**Keep Inc.**

*(A company incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3650)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

## INTERIM RESULTS HIGHLIGHTS

| | Six months ended June 30, | | |
|---|---|---|---|
| | **2023** | 2022 | Year-on-year change |
| | ***RMB'000*** | *RMB'000* | (%) |
| | **(Unaudited)** | (Unaudited) | |
| Revenues | **984,656** | 1,011,707 | (2.7) |
| Gross profit | **423,671** | 413,442 | 2.5 |
| Gross profit margin (%) | **43.0** | 40.9 | 2.1 p.p |
| Profit for the period | **1,195,124** | 261,619 | 356.8 |
| Adjusted net loss for the period (Non-IFRS measure) [(1)] | **(223,143)** | (317,400) | (29.7) |
| Adjusted net loss margin (%) | **(22.7)** | (31.4) | 8.7 p.p |

*Note:*

We define adjusted net loss as loss for the period, excluding share-based compensation expenses and fair value changes of convertible redeemable preferred shares. We exclude these items because they do not involve any cash outflow: (i) share-based compensation expenses primarily represent the non-cash employee benefit expenses incurred in connection with our 2016 Plan and the 2021 Plan. Such expenses in any specific period are not expected to result in future cash payments and (ii) fair value changes of convertible redeemable preferred shares mainly represent changes in the fair value of the convertible redeemable preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further fair value changes of the convertible redeemable preferred shares after Listing as preferred shares liabilities were redesignated and reclassified from liabilities to equity after automatically converting into ordinary shares upon Listing.

The board (the "**Board**") of directors (the "**Directors**") of Keep Inc. (the "**Company**") is pleased to announce the unaudited consolidated results of the Company, its subsidiaries and the consolidated affiliated entities (collectively, the "**Group**") for the six months ended June 30, 2023 (the "**Reporting Period**"). The contents of this interim results announcement have been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in relation to preliminary announcements of interim results.

In this announcement, "we", "us", and "our" refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above).

Reference is made to the prospectus of the Company dated June 30, 2023 (the "**Prospectus**"). Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the Prospectus.

## MANAGEMENT DISCUSSION AND ANALYSIS

China has a large yet under-developed and under-served fitness market, previously relying on a traditional model of offline gyms, which typically results in lower access and participation compared to online fitness. The traditional fitness model sets high entry barriers for beginners as offline gyms and fitness classes are often costly and constrained by time and location, deliver an inconsistent quality and user experience, and are less accessible in lower tier cities in China. In contrast, we offer online fitness solutions to effectively address major pain points in China's fitness market and fundamentally redefine people's relationship with fitness. Our platform not only enables people to exercise anytime and anywhere, but also creates a personalized, interactive and immersive fitness experience that enables people to train with greater efficiency at a lower cost. We offer extensive and professional fitness content with AI-assisted personalized curriculums, including both recorded fitness courses and interactive live streaming classes, that dynamically adjust course content and workout intensity based on users' athletic levels, fitness goals, daily workout patterns and diet. Our content is complemented by a variety of self-branded fitness products offerings such as smart fitness devices, fitness gear, apparel and food, which enables us to seamlessly connect the physical and digital realms to create an immersive one-stop fitness experience.

## Business Review

### *Key Operating Data*

The following table sets forth certain of our key operating data for the periods indicated:

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| Average monthly active users ("**MAU(s)**") (in thousand) | **29,549** | 37,678 |
| Average monthly revenues per MAU (in RMB) | **5.6** | 4.5 |
| Average monthly subscribing members (in thousand) | **3,017** | 3,665 |
| Membership penetration rate | **10.2%** | 9.7% |

### *Overview*

In the first half of 2023, there were still a lot of uncertainties in the external environment during the post-pandemic recovery. Against this backdrop, we focused our efforts on refining operations, carefully managing costs and expenses, and enhancing operational efficiency, with a greater emphasis on resource allocation in key business areas and long-term targets. Total revenues for the Reporting Period were RMB984.7 million, representing a 2.7% year-over-year decrease. This was primarily due to a decrease in fitness product revenues. This impact was largely offset by solid revenues growth from our membership and online paid content business, driven by the strong performance of our virtual sports events. The series of our strategies helped improve our margin profile. Our gross profit margin in the first half of 2023 increased to 43.0% from 40.9% in the same period last year. Non-IFRS net loss narrowed by 29.7% year-over-year to RMB223.1 million, compared to RMB317.4 million in the first half of 2022. These financial results reflect we have been on the right track towards achieving profitability by accelerating the contribution of high-quality revenues with wider gross profit margin, which was supported by the enhanced efficiency in marketing and promotional campaigns, supply chain management, warehousing and logistics management and continued cost optimization. We will continue to execute and refine our unique business model that spans across a user's entire fitness life cycle.

Our average MAUs and average monthly subscribing members were 29.5 million and 3.0 million in the six months ended June 30, 2023, respectively, compared to 37.7 million and 3.7 million in the same period in 2022. Both decreases were primarily due to (i) a temporary decrease in fitness activities in early 2023 caused by the surge in the Coronavirus Disease 2019 ("**COVID-19**") cases across China at the end of 2022 and the beginning of 2023; and (ii) the high base effect created during the first half of 2022 when COVID-related restrictions limited outdoor activities and resulted in our MAUs and subscribing members hitting exceptionally high levels. The impact however began to recede, with average MAUs and average monthly subscribing members in July 2023 recovering to approximately 90% of levels during the same period of 2022. Despite the decline in MAU scale, our upgraded content and services brought the increases in the membership penetration rate from 9.7% in the first half of 2022 to 10.2% in the first half of 2023. Leveraging the continuous growth of our virtual sports events, our average monthly revenues per MAU increased by 24.1% year-over-year.

