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XD Inc.

心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2400)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the prospectus of the Company dated 29 November 2019 in relation to, among other things, the continuing connected transactions of the Company. The Company expected that the continuing connected transactions stipulated under the IDC Services Framework Agreement will continue to be conducted after 31 December 2021, therefore the Company will continue to comply with Chapter 14A of the Listing Rules for such continuing connected transactions to be conducted for the nine months ending 31 December 2022 and two years ending 31 December 2023 and 2024.

On 30 March 2022, the Board approved the continuing connected transactions set out in this announcement and the respective annual caps for the nine months ending 31 December 2022 and two years ending 31 December 2023 and 2024.

As the highest applicable percentage ratio for each of the proposed annual caps for the nine months ending 31 December 2022 and two years ending 31 December 2023 and 2024 is expected to exceed 0.1% but below 5% on an annual basis, the transactions under the IDC Services Framework Agreement will constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

1. INTRODUCTION

Reference is made to the prospectus of the Company dated 29 November 2019 in relation to, among other things the continuing connected transactions of the Company. The Company expected that the continuing connected transactions stipulated under the IDC Services Framework Agreement will continue to be conducted after 31 December 2021, therefore the Company will continue to comply with Chapter 14A of the Listing Rules for such continuing connected transactions to be conducted for the nine months ending 31 December 2022 and two years ending 31 December 2023 and 2024.

On 30 March 2022, the Board approved the continuing connected transactions set out in this announcement and the respective annual caps for the nine months ending 31 December 2022 and two years ending 31 December 2023 and 2024.

2. PARTIES AND CONNECTED RELATIONSHIP BETWEEN THE PARTIES

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

The Company conducts continuing connected transactions with Shanghai Maichuang. Shanghai Maichuang is held by Mr. Dai's spouse as to 32.00% and Huang Binbin and Chen Hao who are Independent Third Parties as to 68.00%, therefore Shanghai Maichuang is an associate of Mr. Dai and a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Shanghai Maichuang is an IDC services provider in China and offers internet and data-related services, including IDC services and content delivery network (the "CDN") services.

3. CONTINUING CONNECTED TRANSACTIONS

On 30 March 2022, the Company (for itself and on behalf of other members of the Group) and Shanghai Maichuang entered into the IDC Services Framework Agreement.

Description of the transaction

Pursuant to the IDC Services Framework Agreement, Shanghai Maichuang agreed to provide IDC services and related technical support services to the Group. IDC services and related technical support services include, but are not limited to, server equipment colocation services, bandwidth and Internet protocol (the "IP") address offerings, CDN acceleration services, and maintenance and support services.

The term of the IDC Services Framework Agreement is from 1 April 2022 to 31 December 2024.

The service fees payable under the IDC Services Framework Agreement will be calculated based on the following formula: the unit price of services x the total number of units of service provided for calculating the total amount of fees. The final amount shall be determined based on the actual usage. The service fees payable under the IDC Services Framework Agreement shall be paid on a quarterly basis. Shanghai Maichuang shall issue payment notice to the Company before the fifth day of the first month of each quarter, and the Company shall confirm in writing within three Business Days after receiving the notice. The payment of the quarterly basic service fees shall be made by the 25th day of the same month.

Reasons for the transaction

Since the establishment of the Company, Shanghai Maichuang has been providing the Group with IDC services and related technical support services, and therefore has acquired a deep understanding of the business and operational requirements of the Group. Having considered the Group's previous purchasing experience and the long-term and stable cooperation with Shanghai Maichuang, the Directors believe that Shanghai Maichuang is capable of fulfilling the demands of the Group in a reliable and cost-effective manner and entering into the IDC Services Framework Agreement would minimize disruption to the operation and internal procedures of the Group.

Pricing policy

With respect to the service fees payable for server equipment colocation, bandwidth and IP address offering, the service fees payable by the Group are based on the number of servers and IPs provided by Shanghai Maichuang, the bandwidth usage amount, and the respective market fee rates determined after arm's-length negotiation between the parties with reference to prevailing market rates.

With respect to the service fee payable for CDN services, the Group adopted pricing models of pay-by-bandwidth for domestic network acceleration services and pay-by-traffic for global network acceleration services, respectively. The service fee payable by the Group is primarily based on (i) the monthly peak bandwidth value recorded under the pay-by-bandwidth pricing model, and (ii) the actual traffic used and calculated under the pay-by-traffic model. The respective fee rates are determined after arm's-length negotiation between the parties with reference to prevailing market rates.

