately HKD42 million (equivalent to RMB37 million) after deducting listing expenses directly relating to the share issuance.
- (b) On July 3, 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 HKD780 million (equivalent to RMB711 million) and received net proceeds of approximately HKD767 million (equivalent to RMB702 million) from the subscription.

- (c) On April 13, 2021, a total of 26,318,000 new shares were subscribed at HKD42.38 per share under a general mandate granted. The Company raised gross proceeds of approximately HKD1,115 million (equivalent to RMB942 million) and received net proceeds of approximately HKD1,113 million (equivalent to RMB940 million) from the subscription.
- (d) On June 17, 2019, the Company allotted and issued an aggregate of 8,437,540 shares to Heart Assets Limited, which hold shares on trust for and on behalf of the Company. As at December 31, 2020 and 2021, the shares are represented as treasury shares of the Group and will be used for future shared based compensation to employee.

11 Trade payables

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<u>205,390</u>	<u>164,560</u>

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

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

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	204,868	162,478
Over 3 months	<u>522</u>	<u>2,082</u>
	<u>205,390</u>	<u>164,560</u>

12 Dividends

No dividends have been paid or declared by the Company during the years ended December 31, 2020 and 2021.

In April 2021, pursuant to the resolution of the shareholders' meetings of X.D. Global (HK) Limited, a subsidiary of the Group, a dividend of USD20 million was approved and paid, USD7 million (equivalent to RMB45 million) of which was paid to non-controlling shareholders.

In May 2021, pursuant to the resolution of the shareholders' meetings of Yiwan (Shanghai) Network Science and Technology Co., Ltd., a subsidiary of the Group, a dividend of RMB50 million was approved and paid, RMB13 million of which was paid to non-controlling shareholders.

In July 2021, pursuant to the resolution of the shareholders' meetings of Shanghai Longcheng Network Technology Co., Ltd., a subsidiary of the Group, a dividend of RMB165 million was approved and paid, RMB58 million of which was paid to non-controlling shareholders.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the issuance of 26,318,000 ordinary shares on April 13, 2021 under general mandate pursuant to the placing agreement dated March 31, 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2021.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2021 (for the year ended December 31, 2020: Nil).

ANNUAL GENERAL MEETING

The Company will notify the shareholders of the Company on a later date about the date of the coming annual general meeting of the Company and the corresponding arrangement for closure of register of members.

USE OF PROCEEDS

Initial global offering

The net proceeds received from the Company's global offering was approximately HK\$723.7 million, including the net proceeds received from the full exercise of the over-allotment option. The amount of the net proceeds brought forward in the beginning of the Reporting Period was approximately HK\$48.5 million which was for the working capital and general corporate uses. During the Reporting Period, the net proceeds from the Company's global offering was fully utilized.

Placing of shares in June 2020

The net proceeds received from the placing was approximately HK\$767.33 million. The amount of the net proceeds brought forward in the beginning of the Reporting Period was approximately HK\$523.5 million. The table below sets out the details of actual usage of the net proceeds as of December 31, 2021:

Use of proceeds	Amount of net proceeds brought forward in the beginning of the Reporting Period (HK\$ million)	Actual usage up to December 31, 2021 (HK\$ million)	Unutilized net proceeds as of December 31, 2021 (HK\$ million)
• developing TapTap	310.2	310.2	0
• working capital and general corporate uses	213.3	213.3	0

Issuance of convertible bonds in April 2021

The net proceeds received from the convertible bonds issue was approximately US\$275.6 million. The table below sets out the details of actual usage of the net proceeds as of December 31, 2021:

Use of proceeds	Amount of net proceeds received from convertible bonds issue (US\$ million)	Actual usage up to December 31, 2021 (US\$ million)	Unutilized net proceeds as of December 31, 2021 (US\$ million)	Expected timeline of full utilization
• further enhancing the Company's R&D capability and game portfolios	148.8	48.9	99.9	By December 31, 2023
• marketing and promoting games and TapTap	99.2	7	92.2	By December 31, 2023
• general corporate purposes	27.6	0	27.6	By December 31, 2023

