



Keep Inc.

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

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 3650

Interim Report 中期報告 2023

Contents

02	Definitions
04	Corporate Information
06	Financial Highlights
07	Management Discussions and Analysis
20	Corporate Governance and Other Information
31	Interim Condensed Consolidated Income Statement
32	Interim Condensed Consolidated Statement of Comprehensive Income
33	Interim Condensed Consolidated Balance Sheet
35	Interim Condensed Consolidated Statement of Changes in Deficit in Equity
37	Interim Condensed Consolidated Statement of Cash Flows
39	Notes to Interim Condensed Consolidated Financial Statements

Definitions

In this report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

“2016 Plan”	the Amended and Restated 2016 Employee’s Stock Option Plan adopted in June 2021
“2021 Plan”	the Amended and Restated 2021 Employee’s Stock Option Plan adopted in June 2021
“2023 Plan” or “Post-IPO Share Incentive Plan”	the post-IPO share incentive plan adopted by our Company immediately before Listing
“5Y Capital”	collectively, Morningside China TMT Fund IV, L.P., Morningside China TMT Fund IV Co-Investment, L.P., Morningside China TMT Special Opportunity Fund II, L.P., Evolution Special Opportunity Fund I, L.P., and Evolution Fund I Co-investment, L.P., each of which is one of the Pre-IPO Investors of our Company
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of Directors
“Calorie Technology”	Beijing Calorie Technology Co., Ltd. (北京卡路里科技有限公司), a limited liability company established under the laws of the People’s Republic of China on September 26, 2014 and a Consolidated Affiliated Entity
“Company”, “our Company”, “the Company”, “we”, “us”, “our”, or “Keep”	Keep Inc., an exempted company with limited liability incorporated in the Cayman Islands on April 21, 2015, its subsidiaries and its Consolidated Affiliated Entities
“Consolidated Affiliated Entities”	Calorie Technology and its subsidiaries and affiliated entities
“Corporate Governance Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“COVID-19”	the Coronavirus Disease 2019
“date of this report”	August 25, 2023
“Director(s)”	the director(s) of our Company
“GGV Capital”	collectively, GGV Capital Select L.P., GGV Capital V L.P., GGV Capital V Entrepreneurs Fund L.P. and GGV VII Investments Pte. Ltd., each of which is one of the Pre-IPO Investors of our Company
“Global Offering”	the global offering of the Company
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the Consolidated Affiliated Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the contractual arrangements) from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and Consolidated Affiliated Entities, such subsidiaries and Consolidated Affiliated Entities as if they were subsidiaries and Consolidated Affiliated Entities of our Company at the relevant time

“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”, “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRSs”	International Financial Reporting Standards
“JenCap”	collectively, JenCap Squad and JenCap Squad I L.P., each of which is one of the Pre-IPO Investors of our Company
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	the date, Wednesday, July 12, 2023, on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Pre-IPO Investor(s)”	the investors in our Company prior to our Listing
“Pre-IPO Share Incentive Plans”	collectively, the 2016 Plan and the 2021 Plan
“Prospectus”	the prospectus of the Company, dated June 30, 2023, in relation to its global offering
“Reporting Period”	the six months ended June 30, 2023
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the shares in the share capital of our Company with a par value of US\$0.00005 each, as the context so requires
“Shareholder(s)”	holder(s) of our Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

Reference is made to the Prospectus. Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the Prospectus.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Ning

(Chairman and Chief Executive Officer)

Mr. Peng Wei

Mr. Liu Dong

Non-Executive Director

Mr. Li Haojun

Independent Non-Executive Directors

Ms. Ge Xin

Mr. Shan Yigang

Mr. Wang Haining

AUDIT COMMITTEE

Ms. Ge Xin *(Chairperson)*

Mr. Shan Yigang

Mr. Wang Haining

NOMINATION COMMITTEE

Mr. Shan Yigang *(Chairperson)*

Mr. Wang Haining

Mr. Wang Ning

REMUNERATION COMMITTEE

Mr. Wang Haining *(Chairperson)*

Ms. Ge Xin

Mr. Wang Ning

JOINT COMPANY SECRETARIES

Mr. Huang Weibo

Ms. Lai Siu Kuen

AUTHORIZED REPRESENTATIVES

Mr. Wang Ning

Mr. Huang Weibo

AUDITOR

PricewaterhouseCoopers

(Certified Public Accountants and Registered Public Interest Entity Auditor)

