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**XD Inc.**

**心动有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2400)**

**SHARE TRANSACTION AND CONNECTED TRANSACTION  
ACQUISITION OF 35% SHAREHOLDING IN X.D. GLOBAL (HK)  
LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE**

**SALE AND PURCHASE AGREEMENT**

The Board is pleased to announce that on April 9, 2024 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendors and the Purchaser (being a wholly-owned subsidiary of the Company), pursuant to which, the Purchaser has conditionally agreed to acquire, and EDragon and LY Development have severally and conditionally agreed to sell, the Target Shares, representing in aggregate 35% of the shareholding of the Target Company, subject to and on the terms and conditions of the Sale and Purchase Agreement.

The Initial Consideration for the Acquisition under the Sale and Purchase Agreement shall be an aggregate of US\$21,639,320 (of which US\$16,693,190 shall be payable to EDragon and US\$4,946,130 shall be payable to LY Development), which will be settled (i) as to an aggregate US\$17,339,320 by the allotment and issue of 7,405,714 and 2,194,286 Consideration Shares by the Company to EDragon and LY Development respectively at the Issue Price of HK\$14.20 per Consideration Share; and (ii) as to US\$3,317,143 and US\$982,857 in cash to be paid by the Purchaser to EDragon and LY Development respectively. The Initial Consideration will be subject to further adjustments by the deduction of any Earn Out Adjustment(s) as set out below.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Group.

The 9,600,000 Consideration Shares represent in aggregate approximately 2.00% of the issued share capital of the Company as at the date of this announcement and in aggregate approximately 1.96% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no other change in the total number of issued Shares of the Company between the date of this announcement and the allotment and issue of the Consideration Shares).

### **Specific Mandate**

The Directors will seek a specific mandate from the Independent Shareholders for the allotment and issue of the Consideration Shares to EDragon and LY Development. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

## **LISTING RULES IMPLICATIONS**

### **Share Transaction**

All the applicable percentage ratios in respect of the Acquisition are less than 5%. However, as part of the consideration under the Sale and Purchase Agreement will be satisfied by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **Connected Transaction**

As at the date of this announcement, as (a) EDragon is a substantial shareholder of the Target Company, being a subsidiary of the Company; and (b) EDragon is an associate of Mr. XW Huang, EDragon is a connected person of the Company at the subsidiary level and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. Mr. XW Huang and his associates shall abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement and the transaction contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate) at the AGM to be held by the Company.

## GENERAL

The Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate) will be considered and, if thought fit, approved, at the AGM.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Pei Dapeng, Mr. Xin Quandong and Ms. Liu Qianli, has been established to advise the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate).

An independent financial adviser will be appointed to advise the Independent Board Committee and Independent Shareholders regarding, among other things, the terms and conditions of the Sales and Purchase Agreement and transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate).

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate); (ii) the recommendations of the Independent Board Committee in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate); (iii) a letter of advice from an independent financial adviser in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate); (iv) the notice convening the AGM; and (v) other information in relation to the AGM and as otherwise required under the Listing Rules, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. The circular is expected to be despatched by the Company to the Shareholders by June 3, 2024.

**Completion of the Acquisition is conditional upon the fulfilment or (if applicable) waiver of the conditions set out under the paragraph headed “Conditions precedent” in this announcement, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares and other securities of the Company.**

## **INTRODUCTION**

The Board is pleased to announce that on April 9, 2024 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendors and the Purchaser (being a wholly-owned subsidiary of the Company), pursuant to which, the Purchaser has conditionally agreed to acquire, and EDragon and LY Development have severally and conditionally agreed to sell, the Target Shares, representing in aggregate 35% shareholding in the Target Company, subject to and on the terms and conditions of the Sale and Purchase Agreement.

The Initial Consideration for the Acquisition under the Sale and Purchase Agreement shall be an aggregate of US\$21,639,320 (of which US\$16,693,190 shall be payable to EDragon and US\$4,946,130 shall be payable to LY Development), which will be settled (i) as to an aggregate of US\$17,339,320 by the allotment and issue of 7,405,714 and 2,194,286 Consideration Shares by the Company to EDragon and LY Development respectively at the Issue Price of HK\$14.20 per Consideration Share; and (ii) as to US\$3,317,143 and US\$982,857 in cash to be paid by the Purchaser to EDragon and LY Development respectively. The Initial Consideration will be subject to further adjustments by the deduction of any Earn Out Adjustment(s) as set out below.