Placing of shares in April 2021

The net proceeds received from the placing of shares was approximately HK\$1,113.0 million. The table below sets out the details of actual usage of the net proceeds as of December 31, 2021:

Use of proceeds	Amount of net proceeds received from the placing of shares (HK\$ million)	Actual usage up to December 31, 2021 (HK\$ million)	Unutilized net proceeds as of December 31, 2021 (HK\$ million)	Expected timeline of full utilization
• Further enhancing the Company's R&D capability and game portfolios	556.5	423.1	133.4	By December 31, 2023
• potential acquisition and strategic investments	222.6	86.2	136.4	By December 31, 2023
• general corporate purposes	333.9	106.1	227.8	By December 31, 2023

SHARE OPTION PLAN

In order to provide incentives and rewards to the directors and employees of the Group for their contributions to, and continuing efforts to promote the interest of, the Company, on April 30, 2021, the Board resolved to propose the adoption of the share option plan of the Company for the approval by the shareholders of the Company (the "Share Option Plan"). On June 25, 2021 ("Adoption Date"), the Share Option Plan was considered and approved by the shareholders of the Company at the annual general meeting of the Company which will be valid and effective for a period of 10 years commencing on the Adoption Date. As at December 31, 2021, a total of 1,371,055 share options (the "Options") were granted by the Company under the Share Option Plan to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 80,754 Options granted to Mr. Huang Yimeng, an executive Director, and 49,933 Options granted to Mr. Dai Yunjie, an executive Director. For further details of the Share Option Plan and Grant of Options, please refer to the announcements of the Company dated April 30, 2021, June 25, 2021, July 12, 2021 and October 11, 2021 and the circular of the Company dated May 21, 2021, respectively.

SUBSEQUENT EVENT

On January 10, 2022, a total of 5,675,911 options were granted by the Company under the Share Option Plan to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 83,213 options granted to Mr. Huang Yimeng, an executive Director, and 51,453 options granted to Mr. Dai Yunjie, an executive Director. Please refer to the announcement of the Company dated January 10, 2022 for further details of the grant.

Save as disclosed above, there are no significant subsequent events undertaken by the Group after December 31, 2021 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has complied with all applicable code provisions of the CG Code during the year ended December 31, 2021 except for a deviation from code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 of the CG Code since January 1, 2022), which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. All Directors confirmed, having made specific enquiry by the Company, that they have complied with the Model Code during the year ended December 31, 2021.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules and principle C.3 of the CG code (which has been re-numbered as principle D.3 of the CG Code since January 1, 2022), and has adopted written terms of reference. The Audit Committee comprises three members, including Mr. Xin Quandong, Mr. Pei Dapeng and Ms. Liu Qianli and is currently chaired by Mr. Xin Quandong, who possesses suitable professional qualifications.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2021 and confirmed that it has complied with all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of audit and financial reporting.

AUDITOR’S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive loss and the related notes thereto for the year ended December 31, 2021 as set out in the announcement have been agreed by the Auditor to the amounts set out in the Group’s audit consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

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

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (2400.hk). The annual report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Audit Committee”	the audit committee of the Company;
“Auditor”	PricewaterhouseCoopers, the independent auditor of the Company;
“Board”	the board of Directors of the Company;
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules;
“Company”	XD Inc. (心动有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange under stock code 2400 on December 12, 2019;
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;

“Director(s)”	the director(s) of the Company;
“Group”	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“IFRS”	International Financial Reporting Standards, which include standards and interpretations as issued from time to time by the International Accounting Standards Board;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“MAU(s)”	monthly active user(s), which refers to the number of users who log into a particular game or all of our games, as applicable, in the relevant calendar month for games, and refers to the number of users who access the TapTap mobile app in the relevant calendar month for TapTap, both of which include multiple accounts held by one single user. Average MAUs for a particular period are calculated by dividing the aggregate of the MAUs during that period by the number of months of that period;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
“MPU(s)”	monthly paying users, which refers to the number of paying users in the relevant calendar month in our games;
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules; and
“%”	per cent.

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

Shanghai, the PRC,
March 30, 2022

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