22/F, Prince's Building

Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Davis Polk & Wardwell LLP

10/F, The Hong Kong Club Building

3A Chater Road

Central, Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited

27/F, Low Block

Grand Millennium Plaza

181 Queen's Road Central

Central, Hong Kong

REGISTERED OFFICE

ICS Corporate Services (Cayman) Limited

3-212 Governors Square

23 Lime Tree Bay Avenue

P.O. Box 30746, Seven Mile Beach

Grand Cayman KY1-1203

Cayman Islands

HEADQUARTERS

Building D, Vanke Time Square

No. 9 Wangjing Street

Chaoyang District

Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place

348 Kwun Tong Road

Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

ICS Corporate Services (Cayman) Limited

3-212 Governors Square

23 Lime Tree Bay Avenue

P.O. Box 30746, Seven Mile Beach

Grand Cayman KY1-1203

Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wan Chai, Hong Kong

COMPANY WEBSITE

<https://keep.com/>

STOCK CODE

3650

Financial Highlights

	Six months ended June 30,		Year-on-year change (%)
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (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.

Management Discussions 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.

Management Discussions and Analysis

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 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 cyclists, 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.

Management Discussions and Analysis

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,		Year-on-year
	2023	2022	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,		Year-on-year
	2023	2022	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.

Management Discussions and Analysis

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 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 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 2016 Plan and 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.

Management Discussions and Analysis

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
<i>Add:</i>		
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 report, 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.

We offer competitive wages and other benefits to the employees and provide discretionary performance bonus as a further incentive. We have also improved career development pathways and talent training systems for employees to facilitate their self-growth. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

In accordance with the rules and regulations in the PRC, we participate in the applicable housing provident funds and various social insurance plans for employees initiated by local and provincial governments. The Group and the PRC based employees are required to make monthly contributions to these plans calculated as a specific percentage of the employees' salaries.

Bank borrowings and gearing ratio

As of June 30, 2023, our outstanding borrowings amounted to RMB57.4 million, which are at fixed rate. For details on the level of borrowings and maturity profile of the bank loans of the Company and the Group as at June 30, 2023, please refer to Note 26 to the consolidated financial statements.

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 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 and we did not hedge against any fluctuation in foreign currency.

Management Discussions and Analysis

USE OF PROCEEDS FROM GLOBAL OFFERING

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 report, 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.

As of the date of this report, 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:

	Net proceeds from the Global Offering (HK\$ million)	Approximate % of total net proceeds	Utilized net proceeds from the Global Offering as of the date of this report (HK\$ million)	Unutilized net proceeds from the Global Offering as of the date of this report	Expected timeline of full utilization of the unutilized net proceeds⁽¹⁾
Intended use of net proceeds					

For research and development to advance our technological capabilities and drive product innovation:

**Before
December 31,
2025**

1. to attract, retain and incentivize our research and development talents to support our research and development initiatives and product innovation and enhance the integration of self-branded fitness products with our online fitness content, thereby enabling a more seamless experience

28.8

15%

0

28.8

Intended use of net proceeds	Net proceeds from the Global Offering (HK\$ million)	Approximate % of total net proceeds	Utilized net proceeds from the Global Offering as of the date of this report (HK\$ million)	Unutilized net proceeds from the Global Offering as of the date of this report	Expected timeline of full utilization of the unutilized net proceeds⁽¹⁾
2. to invest in Keep smart fitness devices, including conducting continuous research and development and adding new features to our existing offerings, and creating new and innovative products for users with various fitness needs	19.2	10%	0	19.2	
3. invest in artificial intelligence, data analysis and technology infrastructure to strengthen our technological capabilities and enhance digital connectivity and interaction among platform participants	19.2	10%	0	19.2	