Principal terms of the Sale and Purchase Agreement are set out as follows:

## **SALE AND PURCHASE AGREEMENT**

### **Date**

April 9, 2024

### **Parties**

- (i) the Vendors;
- (ii) the Purchaser; and
- (iii) the Company.

### **Subject matter to be acquired**

The Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Target Shares held by such Vendor, in aggregate representing 35% shareholding in the Target Company.

## Consideration

### *Initial Consideration:*

- (i) In relation to the Target Shares held by EDragon, the EDragon Initial Consideration for the Acquisition (being US\$16,693,190) is payable by the Company and the Purchaser to EDragon, which will be settled by the Company and the Purchaser respectively in the following manners upon Completion: (a) as to US\$13,376,047 (representing approximately HK\$105,161,143 using an exchange rate of US\$1 to HK\$7.8619 as set out in the Sale and Purchase Agreement) shall be settled by the allotment and issue of 7,405,714 Consideration Shares by the Company to EDragon at the Issue Price (being HK\$14.20 per Consideration Share); and (b) as to US\$3,317,143 shall be paid by the Purchaser to EDragon in cash which will be funded by the internal resources of the Group.
- (ii) In relation to the Target Shares held by LY Development, the LY Development Initial Consideration for the Acquisition (being US\$4,946,130) is payable by the Company and the Purchaser to LY Development, which will be settled by the Company in the following manners upon Completion: (a) as to US\$3,963,273 (representing approximately HK\$31,158,857 using an exchange rate of US\$1 to HK\$7.8619 as set out in the Sale and Purchase Agreement) shall be settled by the allotment and issue of 2,194,286 Consideration Shares by the Company to LY Development at the Issue Price (being HK\$14.20 per Consideration Share); and (b) as to US\$982,857 shall be paid by the Purchaser to LY Development in cash which will be funded by the internal resources of the Group.

### *Earn Out Adjustments:*

Pursuant to the Sale and Purchase Agreement, the Initial Consideration shall be subject to further adjustments by the deduction of any Earn Out Adjustment(s) to be determined and (if applicable) paid by the Vendors (on the one hand) to the Company and the Purchaser (on the other hand) in the following manner:

- (i) In the event that the Pre-Tax Profit for the Earn Out Period is not less than the Reference Pre-Tax Profit, no Earn Out Adjustment is payable by any of the Vendors to the Purchaser and the Company.
- (ii) In the event that the Pre-Tax Profit for the Earn Out Period is less than the Reference Pre-Tax Profit, EDragon and LY Development shall pay the EDragon Adjustment Amount and LY Development Adjustment Amount respectively, to be calculated with reference to the following formulae, (i) in cash to the Purchaser; and (ii) by returning or delivering the Consideration Shares to the Company or a broker or agent designated by the Company:

***In respect of the EDragon Adjustment Amount:***

$$\text{EDragon Adjustment Amount} = \frac{\text{Pre-Tax Profit Shortfall}}{\text{Reference Pre-Tax Profit}} \times \text{EDragon Initial Consideration}$$

***In respect of the LY Development Adjustment Amount:***

$$\text{LY Development Adjustment Amount} = \frac{\text{Pre-Tax Profit Shortfall}}{\text{Reference Pre-Tax Profit}} \times \text{LY Development Initial Consideration}$$

Provided that, for the purposes of calculating the EDragon Adjustment Amount and LY Development Adjustment Amount, if the Target Company is loss-making during the Earn-Out Period and the Pre-Tax Profit for the Earn Out Period is a negative figure, the Pre-Tax Profit Shortfall shall be deemed as the Reference Pre-Tax Profit.