### *Diverse Fitness Content*

Since inception, we have strengthened our competitive advantage by consistently developing innovative and diversified fitness content. We achieved such development through our high-quality in-house capabilities, selective third-party content deployment, and existing content upgrades released on our platform.

In the first half of 2023, we offered a greater selection of recorded courses for our paying-members. These courses include cardio, rope skipping, yoga, meditation, strength training, stretching/toning, among other activities. Our goal is to enhance fitness, maximize workout efficiency, and lead to a healthier lifestyle. The total number of recorded courses available on our platform to paying members increased from 1,391 as of June 30, 2022 to 2,464 as of June 30, 2023. We released several new series of in-house developed courses including Keep 10 Minute HIIT With No Jumping (Keep 10分鐘無跑跳暴汗系列) and Keep Intense Back Toning Workout (Keep 酸爽瘦背系列). We also launched updates to our popular existing professionally generated content (PGC) series of courses such as Keep Standing HIIT for Fat Burning (Keep HIIT 站立燃脂系列) and Keep High Intensity Killer Abs Workout (Keep 暴爽虐腹系列). As part of the new membership upgrades, we offered content from well-known fitness influencers based on our strategic partnerships. Notably, we collaborated with Pamela Reif, one of the most prominent figures in the fitness industry, to develop three premium series of pre-recorded courses tailored to meet the diverse preferences of our members in the first half of 2023.

To optimize the overall fitness of our members, these exclusive classes offer an enhanced visual experience, clear and concise fitness guidance, easily replicable exercises for all fitness levels, and additional refined modules to improve workout performance. Such proprietary content was developed based on the deep member insights accumulated on the Keep platform, fine-tuned behavioral analysis, as well as our in-house content development capabilities, resulting in positive feedback from our members on our platform. In the first half of 2023, the number of workout sessions completed by our members following these courses increased by over 200% from the same period of 2022. Such positive feedback proved that premium content is a core driver for our online fitness content subscriptions, demonstrating our deep user insights and ability to continuously design and develop premium content that directly caters to the ever-evolving needs of our users.

### *Keeper Engagement and Virtual Sport Events*

Despite a challenging and uncertain external environment in the first half of 2023, the initial success we have seen from courses exclusively for members has resulted in an increase in member penetration from 9.7% in the first half of 2022 to 10.2% in the first half of 2023. In addition, these new courses are helpful in sustaining workout frequencies, enhancing member loyalty and reducing marketing expenses. At the core of our commitment to member services, we will continue to provide lifetime member benefits, which combine evaluations, planning and fitness monitoring with premium content, personalized training schedules and various smart tools.

In the meantime, leveraging our virtual sports events where users are encouraged to hit different milestones for creatively designed medals and other rewards, we improved the engagement of our users on our platform. In the first half of 2023, we teamed up with partners that own popular IPs including Hello Kitty and Crayon Shin-chan to launch a series of themed events and creative marketing campaigns on social media and short video platforms to drive the growth of virtual sports events. For these events, users pay a registration fee of RMB29 to RMB139 for tiered packages to complete running, or cycling races along with many others. Event awards, gameplay, and rules continuously evolve, providing users with a more enjoyable and engaging fitness experience. These efforts helped improve the average revenues per paying user of virtual sports events, increasing by approximately 30% compared to the same period of 2022. We also continued to expand the collaborations with various IP partners. One race we organized with a gaming IP partner, lasted from June to August of 2023, attracted over 1 million registered participants for the paid version and the free version, making it the most-attended event year to date. Collaborating with this IP partner also significantly expanded our reach and engagement with the Anime Comic Games (ACG) fan base. The success of these events reduced barriers to fitness opportunities and expanded engagement with various markets and regions, as well as differentiated fan bases. The popularity and growth in number of these events are critical to generating momentum for future revenues growth and expanding our community by enhancing existing outdoor sports enthusiasts on our platform as well as attracting users who are seeking an innovative and fun fitness experience. This makes Keepers more inspiring, competitive, and connected. Our wide range of content and services further solidify our market leading position in the online fitness sector.

***Self-branded Fitness Products***

Aside from diverse content offerings and a large engaging community, we provided self-branded smart devices and complementary fitness products allowing our users to adopt a more holistic approach to their fitness experience. As China's consumer confidence and discretionary spending power were still recovering during the first half of 2023, we maintained a prudent approach to unlocking growth from our self-branded fitness products while at the same time focusing our attention on improving efficiency and profitability. We reviewed all products carefully to align product and go-to-market strategies, optimize channels, inventory efficiency, and cost structures. As a result, for complementary products, we have primarily focused on yoga and training sports by providing our popular key yoga and training products such as yoga mats and skipping ropes. We remained relatively cautious on the expansion of other product categories and market deployments throughout the first half of 2023.

We have continuously improved the functionality and features for smart devices:

- *Keep Bike:* Both hardware and online interactive content were upgraded based on user feedback and now encompass over 40 themed outdoor cycling routes with music and audio effects, including mountains and hills, country roads, scenic routes and more. This wide selection is popular among both beginners and seasoned cyclers, users at home and outdoor enthusiast due to the real and customizable immersive experience. Consumers' deep attraction to Keep Bike is not only due to its cutting-edge hardware design and trustworthy quality, but also from the never ending stream of immersive content, connectivity, and holistic exercises. In the first half of 2023, the gross merchandise volume of Keep Bike increased more than 20% year-over-year.

- *Keep Wristband:* The B4 model was launched in November 2022 and was the main contributor to wristband sales volumes in the first half of 2023. Compared to the previous B3 model, the B4's design was improved with an enlarged screen, higher resolution, enhanced wearable experience and better interaction with online content. The gross merchandise volume of Keep Wristband increased more than 10% year-over-year.