For the development and diversification of our fitness content:

Before December 31, 2025

1. to invest in our in-house, vertically integrated content development capability by increasing the number of recorded fitness courses and live streaming classes and catering to users' diversified preferences, thereby further driving user engagement	23.0	12%	0	23.0	
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Management Discussions and Analysis

Intended use of net proceeds	Net proceeds from the Global Offering (HK\$ million)	Approximate % of total net proceeds	Utilized net proceeds from the Global Offering as of the date of this report (HK\$ million)	Unutilized net proceeds from the Global Offering as of the date of this report	Expected timeline of full utilization of the unutilized net proceeds⁽¹⁾
2. to expand our fitness content library and enrich users' experience through other innovative initiatives, such as introducing virtual coaches and more gamified features into the fitness content	17.3	9%	0	17.3	
3. to introduce more specialized content and expand into new fitness categories by cultivating more fitness influencers on our platform and collaborating with more fitness professionals	11.5	6%	0	11.5	
4. to expand our content offerings by purchasing more valuable and exclusive fitness intellectual properties and acquiring qualified third-party content to build competitive moats and satisfy the evolving needs of our users	5.8	3%	0	5.8	

Intended use of net proceeds	Net proceeds from the Global Offering (HK\$ million)	Approximate % of total net proceeds	Utilized net proceeds from the Global Offering as of the date of this report (HK\$ million)	Unutilized net proceeds from the Global Offering as of the date of this report	Expected timeline of full utilization of the unutilized net proceeds⁽¹⁾
For the investment in branding and promotion					Before December 31, 2025
1. to be used in user acquisition activities to continue to gain mindshare and attract users across different ages, areas of interest, and locations	23.0	12%	0	23.0	
2. to be used in branding activities used to continue to promote our brand and strengthen its image and influence among users	19.2	10%	0	19.2	
3. to be used in promotional activities to continue to promote our fitness devices and products through placing ads in social media, holding live streaming promotion sessions and collaborating with other brands, among others	5.8	3%	0	5.8	
For general corporate purposes and working capital needs					Before December 31, 2025
	19.2	10%	0	19.2	

Note:

(1) The expected timeline is based on the best estimation made by the Group on future market condition and may change with the current market condition and future development.

The Group will utilize the net proceeds of the Global Offering in accordance with the intended purposes as set out in the Prospectus.

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the Company was not listed on the Stock Exchange as of June 30, 2023, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors and the chief executive of the Company as of June 30, 2023. As at the date of this report, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in the Company's Shares

Name of Director	Nature of interest	Number of Shares and underlying Shares held	Approximate percentage of interest in the Company
Mr. Wang Ning ⁽¹⁾	Interest in controlled corporation	78,469,806	14.93%
	Interest under contract	21,652,719	4.12%
	Interest in controlled corporation	8,909,312	1.69%
Mr. Peng Wei ⁽²⁾	Interest in a controlled corporation	10,621,480	2.02%
Mr. Liu Dong ⁽³⁾	Interest in controlled corporation	5,561,499	1.06%
	Beneficial owner	10,000	0.00%

Notes:

- (1) Each of Persistent Courage Holdings Limited and Lightmap Limited holds 78,469,806 and 8,909,312 Shares respectively, and each of them is wholly owned by Arrow Factory Limited, which is controlled by Starnap Trust, a trust controlled by Mr. Wang Ning ("**Mr. Wang**") and in which Mr. Wang is the settlor and sole beneficiary. Additionally, pursuant to the voting proxy agreements dated June 14, 2022 ("**Voting Proxy Agreements**"), Mr. Wang, through Persistent Courage Holdings Limited as proxyholder, is entitled to the votes attached to an aggregate of 21,652,719 Shares held by the proxy granters. Accordingly, under the SFO, Mr. Wang, through Persistent Courage Holdings Limited, is deemed to be interested in the subject Shares under the Voting Proxy Agreements.
- (2) Mr. Peng Wei ("**Mr. Peng**") holds his interests in our Company through his controlled corporation, Metropolis Olympia Holdings Limited, which holds 10,621,480 Shares. Metropolis Olympia Holdings Limited is wholly-owned by Pacinoson Limited, which in turn is controlled by a trust that is controlled by Mr. Peng and in which Mr. Peng is the settlor and sole beneficiary. Under the SFO, Mr. Peng is deemed to be interested in all the interests in our Company held by Metropolis Olympia Holdings Limited.
- (3) Mr. Liu Dong ("**Mr. Liu**") is beneficially interested in 10,000 Shares, which underlines the outstanding options granted to him under the 2016 Plan. Mr. Liu holds additional interests in our Company through his controlled corporation, Bulldog Group Ltd, which holds 5,561,499 Shares, of which 990,000 of the Shares were awarded to Mr. Liu Dong pursuant to the Pre-IPO Share Incentive Plans and are held by Bulldog Group Ltd as restricted shares (with restrictions on transfer, voting and income) until the relevant vesting and exercise conditions are fulfilled. Bulldog Group Ltd is ultimately wholly controlled by a trust in which Mr. Liu is the settlor and sole beneficiary. Under the SFO, Mr. Liu is deemed to be interested in all the interest in our Company held by Bulldog Group Ltd.

Save as disclosed above, none of the Directors or chief executive of the Company had registered an interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at the date of this report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Company was not listed on the Stock Exchange as of June 30, 2023, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as of June 30, 2023. As at the date of this report, to the best of the knowledge of the Company and the Directors, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Interests in the Shares and Underlying Shares of the Company

Name of shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in the Company
Mr. Wang Ning⁽¹⁾	Interest in controlled corporations	109,031,837	20.74%
Lightmap Limited*	Beneficial owner	8,909,312	1.69%
Persistent Courage Holdings Limited	Beneficial owner	78,469,806	14.93%
	Interest under contract	21,652,719	4.12%
GGV Shareholders⁽²⁾	Interest in controlled corporation	75,814,900	14.42%
GGV Capital Select L.P.*	Beneficial owner	22,301,580	4.24%
GGV Capital V L.P.	Beneficial owner	44,557,380	8.48%
GGV Capital V Entrepreneurs Fund L.P.*	Beneficial owner	1,635,240	0.31%
GGV VII Investments Pte. Ltd.*	Beneficial owner	7,320,700	1.39%
Futu Trustee Limited⁽³⁾	Trustee	59,645,300	11.35%
Calorie Partner Limited	Beneficial interest	45,205,300	8.60%
Calorie Fortune Limited*	Beneficial interest	14,440,000	2.75%
SVF II Calorie Subco (DE) LLC⁽⁴⁾			
SVF II Calorie Subco (DE) LLC	Beneficial owner	48,804,580	9.28%
5Y Capital⁽⁵⁾	Interest in controlled corporations	39,430,520	7.50%
Morningside China TMT Fund IV, L.P.	Beneficial owner	30,280,360	5.76%
Morningside China TMT Fund IV Co-Investment, L.P.*	Beneficial owner	3,140,920	0.60%
Morningside China TMT Special Opportunity Fund II, L.P.*	Beneficial owner	1,128,780	0.21%
Evolution Special Opportunity Fund I, L.P.*	Beneficial owner	4,243,880	0.81%
Evolution Fund I Co-investment, L.P.*	Beneficial owner	636,580	0.12%

Corporate Governance and Other Information

Name of shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in the Company
MORESPARK LIMITED⁽⁶⁾			
MORESPARK LIMITED	Beneficial owner	32,819,640	6.24%
JenCap⁽⁷⁾			
JenCap Squad*	Interest in controlled corporations	29,509,020	5.61%
JenCap Squad I L.P.*	Beneficial owner	26,053,100	4.96%
	Beneficial owner	3,455,920	0.66%
BAI GmbH⁽⁸⁾			
BAI GmbH	Beneficial owner	28,038,500	5.33%

Notes:

* These entities are not substantial shareholders as they will not have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, and will not be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group. These entities are disclosed in this table for the sake of completeness. For the avoidance of doubt, any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

(1) Each of Persistent Courage Holdings Limited and Lightmap Limited is wholly owned by Arrow Factory Limited, which is controlled by Starmap Trust, a trust controlled by Mr. Wang and in which Mr. Wang is the settlor and sole beneficiary. Additionally, pursuant to the Voting Proxy Agreements, Mr. Wang, through Persistent Courage Holdings Limited as proxyholder, is entitled to the votes attached to an aggregate of 21,652,719 Shares held by the proxy granters.