The proportion of the EDragon Adjustment Amount and the LY Development Adjustment Amount payable in cash and by return or delivery of the Consideration Shares (the value of which would be calculated based on the Issue Price regardless of the actual trading price at the relevant time) shall be determined on a *pro rata* basis based on the proportion of the Initial Consideration settled by the Purchaser in cash and by the Company in Consideration Shares respectively. Any dividend, distribution or return of capital declared on the Consideration Shares issued to the Vendors with record dates falling between the date of the issue of the Consideration Shares and the date on which the Consideration Shares are returned and delivered shall be returned in cash as part of the Earn Out Adjustments by the Vendors to the Purchaser on a *pro rata* basis based on the number of Consideration Shares to be returned or delivered. In addition, in the event that there are any alteration of capital structure of the Company by way of capitalisation issue, rights issue, scrip dividend, bonus issue or subdivision of Shares between the date of the Agreement and the date on which the Consideration Shares are delivered or returned to the Company, any Shares which are derived from the Consideration Shares to be returned or delivered shall also be returned or delivered by the Vendors.

If any Earn Out Adjustments are payable by the Vendors to the Purchaser and the Company, the Earn Out Adjustments shall be fully settled within 15 Business Days following the determination of the Pre-Tax Profit for the Earn Out Period in the following manner:

- (i) in respect of the Earn Out Adjustment payable in cash, by returning such cash to a bank account designated by the Purchaser; and

- (ii) in respect of the Earn Out Adjustment payable by return of the Consideration Shares, subject to compliance with the applicable laws, by returning the Consideration Shares to the Company at no consideration or the lowest consideration permitted under the applicable laws, or by delivering such Consideration Shares to a broker or agent to be designated by the Company at its sole discretion for the purposes of selling such Consideration Shares on the Stock Exchange or otherwise, and directing such broker or agent to pay the proceeds of such sale to a bank account designated by the Company. The Earn Out Adjustment payable by return of the Consideration Shares will be translated into Hong Kong dollars at the exchange rate of US\$1 to HK\$7.8619 as set out in the Sale and Purchase Agreement.

The Company will comply with any applicable requirements under the Listing Rules, the Share Buy-backs Code and/or other applicable laws and regulations in the event that any Earn Out Adjustments are payable by the Vendors and any Consideration Shares are returned to the Company.

The Initial Consideration has been arrived at after arm's length negotiations between the parties, having taken into account of, among other factors, the valuation of the Target Company, the Earn Out Adjustments mechanism, and the Company's assessment of the prospect of the Target Company.

The Earn Out Adjustments has been arrived at after arm's length negotiations between the parties, having taken into account of, amongst other factors, the current amount of projects of the Target Company and the future market demand and prospects of the Target Company.

### **The Consideration Shares**

The 9,600,000 Consideration Shares represent in aggregate approximately 2.00% of the issued share capital of the Company as at the date of this announcement and in aggregate approximately 1.96% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no other change in the total number of issued Shares of the Company between the date of this announcement and the allotment and issue of the Consideration Shares).

The Issue Price of HK\$14.20 per Consideration Share:

- (i) equals to the closing price per Share of HK\$14.20 as quoted on the Stock Exchange on April 9, 2024, being the date of the Sale and Purchase Agreement; and
- (ii) represents a discount of approximately 0.36% to the average closing price per Share of HK\$14.252 as quoted on the Stock Exchange for the last 5 consecutive trading days immediately preceding the date of the Sale and Purchase Agreement.

The Issue Price was determined on an arm's length basis between the Purchaser, the Company and the Vendors and was arrived at a price equal to the closing price per Shares as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement and 0.36% discount to the average closing price of approximately HK\$14.252 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement. The Directors (excluding the independent non-executive Directors, who shall provide their views after taking into account of the advice of an independent financial adviser) consider that the Issue Price is fair and reasonable.

## **Basis of Consideration**

The Initial Consideration was determined by the parties after arm's length negotiations with reference to, among others, (i) the appraised value of the Target Shares (the "**Appraised Value**") assessed by an independent valuer of the Company (AVISTA Valuation Advisory Limited (艾華迪評估諮詢有限公司), the "**Valuer**"), as at March 31, 2024 ("**Valuation Date**") being RMB167,701,000; (ii) the business development and future prospects of the Target Company; (iii) the Earn Out Adjustments mechanism; and (iv) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and Benefits of the Acquisition" in this announcement.