***Outlook***

In light of the uncertain external environment, our short-term focus will remain on optimizing operations, cost management, and liquidity protection to minimize any adverse impact on our overall business fundamentals. Over the long-term, we are optimistic that growth opportunities will continue to emerge as we shape the fitness industry and further enhance our brand. We will continue to invest in immersive, exclusive and professional content and interactive experiences, develop and apply new technologies and intelligent features to empower our vibrant Keep platform which we believe will increase engagement and offer a superior experience for everyone, anywhere, and anytime.

## FINANCIAL REVIEW

**Revenues**

Revenues was RMB984.7 million for the six months ended June 30, 2023, representing a 2.7% decrease from RMB1.0 billion for the six months ended June 30, 2022, which was primarily due to the decreased revenues from self-branded fitness products and advertising and others. The following table breaks down our revenues by types of services or products for the periods presented:

| | **Six months ended June 30,** | | |
|---|---|---|---|
| | **2023** | 2022 | Year-on-year change |
| | ***RMB'000*** | *RMB'000* | (%) |
| | **(Unaudited)** | (Unaudited) | |
| **Revenues:** | | | |
| Self-branded fitness product | **466,355** | 515,404 | (9.5) |
| Membership and online paid content | **448,864** | 407,974 | 10.0 |
| Advertising and others | **69,437** | 88,329 | (21.4) |
| **Total:** | **984,656** | 1,011,707 | (2.7) |

The revenues from self-branded fitness products was RMB466.4 million for the six months ended June 30, 2023, representing a 9.5% decrease from RMB515.4 million for the six months ended June 30, 2022, which was mainly attributable to the decrease in the sales of our fitness food products.

The revenues from membership and online paid content was RMB448.9 million for the six months ended June 30, 2023, representing a 10.0% increase from RMB408.0 million for the six months ended June 30, 2022, which was mainly attributable to the increased revenues generated from our virtual sports events.

The revenues from advertising and others was RMB69.4 million for the six months ended June 30, 2023, representing a 21.4% decrease from RMB88.3 million for the six months ended June 30, 2022, which was mainly attributable to COVID-19's negative impact on our advertising customers.

**Cost of revenues**

Cost of revenues was RMB561.0 million for the six months ended June 30, 2023, representing a 6.2% decrease from RMB598.3 million for the six months ended June 30, 2022, which was generally in line with the decrease in our total revenues during the same period.

| | **Six months ended June 30,** | | |
|---|---|---|---|
| | **2023** | 2022 | Year-on-year change |
| | ***RMB'000*** | *RMB'000* | (%) |
| | **(Unaudited)** | (Unaudited) | |
| **Cost of revenues:** | | | |
| Self-branded fitness product | **336,259** | 372,104 | (9.6) |
| Membership and online paid content | **179,423** | 189,284 | (5.2) |
| Advertising and others | **45,303** | 36,877 | 22.8 |
| **Total:** | **560,985** | 598,265 | (6.2) |

Our cost of self-branded fitness products was RMB336.3 million for the six months ended June 30, 2023, representing a 9.6% decrease from RMB372.1 million for the six months ended June 30, 2022, which was mainly attributable to the decrease in the sales of our self-branded fitness products.

Our cost of membership and online paid content was RMB179.4 million for the six months ended June 30, 2023, representing a 5.2% decrease from RMB189.3 million for the six months ended June 30, 2022, which was mainly attributable to decreases of (i) RMB11.1 million in content related costs; (ii) RMB10.4 million in employee benefit costs; and (iii) RMB9.2 million in channel fees paid to third-party application stores and other payment channels. Together with the increase in the revenues of virtual sports events, the costs of virtual sports events also increased RMB18.3 million.

Our cost of advertising and others was RMB45.3 million for the six months ended June 30, 2023, representing a 22.8% increase from RMB36.9 million for the six months ended June 30, 2022, which was mainly attributable to an increase of RMB6.1 million in advertising production costs due to the high cost of certain offline advertising activities.

### Gross profit and gross profit margin

As a result of the foregoing, our gross profit was RMB423.7 million for the six months ended June 30, 2023, representing a 2.5% increase from RMB413.4 million for the six months ended June 30, 2022.

Our gross profit margin was 43.0% for the six months ended June 30, 2023, representing a 2.1 percentage points increase from 40.9% for the six months ended June 30, 2022. The increase in the gross profit margin was primarily due to the increased gross profit and higher revenues contribution from our membership and online paid content business.

Our gross profit of self-branded fitness products decreased by 9.2% from RMB143.3 million for the six months ended June 30, 2022 to RMB130.1 million for the six months ended June 30, 2023, which was mainly attributable to the decrease in the sales of self-branded fitness products.

Our gross profit of membership and online paid content increased by 23.2% from RMB218.7 million for the six months ended June 30, 2022 to RMB269.4 million for the six months ended June 30, 2023, as we generated higher sales from our virtual sports events and we optimized our content related cost and employee benefit costs.

Our gross profit of advertising and others decreased by 53.1% from RMB51.5 million for the six months ended June 30, 2022 to RMB24.1 million for the six months ended June 30, 2023 primarily due to the decreased revenues from advertising and others.

### Fulfillment expenses

Our fulfillment expenses were RMB83.4 million for the six months ended June 30, 2023, representing a 6.1% increase from RMB78.6 million for the six months ended June 30, 2022. The increase was primarily due to an increase in outsourcing of labor and other labor-related costs.

### Selling and marketing expenses

Our selling and marketing expenses were RMB257.1 million for the six months ended June 30, 2023, representing a 15.4% decrease from RMB304.0 million for the six months ended June 30, 2022. The decrease was primarily due to a decrease of RMB50.6 million in promotion and advertising expenses as we reduced certain marketing spending activities and improved user acquisition efficiency.