Historical amounts

The aggregate amount of service fees incurred in relation to IDC services and related technical support services provided by Shanghai Maichuang for the three years ended 31 December 2021 are set out in the table below:

(In RMB)

	For the year ended 31 December		
	2019	2020	2021
Service fees the Group incurred in relation to IDC services and related technical support services provided by Shanghai Maichuang	12,248,300.63	10,993,368.83	9,589,477

There were no service fees incurred in relation to IDC services and related technical support services for the period from 1 January 2022 to 31 March 2022.

Annual caps and basis of annual caps

The proposed annual caps and the basis for the service fees under the IDC Services Framework Agreement for the nine months ending 31 December 2022 and two years ending 31 December 2023 and 2024 are set out as follows:

(In RMB)

	For the nine months ending 31 December 2022	For the year ending 31 December	
		2023	2024
Service fees under the IDC Services Framework Agreement	5,027,000	5,529,700	6,082,670

The proposed annual caps were determined primarily based on (i) the historical transaction amounts and the year-on-year growth rate for the year ended 31 December 2021, and (ii) the expected demands for servers, bandwidth and IP address and IDC service as the Group's business continues to grow. Considering the increase in the use of cloud servers, the demand of the Group for CDN services from Shanghai Maichuang is expected to reduce compared with the previous years but is still expected to increase at a rate of 10% for the incoming years during the term of the IDC Services Framework Agreement.

4. INTERNAL CONTROL

The Company has adopted the following measures to ensure that the above continuing connected transactions will be conducted on normal commercial terms and in accordance with the IDC Services Framework Agreement and the pricing policies of the Company:

- the Company adopts and implements a management system on connected transactions and the Board and the various internal departments of the Company (including the finance, legal and internal control departments) will be responsible for the control and daily management in respect of the continuing connected transactions;
- the Board and various internal departments of the Company (including the finance, legal and internal control departments) will be jointly responsible for evaluating the terms under the IDC Services Framework Agreement for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- the Company will, to the extent commercially practicable, seek to obtain quotations from independent third parties for similar services and will compare the commercial terms offered by the independent third parties with those offered by Shanghai Maichuang;
- the Board and various internal departments of the Company will regularly monitor the fulfillment status and the transaction updates under the IDC Services Framework Agreement. In addition, the management of the Company will also regularly review the pricing policies of the IDC Services Framework Agreement; and
- the independent non-executive Directors and auditors will conduct an annual review of the continuing connected transactions under the IDC Services Framework Agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the IDC Services Framework Agreement, on normal commercial terms and in accordance with the pricing policy.

5. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio for each of the proposed annual caps for the nine months ending 31 December 2022 and two years ending 31 December 2023 and 2024 is expected to exceed 0.1% but below 5% on an annual basis, the transactions under the IDC Services Framework Agreement will constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

Mr. Dai is considered to have a material interest in the continuing connected transactions stipulated under the IDC Services Framework Agreement and therefore has abstained from voting in the relevant Board resolutions in respect of the continuing connected transactions. Save as disclosed above, none of the Directors has a material interest in the continuing connected transactions and hence no other Director is required to abstain from voting in the relevant Board resolutions.

The Board (including the independent non-executive Directors) considers that the terms and conditions of the IDC Services Framework Agreement are fair and reasonable. The continuing connected transactions stipulated under the IDC Services Framework Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and its Shareholders as a whole. The Board also considers that the annual caps for the nine months ending 31 December 2022 and two years ending 31 December 2023 and 2024 for the continuing connected transactions stipulated under the IDC Services Framework Agreement are fair and reasonable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	means any day (excluding a Saturday) on which banks are generally open for business in China
“Company”	XD Inc. (心动有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2400)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IDC”	Internet Data Center
“IDC Services Framework Agreement”	the services framework agreement entered into between Shanghai Maichuang and the Company (for itself and on behalf of other members of the Group) on 30 March 2022
“Independent Third Party(ies)”	any person who is not a connected person of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Mr. Dai”	Mr. Dai Yunjie (戴雲傑), co-founder, an executive Director and President of the Company, and the substantial shareholder of the Company
“percentage ratio”	has the meaning ascribed thereto under the Listing Rules

“PRC” or “China”	the People’s Republic of China. For the purposes of this announcement only and except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shanghai Maichuang”	Shanghai Maichuang Network Technology Limited (上海脈創網絡科技有限公司)
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of the Company with a par value of US\$0.0001 per Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

Shanghai, the People’s Republic of China
30 March 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.