According to the valuation report ("**Valuation Report**") prepared by the Valuer for the valuation of the Target Shares (the "**Valuation**"), the Valuer has employed the price-to-earnings ratio ("**PE Ratio**") to estimate the fair value of the Target Shares as at the Valuation Date. The methodology adopted in the preparation of the Valuation Report by the Valuer for the Valuation and details of the Valuation Report are as follows:

### ***(I) Selection of valuation approach and principal factors***

Cost approach is not appropriate in current appraisal as it assumed the assets and liabilities of the Target Company are separable and can be sold separately. This methodology is more appropriate for the industries that their assets are highly liquid, like property development and financial institution. Thus, cost approach is not adopted in this valuation.

Income approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projections of the Target Company, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Company. Given that improper assumptions will impose significant impact on the fair value, income approach is not adopted in this valuation.



Fair value arrived from market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target Company, their market values are good indicators of the industry of the Target Company. Therefore, market approach has been adopted in this valuation.

Since the Target Company has been making profit in the latest three consecutive years, price-to-earnings (“**P/E**”) multiple of comparable companies under market approach has been adopted in the valuation of the Target Company. P/E multiple is one of the most commonly used valuation multiples in the market. It is intuitive which directly relates the price of a share to the proportion of the Company’s profits that belong to the owner of that share. P/E multiple is considered to be most appropriate to be adopted.

## ***(II) Valuation assumptions***

(1) There will be no material changes in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company; (2) there are no material changes in the financial positions of the Target Company and the comparable companies between the respective financial reporting dates and the Valuation Date; (3) the Target Company will not be constrained by the availability of finance; (4) the Target Company will retain competent management, key personnel and technical staff to support their ongoing operations; and (5) there are no hidden or unexpected conditions associated with the business entity valued that might adversely affect the reported value.

## ***(III) Selection criteria for comparable companies***

(i) The comparable public companies are selected with reference to the following selection criteria:

(1) the primary industry of the company is classified as Interactive Home Entertainment; (2) the company is engaged in game publishing and game development; (3) the company is based in China; (4) the company has revenue generated from overseas operations; (5) a majority of total revenue (i.e. over 50%) is attributable to game publishing and operating related business; (6) the company is listed on the major stock exchange in Hong Kong, China or the United States; (7) the financial information of the company is available to the public; and (8) the company’s normalized net profit is positive.

(ii) Details of the selected comparable companies are listed as follows:

#	Company Name	Stock Code	Business Description	Revenue Contribution from Business Segment(s)	P/E Ratios
1	Feiyu Technology International Company Ltd.	SEHK:1022	Feiyu Technology International Company Ltd. engages in the operation and development of web and mobile games in Mainland China.	Game Operation: 80.3% Advertising: 11.3% Online Game Services: 4.0% Licensing Income: 3.0% Goods: 1.0% Online Game Distribution: 0.2% Technical Service Income: 0.2%	8.43x
2	Fire Rock Holdings Limited	SEHK:1909	Fire Rock Holdings Limited develops mobile games in China and internationally.	Game and Software Development and Publishing: 0.1%; Game Operation and Publishing: 99.9%	1.14x
3	Kingnet Network Co., Ltd.	SZSE:002517	Kingnet Network Co., Ltd. engages in the development, operation, and distribution of web and mobile games.	Internet Software and Services: 100.0%	19.48x
4	37 Interactive Entertainment Network Technology Group Co., Ltd.	SZSE:002555	37 Interactive Entertainment Network Technology Group Co., Ltd. researches, develops, distributes, and operates online games in China and internationally.	Mobile Game Business: 95.3%; Web Game Business: 3.7%; Others: 1.1%	13.41x
5	Zhejiang Century Huatong Group Co., Ltd	SZSE:002602	Zhejiang Century Huatong Group Co., Ltd engages in mobile games, PC games, web games, auto parts and cloud data businesses in China and internationally.	Mobile Game: 49.2% PC Game: 25.7% Auto Parts: 14.0% Copper Wire Processing: 6.8% Others: 2.2% Web Game: 2.2%	400.02x