### Administrative expenses

Our administrative expenses were RMB112.0 million for the six months ended June 30, 2023, representing a 6.8% decrease from RMB120.2 million for the six months ended June 30, 2022, primarily attributable to a decrease of RMB22.6 million in administrative personnel costs (including related share-based compensation expenses).

**Research and development expenses**

Our research and development expenses were RMB243.4 million for the six months ended June 30, 2023, representing a 2.1% decrease from RMB248.6 million for the six months ended June 30, 2022. The decrease was primarily attributable to a decrease of RMB6.7 million in cloud computing service fees and a decrease of RMB4.2 million in research and development personnel costs (including related share-based compensation expenses), partially offset by an increase of RMB6.0 million in outsourcing and other labor costs.

**Income tax expense**

Our income tax expense was nil for the six months ended June 30, 2023 compared to approximately RMB1.0 million for the six months ended June 30, 2022. Income tax expense for the six months ended June 30, 2022 was composed of a withholding tax for certain royalty license fees.

**Fair value changes of convertible redeemable preferred shares**

Fair value gain of our convertible redeemable preferred shares was RMB1.4 billion for the six months ended June 30, 2023, compared with the fair value gain of convertible redeemable preferred shares of RMB628.2 million for the six months ended June 30, 2022. The change in the fair value of convertible redeemable preferred shares was primarily attributable to the changes in the valuation of our Company. We do not expect to record any further fair value changes of the convertible redeemable preferred shares after the listing of the Shares on the Main Board of the Stock Exchange ("**Listing**") as preferred shares liabilities will be redesignated and reclassified from liabilities to equity after automatically converting into ordinary shares upon Listing.

**Profit for the period**

As a result of the foregoing, the profit for the six months ended June 30, 2023 reached RMB1.2 billion, compared with a profit of RMB261.6 million for the six months ended June 30, 2022. The profit for the six months ended June 30, 2023 was primarily due to increase in fair value changes of preferred shares. Our adjusted net loss (non-IFRS measure) was RMB223.1 million and RMB317.4 million for the six months ended June 30, 2023 and 2022, respectively.

**Non-IFRS Measures**

To supplement our consolidated financial statements, which are presented in accordance with International Financial Reporting Standards (the "**IFRSs**"), we also use adjusted net loss as an additional financial measure, which is not required by, or presented in accordance with, IFRSs.

We believe adjusted net loss provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss may not be comparable to similarly titled measures presented by other companies. The use of adjusted net loss has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted net loss as loss for the period, excluding share-based compensation expenses and fair value changes of convertible redeemable preferred shares. We exclude these items because they do not involve any cash outflow:

— Share-based compensation expenses primarily represent the non-cash employee benefit expenses incurred in connection with the Amended and Restated 2016 Employee's Stock Option Plan adopted in June 2021 (the "**2016 Plan**") and the Amended and Restated 2021 Employee's Stock Option Plan adopted in June 2021 (the "**2021 Plan**"). Such expenses in any specific period are not expected to result in future cash payments.

— Fair value changes of convertible redeemable preferred shares mainly represent changes in the fair value of the convertible redeemable preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further fair value changes of the convertible redeemable preferred shares after Listing as preferred shares liabilities will be redesignated and reclassified from liabilities to equity after automatically converting into ordinary shares upon Listing.

The following table reconciles our adjusted net loss for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is profit for the six months ended June 30, 2023 and 2022:

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Reconciliation of profit to adjusted net loss (Non-IFRS measure):** | | |
| Profit for the period | **1,195,124** | 261,619 |
| *Add:* | | |
| Share-based payment expenses | **13,994** | 49,221 |
| Fair value changes of convertible redeemable preferred shares | **(1,432,261)** | (628,240) |
| **Adjusted net loss for the period (Non-IFRS measure)** | **(223,143)** | (317,400) |

**Liquidity and capital resource**

For the six months ended June 30, 2023, we funded our cash requirements primarily from historical equity financing activities. Our cash and cash equivalents primarily consist of cash in hand, deposits held at call with banks, highly liquid investments placed in banks with original maturities of three months or less and cash held at third party payment platform that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

We had cash and cash equivalents of RMB1.5 billion as of June 30, 2023, as compared to RMB1.7 billion as of December 31, 2022, primarily due to the cash used in the operating activities. Most of the cash and cash equivalents of the Group were denominated in Renminbi. Most of the time deposits of the Group were denominated in U.S. dollars.

**Significant investments**

We did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of June 30, 2023) during the Reporting Period.

**Material acquisitions and/or disposals of subsidiaries, associates and joint ventures**

We did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies during the Reporting Period.

**Future plans for material investments and capital assets**

As of the date of this announcement, we did not have other plans for material investments and capital assets.

**Employee and remuneration**

As of June 30, 2023, the number of our full-time employees amounted to 1,079. The total employee benefit expenses for the six months ended June 30, 2023, including share-based payment expenses, were RMB335.2 million, as compared to RMB366.7 million for the six months ended June 30, 2022.

**Bank borrowings and gearing ratio**

As of June 30, 2023, our outstanding borrowings amounted to RMB57.4 million.

As of June 30, 2023, the Group's gearing ratio (i.e. total liabilities divided by total assets) was 3.81 (as of December 31, 2022: 3.85), which was mainly due to the changed balance of convertible redeemable preferred shares.

The Board and the audit committee of the Company (the "**Audit Committee**") constantly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

**Contingent liabilities**

As of June 30, 2023, we did not have any material contingent liabilities or guarantees.

**Pledge of assets**

As of June 30, 2023, (i) the amount of RMB19.0 million borrowings are secured by deposits with the amount of US$3.2 million included in short-term time deposits and (ii) the amount of RMB15.4 million borrowings are secured by domestic deposits.