#	Company Name	Stock Code	Business Description	Revenue Contribution from Business Segment(s)	P/E Ratios
6	Ourpalm Co., Ltd.	SZSE:300315	Ourpalm Co., Ltd. focuses on the development, distribution, and operation of online games in China and internationally.	Mobile Terminal Game: 93.9% Internet Web Page Game: 5.6% Others: 0.5%	122.89x
7	Perfect World Co., Ltd.	SZSE:002624	Perfect World Co., Ltd. engages in the online games, and movies and television businesses in China and internationally.	Mobile Online Games: 66.0% PC Side Online Game: 24.8% Other Business: 9.2%	57.40x
8	Fuchun Technology Co., Ltd.	SZSE:300299	Fuchun Technology Co., Ltd. offers digital game development services. The company mainly develops and sells digital games. Fuchun Technology also provides communication technology services.	Game Products: 51.9% Technical Services & Accessories: 43.1% Other Business: 2.7% Integrated Business : 2.3%	246.92x
9	G-bits Network Technology (Xiamen) Co., Ltd.	SHSE:603444	G-bits Network Technology (Xiamen) Co., Ltd. develops and operates of video games.	Independent Operation: 49.1%; Joint Operation: 44.1%; Authorized Operation: 6.1%; Other: 0.6% Other Business: 0.3%	11.90x
10	Hangzhou Electronic Soul Network Technology Co., Ltd.	SHSE:603258	Hangzhou Electronic Soul Network Technology Co., Ltd., develops and publishes online and mobile games in Asia.	PC Games: 67.4% Mobile Game: 32.6%	25.53x

According to the Valuer's analysis, the median of the P/E multiple (excluding extreme data of 1.14x, 400.02x, 122.89x and 246.92x) was 16.45x and was adopted to estimate the fair value of Target Shares.

- (iii) Lack of Marketability Discount (“**LOMD**”) of 25.0% was adopted to adjust such marketable interest to non-marketable interest.

#### ***(IV) Valuation results***

The Valuation results of the Target Shares is RMB167,701,000, representing an implied P/E Ratio of 12.34x (adopted the median of the P/E Ratios of the comparable companies and LOMD of 25.0%) and based on the normalized net profit of the Target Company for the year ended December 31, 2023.

#### **Conditions precedent**

Completion of the Sale and Purchase Agreement is conditional upon fulfilment or, where applicable, waiver of the following conditions:

- (i) the relevant transactions under the Sale and Purchase Agreement, including but not limited to, the issue of the Consideration Shares, having been approved by the Independent Shareholders of the Company at a general meeting in accordance with the requirements of the Listing Rules;
- (ii) the approval for the listing of, and permission to deal in, the Consideration Shares by the Stock Exchange having been obtained by the Company, and such approval not having been revoked or withdrawn prior to the date of Completion;
- (iii) all warranties given by the Vendors under the Sale and Purchase Agreement remaining true and accurate in all respects and not misleading in any respect as of the date of Completion;
- (iv) all warranties given by the Purchaser under the Sale and Purchase Agreement remaining true and accurate in all respects and not misleading in any respect as of the date of Completion; and
- (v) there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or cause a material adverse change in, the general affairs, management, financial position, business prospects, conditions (whether financial, operational, legal, regulatory or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of the Target Company.

Conditions (iii) and (v) above are waivable in full or in part by the Purchaser. Condition (iv) above is waivable jointly in full or in part by the Vendors. Conditions (i) and (ii) are non-waivable. If Conditions (i) and (ii) above are not satisfied on or before the Completion Date, the Sale and Purchase Agreement shall lapse and be of no further effect automatically. If Conditions (iii) and (v) are not satisfied on or before the Completion Date, the Purchaser shall have the right to terminate the Sale and Purchase Agreement. If Condition (iv) is not satisfied on or before the Completion Date, the Vendors shall have the right to jointly terminate the Sale and Purchase Agreement. As of the date of this announcement, none of the above conditions has been fulfilled.

### **Lock-up of Consideration Shares**

Pursuant to the Sale and Purchase Agreement, EDragon and LY Development severally and individually undertake that each of them shall not, and shall procure his/her/its affiliate(s) shall not, without the prior written consent of the Company sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer (including but not limited to dividend/distribution in specie) or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in the Consideration Shares issued to the Vendors, enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Consideration Shares issued to it or any interest therein, enter into any transaction with the same economic effect, sell or permit to be sold any shares or interests in any company or entity holding or controlling (directly or indirectly) any Consideration Shares issued to it, or offer to or agree to or announce any intention to effect any of the aforementioned transactions, for the period commencing on the Completion and ending on the date which is three years after the date of Completion (both days inclusive), save for the purpose of returning or delivering such number of Consideration Shares as part of the Earn Out Adjustment(s).

### **Completion**

Completion shall take place on the fifth Business Day after the day on which the conditions precedent of the Sale and Purchase Agreement have been satisfied or (if applicable) waived or such other day as the parties may agree, and in any event on a date not later than the Long Stop Date.

## EFFECT OF THE CONSIDERATION SHARES ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the Completion and the allotment and issue of the Consideration Shares in full as contemplated under the Acquisition (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the Completion and the allotment and issue of the Consideration Shares in full):

Shareholders	As at the date of this announcement		Immediately after Completion and the allotment and issue of the Consideration Shares in full	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
EDragon	—	—	7,405,714	1.51
LY Development	—	—	2,194,286	0.45
Happy Today Holding Limited ( <i>Note 1</i> )	157,605,000	32.80	157,605,000	32.16
Kros Dai Inc. ( <i>Note 2</i> )	53,245,000	11.08	53,245,000	10.86
Other Shareholders	269,676,707	56.12	269,676,707	55.02
Total	<u>480,526,707</u>	<u>100.00</u>	<u>490,126,707</u>	<u>100.00</u>

### Notes:

- 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 Yimeng (an executive Director) as the settlor. J.P. Morgan Trust Company (Singapore) Pte. Ltd. is the trustee of the Happy Today Trust, and Mr. Huang Yimeng and his family members are the beneficiaries of the Happy Today Trust. Mr. Huang Yimeng is also a director of Happy Today Holding Limited.
- Kros Dai Inc. is a company incorporated in the British Virgin Islands and is wholly-owned by Danger and Sons Inc. Danger and Sons Inc. is held by the Dai & Sons Trust, which was established by Mr. Dai Yunjie (an executive Director) as the settlor. J.P. Morgan Trust Company of Delaware is the trustee of the Dai & Sons Trust, and Mr. Dai Yunjie and his family members are the beneficiaries of the Dai and Sons Trust. Mr. Dai Yunjie is also a director of Kros Dai Inc.

## **GENERAL INFORMATION OF THE PARTIES**

### **Information of the Group**

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

### **Information of the Vendors**

EDragon is a company incorporated in the British Virgin Islands and is an investment holding company. EDragon is in turn wholly-owned by a family trust of Mr. XW Huang, with Mr. XW Huang being the settlor of such trust and Mr. XW Huang's family members being the beneficiaries of such trust.

LY Development is a company incorporated in the British Virgin Islands and is principally engaged in investment holding business. LY Development is in turn wholly-owned by Mr. Li Yi. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, LY Development and its ultimate beneficial owner are each an Independent Third Party of the Company.

### **Information of the Target Company**

The Target Company is a company incorporated in Hong Kong and is principally engaged in publishing and operating quality games overseas. As at the date of this announcement, the Target Company is held as to 65% by the Purchaser (a wholly-owned subsidiary of the Company), and is an indirect non-wholly owned subsidiary of the Company. The financial results of the Target Company are consolidated into the financial results of the Group as at the date of this announcement. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will remain consolidated into the financial results of the Group after the Acquisition.

Set out below is the unaudited financial information of the Target company prepared for the two years ended December 31, 2022 and December 31, 2023 in accordance with the IFRS:

	<b>For the year ended/As at December 31</b>	
	<b>2023 (Unaudited) RMB'000</b>	<b>2022 (Unaudited) RMB'000</b>
Total assets	<b>240,740</b>	341,394
Net assets	<b>47,347</b>	126,441
Net profit before tax	<b>53,735</b>	122,907
Net profit after tax	<b>46,016</b>	102,748

The original investment cost of the 27% shareholding in the Target Company paid by EDragon was HK\$2,700.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Considering the megatrends in the industry, the Group has adopted globalization as one of its core strategies and has been striving to increase its revenue from overseas markets. The Target Company has been engaged in the overseas publishing and operation of high-quality games, and has accumulated extensive experience in this field and achieved substantial profits. The Acquisition is conducive to strengthening the alignment of interests between the core staff of the Target Company and the Group, which will strengthen the Group's overseas operations. Meanwhile, as a result of the Acquisition, the Group will be able to capture all earnings from the Target Company without having the need to share it with minority shareholders of the Target Company going forward.