**Interest rate risk and foreign exchange risk**

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our borrowings. Increases in interest rates could result in an increase in our cost of borrowing, which in turn could adversely affect our finance costs, profit and our financial condition.

We operate mainly in the PRC with most of the transactions settled in RMB. Our management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of our Group denominated in currencies other than the respective functional currencies of our operating entities.

During the six months ended June 30, 2023, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant.

# INTERIM FINANCIAL INFORMATION

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| | *Notes* | **Six months ended June 30,** **2023** *RMB'000* **(Unaudited)** | 2022 *RMB'000* (Unaudited) |
|---|---|---|---|
| **Revenues** | *5* | **984,656** | 1,011,707 |
| Cost of revenues | *6* | **(560,985)** | (598,265) |
| **Gross profit** | | **423,671** | 413,442 |
| Fulfillment expenses | *6* | **(83,431)** | (78,627) |
| Selling and marketing expenses | *6* | **(257,103)** | (303,977) |
| Administrative expenses | *6* | **(112,044)** | (120,247) |
| Research and development expenses | *6* | **(243,371)** | (248,572) |
| Other income | | **10,312** | 5,328 |
| Other gains/(losses), net | *7* | **3,320** | (37,175) |
| **Operating loss** | | **(258,646)** | (369,828) |
| Finance income | | **24,755** | 8,158 |
| Finance expenses | | **(3,246)** | (3,948) |
| Finance income, net | | **21,509** | 4,210 |
| Fair value changes of convertible redeemable preferred shares | | **1,432,261** | 628,240 |
| **Profit before income tax** | | **1,195,124** | 262,622 |
| Income tax expense | *8* | **—** | (1,003) |
| **Profit for the period** | | **1,195,124** | 261,619 |
| **Profit for the period attributable to:** | | | |
| Owners of the Company | | **1,195,124** | 261,619 |
| Non-controlling interests | | **—** | — |
| | | **1,195,124** | 261,619 |
| **Earnings/(loss) per share for the profit/(loss) attributable to the owners of the Company (expressed in RMB per share)** | *9* | | |
| Basic earnings per share | | **8.64** | 1.89 |
| Diluted loss per share | | **(0.52)** | (0.81) |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Profit for the period | **1,195,124** | 261,619 |
| **Other comprehensive income/(loss)** | | |
| *Items that will not be reclassified to profit or loss* | | |
| Fair value change on convertible redeemable preferred shares due to own credit risk | **(138,007)** | 5,515 |
| Currency translation differences | **(296,868)** | (397,000) |
| **Other comprehensive loss for the period, net of tax** | **(434,875)** | (391,485) |
| **Total comprehensive income/(loss) for the period** | **760,249** | (129,866) |
| **Total comprehensive income/(loss) for the period attributable to** | | |
| Owners of the Company | **760,249** | (129,866) |
| Non-controlling interests | **—** | — |
| | **760,249** | (129,866) |

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | *Notes* | **As at June 30, 2023** *RMB'000* **(Unaudited)** | As at December 31, 2022 *RMB'000* (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | | **23,267** | 30,603 |
| Right-of-use assets | | **73,830** | 90,659 |
| Intangible assets | | **13,950** | 9,316 |
| Other non-current assets | | **109,285** | 73,763 |
| | | **220,332** | 204,341 |
| **Current assets** | | | |
| Inventories | *12* | **146,607** | 167,737 |
| Accounts receivables | *11* | **196,198** | 251,676 |
| Prepayments and other current assets | | **135,182** | 128,966 |
| Financial assets at fair value through profit or loss | *10* | **1,615** | 139,864 |
| Short-term time deposits | | **213,254** | 68,740 |
| Cash and cash equivalents | | **1,480,339** | 1,672,217 |
| | | **2,173,195** | 2,429,200 |
| **Total assets** | | **2,393,527** | 2,633,541 |
| **DEFICIT IN EQUITY** | | | |
| **Deficit in equity attributable to owners of the Company** | | | |
| Share capital | | **61** | 61 |
| Other reserves | | **(510,714)** | (89,833) |
| Accumulated losses | | **(6,225,267)** | (7,420,391) |
| Deficit in equity attributable to owners of the Company | | **(6,735,920)** | (7,510,163) |
| **Total deficit in equity** | | **(6,735,920)** | (7,510,163) |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

| | *Notes* | **As at June 30, 2023** *RMB'000* **(Unaudited)** | As at December 31, 2022 *RMB'000* (Audited) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | | **39,304** | 59,069 |
| Convertible redeemable preferred shares | | **8,421,283** | 9,401,472 |
| Other non-current liability | | **10,708** | 16,048 |
| | | **8,471,295** | 9,476,589 |
| **Current liabilities** | | | |
| Accounts payables | *14* | **149,077** | 154,095 |
| Accrued expenses | | **227,553** | 244,537 |
| Other current liabilities | | **71,291** | 65,301 |
| Contract liabilities | | **109,709** | 84,104 |
| Borrowings | *15* | **57,404** | 74,524 |
| Lease liabilities | | **43,118** | 44,554 |
| | | **658,152** | 667,115 |
| **Total liabilities** | | **9,129,447** | 10,143,704 |
| **Total deficit in equity and liabilities** | | **2,393,527** | 2,633,541 |

## 1 General information

Keep Inc. (the "**Company**") was incorporated in the Cayman Islands on April 21, 2015 as an exempted company with limited liability. The registered office is at the offices of ICS Corporate Services (Cayman) Limited, 3-212 Governors Square, 23 Lime TreeBay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the "**Group**"), is primarily engaged in operating an integrated online and offline platform for fitness service and online retail of fitness related products in the People's Republic of China (the "**PRC**").

Mr. Ning Wang is a single largest shareholder of the Company as at the date of the announcement.

This interim condensed consolidated financial information is presented in thousands of Renminbi ("**RMB**"), unless otherwise stated.

## 2 Basis of preparation

This interim condensed consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2019, 2020, 2021 and 2022 ("**Accountant's Report**") included as appendix I contained in the prospectus issued by the Company on June 30, 2023 ("**Prospectus**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

## 3 Accounting policies

The accounting policies applied in the preparation of these interim condensed consolidated financial information are consistent with those of the Accountant's Report in the Prospectus of the Company, except for the adoption of certain new and amended standards which has had no significant impact on the results and the financial position of the Group.

Certain new accounting standards, amendments and interpretations have been issued but are not yet effective and have not been early adopted by the Group during the period. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

| **Standards and amendments** | **Effective for annual years beginning on or after** |
|---|---|
| Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined |
| Amendments to IAS 1, "Classification of Liabilities as Current or Non-current" | January 1, 2024 |
| Amendments to IFRS 16 — Leases liability in a sale and leaseback | January 1, 2024 |
| Amendments to IAS 1 — Non-current liabilities with covenants | January 1, 2024 |

## 4 Segment information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions. The Group evaluated its operating segments separately or aggregately, and determined that it has reportable segments as follows:

- Self-branded fitness products

- Membership and online paid content

- Advertising and others

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

The cost of revenues for the self-branded fitness products primarily consists of material costs, manufacturing cost and related costs that are directly attributable to the cost of products sold. The cost of revenues for the membership and online paid content primarily consists of payment channel fees paid to third-party application stores and other payment channels, salaries and benefits paid to employees and content related cost, and cost of virtual sports events. The cost of revenues for the advertising and others primarily consists of salaries and benefits paid to employees and content related cost and advertising production cost.

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As at June 30, 2023, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented.

There were no material inter-segment sales during the six months ended June 30, 2023 and 2022. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the condensed consolidated income statements.

The segment results for the six months ended June 30, 2023 and 2022 are as follows:

| | **Six months ended June 30, 2023** | | | |
|---|---|---|---|---|
| | **Self-branded fitness products** | **Membership and online paid content** | **Advertising and others** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** |
| Revenues | **466,355** | **448,864** | **69,437** | **984,656** |
| Cost of revenues | **(336,259)** | **(179,423)** | **(45,303)** | **(560,985)** |
| Gross profit | **130,096** | **269,441** | **24,134** | **423,671** |

| | Six months ended June 30, 2022 | | | |
|---|---|---|---|---|
| | Self-branded fitness products | Membership and online paid content | Advertising and others | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenues | 515,404 | 407,974 | 88,329 | 1,011,707 |
| Cost of revenues | (372,104) | (189,284) | (36,877) | (598,265) |
| Gross profit | 143,300 | 218,690 | 51,452 | 413,442 |

## 5 Revenues

The breakdown of revenues for the six months ended June 30, 2023 and 2022 is as follows:

| | **Six months ended June 30,** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Self-branded fitness products | **466,355** | 515,404 |
| Membership and online paid content | **448,864** | 407,974 |
| Advertising and others | **69,437** | 88,329 |
| Total | **984,656** | 1,011,707 |

## 6 Expenses by nature

The following table sets forth a breakdown of the cost of revenues, fulfillment expenses, selling and marketing expenses, administrative expenses and research and development expenses by nature for the periods indicated:

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Employee benefit expenses | **335,236** | 366,692 |
| Cost of self-branded fitness products sold | **326,782** | 360,823 |
| Promotion and advertising expenses | **165,033** | 215,680 |
| Cost of virtual sports events | **85,308** | 66,982 |
| Warehousing, packaging and delivery expenses | **67,930** | 68,196 |
| Channel fees paid to third-party application stores and other payment channels | **38,566** | 47,404 |
| Outsourcing and other labor costs | **36,985** | 17,817 |
| Listing expenses | **29,365** | 29,880 |
| Depreciation of right-of-use assets and property and equipment | **26,595** | 26,780 |
| Cloud service, bandwidth and server custody fees | **25,849** | 36,932 |
| Content related cost | **24,377** | 35,491 |
| Advertising production cost | **18,386** | 12,293 |
| Credit loss allowances on financial assets *(Note 11)* | **15,079** | 637 |
| Provision for impairment of inventories *(Note 12)* | **4,091** | 515 |
| Amortisation of intangible assets | **2,144** | 1,315 |
| Auditor's remuneration | **146** | 95 |
| — Audit fee | **75** | 39 |
| — Non-audit fee | **71** | 56 |
| Others | **55,062** | 62,156 |
| Total | **1,256,934** | 1,349,688 |

## 7 Other gains/(losses), net

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Net losses on disposal of property and equipment | **(585)** | — |
| Net fair value gains/(losses) on financial assets at fair value through profit or loss *(Note 10)* | **2,737** | (690) |
| Net fair value losses on financial liabilities at fair value through profit or loss | **—** | (34,551) |
| Net foreign exchange gains/(losses) | **300** | (2,499) |
| Others | **868** | 565 |
| Total | **3,320** | (37,175) |

## 8 Income tax expense

### *(a) Cayman Islands*

The Company is incorporated as an exempted company with limited liability under the Companies Act of the Cayman Islands and is not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders of the Company (the "**Shareholder(s)**"). The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

### *(b) Hong Kong Income Tax*

Calorie Technology HK Company Limited incorporated in Hong Kong was subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong. On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying group entity in Hong Kong will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