## **OPINION FROM THE BOARD**

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

The Directors (excluding the independent non-executive Directors, who shall provide their views after taking into account of the advice of an independent financial adviser) are of the view that the terms of the Acquisition are fair and reasonable, the Acquisition is on normal commercial terms and in the interests of the Company and Shareholders as a whole.

## **THE SPECIFIC MANDATE**

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the AGM.



## **APPLICATION FOR LISTING OF THE CONSIDERATION SHARES**

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued on Completion, will rank *pari passu* in all respects with the existing Shares in issue.

## **LISTING RULES IMPLICATIONS**

### **Share Transaction**

All the applicable percentage ratios in respect of the Acquisition are less than 5%. However, as part of the consideration under the Sale and Purchase Agreement will be satisfied by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **Connected Transaction**

As at the date of this announcement, as (a) EDragon is a substantial shareholder of the Target Company, being a subsidiary of the Company; and (b) EDragon is an associate of Mr. XW Huang, EDragon is a connected person of the Company at the subsidiary level and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. Mr. XW Huang and his associates shall abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement and the transaction contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate) at the AGM to be held by the Company.

## **GENERAL**

The Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate) will be considered and, if thought fit, approved, at the AGM.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Pei Dapeng, Mr. Xin Quandong and Ms. Liu Qianli, has been established to advise the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate).

An independent financial adviser will be appointed to advise the Independent Board Committee and Independent Shareholders regarding, among other things, the terms and conditions of the Sales and Purchase Agreement and transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate).

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate); (ii) the recommendations of the Independent Board Committee in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate); (iii) a letter of advice from an independent financial adviser in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate); (iv) the notice convening the AGM; and (v) other information in relation to the AGM and as otherwise required under the Listing Rules, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. The circular is expected to be despatched by the Company to the Shareholders by June 3, 2024.

**Completion of the Acquisition is conditional upon the fulfilment or (if applicable) waiver of the conditions set out under the paragraph headed “Conditions precedent” in this announcement, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares and other securities of the Company.**

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Target Shares by the Purchaser from the Vendors in accordance with the terms of the Sale and Purchase Agreement
“AGM”	the annual general meeting of the Company to be convened and held on or around June 25, 2024 to consider, and if thought fit, to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate)

“associate(s)”; “connected person(s)”; “controlling shareholder(s)”; “substantial shareholder(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which commercial banks are open for business in Hong Kong, the Cayman Islands and PRC (excluding Saturdays, Sundays, public holidays and any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.)
“Company”	XD Inc. (心动有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 2400)
“Completion”	completion of the Acquisition
“Consideration Share(s)”	the 7,405,714 and 2,194,286 new Shares to be issued and allotted by the Company at the Issue Price to EDragon and LY Development respectively as part of the consideration to purchase the relevant Target Shares held by EDragon or LY Development
“Director(s)”	the director(s) of the Company
“Earn Out Adjustment(s)”	(i) in respect of EDragon, the EDragon Adjustment Amount and (ii) in respect of LY Development, the LY Development Adjustment Amount
“Earn Out Period”	the two financial years of the Target Company ending December 31, 2024 and 2025
“EDragon Adjustment Amount”	the amount payable by EDragon as adjustments to the consideration after the Earn Out Period calculated with reference to the relevant formula set out in the section headed “Consideration” in this announcement