### *(c) PRC Enterprise Income Tax ("EIT")*

In accordance with the Enterprise Income Tax Law ("**EIT Law**"), Foreign Investment Enterprises ("**FIEs**") and domestic companies are subject to Enterprise Income Tax ("**EIT**") at a uniform rate of 25%. In October 2017 and December 2020, Beijing Calorie Information Technology Co., Ltd. ("**BJ IT**") was qualified as a High and New Technology enterprise ("**HNTE**") and enjoyed a preferential tax rate of 15% from 2017 to 2022. In November 2018 and December 2021, Beijing Calorie Technology Co., Ltd. ("**BJ Tech**") was qualified as a HNTE and enjoyed a preferential tax rate of 15% from 2018 to 2023. In December 2020, Shenzhen Calorie Technology Co., Ltd. ("**Shenzhen Calorie**") was qualified as a HNTE and enjoyed a preferential tax rate of 15% from 2020 to 2022. BJ Tech, BJ IT and Shenzhen Calorie were in accumulated loss position for the six months ended June 30, 2023 and 2022. The other entities incorporated in the PRC are subject to an enterprise income tax at a rate of 25%.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim an additional tax deduction amounting to 50% of the qualified research and development expenses incurred in determining its tax assessable profits for that year. The additional tax deducting amount of the qualified research and development expenses have been increased from 50% to 75%, effective from 2018 to 2023, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018 ("**Super Deduction**").

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located". Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its entities registered outside of the PRC should be considered as resident enterprises for the PRC tax purposes.

***(d) Withholding tax in mainland China ("WHT")***

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. According to the arrangement between the mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the immediate holding company in Hong Kong is the beneficial owner of the FIE and owns directly at least 25% of the shares of the FIE). In accordance with accounting guidance, all undistributed earnings are presumed to be transferred to the parent company and withholding taxes should be accrued accordingly. All FIEs are subject to the withholding tax from January 1, 2008. The presumption may be overcome if the Group has sufficient evidence to demonstrate that the undistributed dividends will be re-invested and the remittance of the dividends will be postponed indefinitely.

The undistributed earnings and reserves of the Group entities located in the PRC are considered to be indefinitely reinvested, because the Group does not have any present plan to pay any cash dividends on its ordinary shares in the foreseeable future and intends to retain most of its available funds and any future earnings for use in the operation and expansion of its business. Accordingly, no deferred tax liability on 10% WHT of aggregate undistributed earnings and reserves of the Company's entities located in the PRC has been accrued that would be payable upon the distribution of those amounts to the Company as at June 30, 2023. As at June 30, 2023, the Company did not record any withholding tax on the retained earnings of its subsidiaries and structured entity in the PRC as they were still in accumulated deficit position

### *(e) Deferred tax assets not recognized*

The Group has not recognized any deferred tax assets in respect of the following items:

| | **As at June 30, 2023** | As at December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| **Tax losses and timing difference** | | |
| — Deductible temporary differences | **678,200** | 706,308 |
| — Deductible cumulative tax losses *(Note a)* | **2,370,470** | 2,035,548 |
| | **3,048,670** | 2,741,856 |
| **Unrecognized deferred tax assets:** | **514,344** | 456,640 |

*Note a:* These tax losses of PRC entities will expire from 2023 to 2034.

## 9 Earnings/(loss) per share

### *(a) Basic earnings per share*

Basic earnings per share for the six months ended June 30, 2023 and 2022 are calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the period.

| | **Six months ended June 30,** | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| Net profit attributable to owners of the Company (RMB'000) | **1,195,124** | 261,619 |
| Weighted average number of ordinary shares in issue (thousand shares) | **138,363** | 138,363 |
| Basic earnings per share (expressed in RMB per share) | **8.64** | 1.89 |

### *(b) Diluted loss per share*

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the six months ended June 30, 2023 and 2022, the Company had two categories of potential ordinary shares: Preferred Shares and share options granted under the employee's share option plan.

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| Net profit attributable to owners of the Company (RMB'000) | **1,195,124** | 261,619 |
| Adjustments for fair value change of Preferred Shares (RMB'000) | **(1,432,261)** | (628,240) |
| Loss used to determine diluted loss per share (RMB'000) | **(237,137)** | (366,621) |
| Weighted average number of ordinary shares in issue (thousand shares) | **138,363** | 138,363 |
| Adjustments for Preferred Shares (thousand shares) | **315,835** | 315,835 |
| Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share (thousand shares) | **454,198** | 454,198 |
| Diluted loss per share (expressed in RMB per share) | **(0.52)** | (0.81) |

## 10 Financial assets at fair value through profit or loss

| | **As at June 30, 2023** | As at December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Current assets | | |
| — Wealth management products | **1,615** | 139,864 |

Movements in financial assets at fair value through profit or loss are as below:

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| At the beginning of the period | **139,864** | 255,949 |
| Additions | **1,390** | 129,212 |
| Disposal | **(141,758)** | (284,514) |
| Change in fair value through profit or loss | **2,737** | (690) |
| Currency translation differences | **(618)** | 439 |
| **At the end of the period** | **1,615** | 100,396 |

## 11 Accounts receivables

The detailed information of accounts receivables is as below:

| | **As at June 30, 2023** | As at December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Accounts receivables | **218,177** | 258,576 |
| Less: credit loss allowances | **(21,979)** | (6,900) |
| Total | **196,198** | 251,676 |

The Group generally allows a credit period of three months to its customers. Aging analysis of accounts receivables based on recognition date is as follows:

| | **As at June 30, 2023** | As at December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Up to 3 months | **132,298** | 135,423 |
| 3 to 6 months | **13,647** | 48,144 |
| 6 to 9 months | **13,963** | 21,137 |
| 9 months to 1 year | **11,390** | 11,466 |
| Over 1 year | **46,879** | 42,406 |
| Total | **218,177** | 258,576 |

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value and were denominated in RMB.