“EDragon Initial Consideration”	the amount of US\$16,693,190, being the consideration for the Target Shares held by EDragon initially payable to EDragon at Completion
“EDragon”	EDragon Technology Limited, a company incorporated with limited liability in the British Virgin Islands
“Encumbrance”	any claim, charge, mortgage, security, lien, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards issued and/or adopted by the International Accounting Standards Board from time to time
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Pei Dapeng, Mr. Xin Quandong and Ms. Liu Qianli, which has been established to make recommendations to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate)
“Independent Shareholders”	Shareholders who are not required to abstain under the Listing Rules from voting at the AGM for the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of Consideration Shares under the Specific Mandate)
“Independent Third Party(ies)”	person(s) who is/are not connected persons of the Company
“Initial Consideration”	the sum of the EDragon Initial Consideration and LY Development Initial Consideration

“Issue Price”	HK\$14.20 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the long stop date for satisfaction of the conditions precedent (other than the conditions precedent which by their terms are to be satisfied at Completion) under the Sale and Purchase Agreement, being September 30, 2024, or such other date as may be agreed among the parties in writing
“LY Development Adjustment Amount”	the amount payable by the LY Development as adjustments to the consideration after the Earn Out Period calculated with reference to the relevant formula set out in the section headed “Consideration” in this announcement
“LY Development Initial Consideration”	the amount of US\$4,946,130, being the consideration for the Target Shares held by LY Development initially payable to LY Development at Completion
“LY Development”	LY Development Limited, a company incorporated with limited liability in the British Virgin Islands
“Mr. XW Huang”	Mr. XW Huang, who is a PRC citizen and a director of certain subsidiaries of the Company and thus a connected person of the Company at the subsidiary level
“PRC”	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
“Pre-Tax Profit Shortfall”	for the Earn Out Period, the amount, if any, by which the Pre-Tax Profit for the Earn Out Period is below the Reference Pre-Tax Profit
“Pre-Tax Profit”	for any financial year of the Target Company, the profit before tax or (where the Target Company has any subsidiaries during the Earn-out Period) the consolidated profit before tax of the Target Company as set out in an audited financial statement to be prepared in accordance with the terms and conditions of the Sale and Purchase Agreement

“Pre-Tax Loss”	for any financial year of the Target Company, the loss before tax or (where the Target Company has any subsidiaries during the Earn-out Period) the consolidated loss before tax of the Target Company as set out in an audited financial statement to be prepared in accordance with the terms and conditions of the Sale and Purchase Agreement
“Pre-Tax Profit for the Earn Out Period”	the aggregate pre-tax profit for the Earn Out Period to be determined in accordance with the terms and conditions of the Sale and Purchase Agreement, which shall be an amount equal to (i) the aggregate of all Pre-Tax Profit of the Target Company for the financial year(s) during the Earn Out Period; <i>minus</i> (ii) the aggregate of all Pre-Tax Loss of the Target Company for the financial year(s) during the Earn Out Period
“Purchaser”	XDG Holding Limited, a company incorporated with limited liability in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
“Reference Pre-Tax Profit”	the reference profit before tax of the Target Company of US\$20,000,000 for the Earn Out Period as determined in accordance with the terms and conditions of the Sale and Purchase Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated April 9, 2024 and entered into among the Company, the Purchaser and the Vendors in relation to the Acquisition
“Share(s)”	ordinary share(s) of the Company with a par value of US\$0.0001 per Share
“Shareholder(s)”	the holder(s) of the Shares
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the AGM to allot and issue the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	X.D. Global (HK) Limited, a company incorporated with limited liability in Hong Kong and an indirect subsidiary of the Company held by the Purchaser, EDragon and LY Development as to 65%, 27% and 8% respectively as at the date of this announcement
“Target Shares”	(i) in respect of EDragon, 2,700 ordinary shares of the Target Company (representing 27% shareholding in the Target Company); and (ii) in respect of LY Development, 800 ordinary shares of the Target Company (representing 8% shareholding in the Target Company), which in aggregate represent 35% shareholding in the Target Company, free from any Encumbrance, to be sold by EDragon and LY Development respectively to the Purchaser pursuant to the Sale and Purchase Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendors”	EDragon and LY Development
“%”	per cent.

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

Shanghai, the PRC  
April 9, 2024

*As at the date of this announcement, the Board comprises Mr. HUANG Yimeng, Mr. DAI Yunjie and Mr. FAN Shuyang as executive directors, Mr. WU Meng as non-executive director and Mr. PEI Dapeng, Mr. XIN Quandong and Ms. LIU Qianli as independent non-executive directors.*