Movements on the Group's allowance for credit loss of accounts receivables are as follows:

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| At the beginning of the period | **(6,900)** | (2,291) |
| Additional provision | **(15,079)** | (637) |
| At the end of the period | **(21,979)** | (2,928) |

## 12 Inventories

| | As at June 30, 2023 | As at December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Raw materials | **687** | 716 |
| Components | **10,463** | 12,563 |
| Finished goods | **147,662** | 168,695 |
| | **158,812** | 181,974 |
| Less: provision for impairment *(Note)* | **(12,205)** | (14,237) |
| Total | **146,607** | 167,737 |

*Note:* Provision for impairment was recognized for the amount by which the carrying amount of the inventories exceeds its net realizable value and was recorded in cost of revenues in the condensed consolidated income statements. The provision for impairment expense of inventories amounted to RMB4,091,000 and RMB515,000 for the six months ended June 30, 2023 and 2022.

Provision for impairment movements for the six months ended June 30, 2023 and 2022 are as below:

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| At the beginning of the period | **(14,237)** | (8,011) |
| Provision for impairment | **2,032** | (515) |
| At the end of the period | **(12,205)** | (8,526) |

Inventories recognized as cost of revenues except for provision for impairment the six months ended June 30, 2023 and 2022 amounted to RMB412,090,000 and RMB427,805,000, respectively.

## 13 Dividends

No dividends have been paid or declared by the Company during each of the six months ended June 30, 2023 and 2022.

## 14 Accounts payables

Accounts payables and their aging analysis based on invoice date are as follows:

| | **As at June 30, 2023** | As at December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Up to 3 months | **149,077** | 154,095 |

Accounts payables are unsecured and are generally paid within three months of invoice date.

The carrying amounts of accounts payables are considered to be the same as their fair values, due to their short-term nature, and are substantially denominated in RMB.

## 15 Borrowings

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|---|---|---|
| Bank loan — secured | **57,404** | 61,521 |
| Bank loan — unsecured | **—** | 13,003 |
| **Total** | **57,404** | 74,524 |

The term of bank borrowings as of June 30, 2023 and December 31, 2022 are within one year. The weighted average interest rate for the outstanding borrowings was 3.1% and 3.3% as at June 30, 2023 and December 31, 2022, respectively.

(i) The amount of RMB19,021,000 and RMB36,053,000 borrowings are secured by oversea deposits with the amount of USD3,200,000 and USD6,150,000 included in short-term time deposits, as at June 30, 2023 and December 31, 2022, respectively;

(ii) The amount of RMB15,364,000 and RMB25,468,000 borrowings are secured by domestic deposits with the amount of RMB15,500,000 and RMB25,500,000, as at June 30, 2023 and December 31, 2022, respectively;

(iii) The amount of RMB23,019,000 borrowings are secured by one of the Company's subsidiaries, as at June 30, 2023.

## 16 Events occurring after the reporting period

Significant event that took place subsequent to June 30, 2023 is as follows:

On July 12, 2023, the Company successfully completed its initial public offering of 10,838,600 shares at HK$28.92 per share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%), and its shares were listed on the Main Board of the Stock Exchange.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Compliance with the Corporate Governance Code

The Company was incorporated in the Cayman Islands on April 21, 2015 with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange on July 12, 2023 (the "**Listing Date**").

The Company and the Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. As the shares of the Company were not yet listed on the Stock Exchange as of June 30, 2023, the code provisions as set out in Part 2 of the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules were not applicable to the Company during the Reporting Period.

Save as disclosed below, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code throughout the period from the Listing Date up to the date of this announcement.

Pursuant to code provision C.2.1 in Part 2 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairperson and chief executive officer and Mr. Wang Ning (王寧) currently performs these two roles. The Board believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

## Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company since the Listing Date. As the shares of the Company were not yet listed on the Stock Exchange as of June 30, 2023, the Model Code was not applicable to the Company during the Reporting Period.

Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code throughout the period from the Listing Date up to the date of this announcement.

**Purchase, Sale or Redemption of Listed Securities of the Company**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period and up to the date of this announcement.

**Audit Committee**

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. With terms of reference in compliance with the Listing Rules, the Audit Committee comprises three members, namely Ms. Ge Xin (葛新), Mr. Shan Yigang (單一剛) and Mr. Wang Haining (王海寧), with Ms. Ge Xin (葛新) (being our independent non-executive Director with the appropriate professional qualifications) as chairperson of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2023 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members.

**Significant Events after the Reporting Period**

Significant event that took place subsequent to June 30, 2023 is as follows:

On July 12, 2023, the Company successfully completed its initial public offering of 10,838,600 shares at HK$28.92 per share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%), and its shares were listed on the Main Board of the Stock Exchange.

Save as disclosed in this announcement, the Company is not aware of any significant event that might affect the Group since June 30, 2023 and up to the date of this announcement.

### Use of Proceeds

With the shares listed on the Stock Exchange on July 12, 2023, the net proceeds from the global offering were approximately HK$192.0 million after deducting underwriting commissions and offering expenses, which will be utilized for the purposes as set out in the Prospectus. As of the date of this announcement, there was no change in the intended use of net proceeds as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. To the extent that net proceeds are not immediately used for the intended use and to the extent permitted by the relevant law and regulations, the Company will place the net proceeds as short-term deposits only at licensed banks or financial institutions. For details of the breakdown of the use of proceeds, please refer to the interim report of the Company to be published in due course.

### Interim Dividend

The Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2023.

## PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **https://keep.com/**.

The interim report of the Company for the six months ended June 30, 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

## APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

By order of the Board
**Keep Inc.**
**Wang Ning**
*Chairman, executive director and chief executive officer*

Hong Kong, August 25, 2023

*As at the date of this announcement, the executive directors of the Company are Mr. Wang Ning, Mr. Peng Wei and Mr. Liu Dong; the non-executive director of the Company is Mr. Li Haojun; and the independent non-executive directors of the Company are Ms. Ge Xin, Mr. Shan Yigang and Mr. Wang Haining.*