Accordingly, Mr. Wang, Trident Trust Company (HK) Limited and Arrow Factory Limited are deemed or taken to be interested in the Shares in which Persistent Courage Holdings Limited and Lightmap Limited are interested in under the SFO, on an aggregated basis.

(2) GGV Capital Select L.P. is controlled by GGV Capital Select L.L.C. GGV Capital V L.P. is controlled by GGV Capital V L.L.C. GGV Capital V Entrepreneurs Fund L.P. is controlled by GGV Capital V L.L.C. GGV VII Investments Pte. Ltd. is ultimately controlled by GGV Capital VII L.L.C. GGV Capital Select L.L.C. and GGV Capital V L.L.C. are controlled by Lee Hongwei Jenny, Jeff Richards, Jixun Foo, Glenn Solomon and Hans Tung. GGV Capital VII L.L.C. is controlled by Lee Hongwei Jenny, Jeff Richards, Jixun Foo, Glenn Solomon, Hans Tung and Eric Xu.

(3) Futu Trustee Limited is the trustee of Calorie Partner Limited and Calorie Fortune Limited, which hold Shares on behalf of participants of the Pre-IPO Share Incentive Plans who are not close associates of our Company. Accordingly, Futu Trustee Limited is deemed to be or taken to be interested in the Shares held by corporations controlled by the trusts in which it is trustee under the SFO, on an aggregated basis.

(4) SVF II Calorie Subco (DE) LLC ("**SVF**") is a special purpose vehicle indirectly majority owned by SoftBank Vision Fund II-2 L.P. ("**SVF Fund II**") through SVF II Aggregator (Jersey) L.P., SVF II Holdings (DE) LLC, SVF II Investment Holdings LLC and SVF II Investment Holdings (Subco) LLC. The sole member of SVF is SVF II Investment Holdings (Subco) LLC ("**SVF II Investment Subco**") and the sole member of SVF II Investment Subco is SVF II Investment Holdings LLC. SB Global Advisers Limited ("**SBGA**") has been appointed as manager and is responsible for making all decisions related to the acquisition, structuring, financing and disposal of SVF Fund II's investments, including as held by SVF II Investment Holdings LLC. SB Global Advisers Capital Markets Limited is wholly owned by SBGA.

Accordingly, SBGA, SB Global Advisers Capital Markets Limited, SoftBank Group Corp., SVF Fund II-2, SVF II GP (Jersey) Limited, SVF II Aggregator (Jersey) L.P., SVF II Holdings (DE) LLC and SVF II Investment Holdings LLC, are deemed or taken to be interested in the Shares in which SVF II Investment Subco is interested in under the SFO.

(5) Morningside China TMT Fund IV, L.P., Morningside China TMT Fund IV Co-Investment, L.P. and Morningside China TMT Special Opportunity Fund II, L.P. are controlled by its general partner, Morningside China TMT GP IV, L.P.. Morningside China TMT GP IV, L.P., is controlled by its general partner, TMT General Partner Ltd.. Each of Liu Qin, Shi Jianming and Morningside Venture (VII) Investments Limited is entitled to exercise or control the exercise of one-third of the voting power of all issued shares in TMT General Partner Ltd. at its general meeting. Morningside Venture (VII) Investments Limited is indirectly 100% held by the Landmark Trust Switzerland SA as trustee of a discretionary trust established by Mdm. Chan Tan Ching Fen for the benefit of certain members of her family and other charitable objects, through a series of 100% owned holding companies, Morningside Ventures Limited, Morningside Group International Limited and Morningside-Springfield Group Limited. Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P. are controlled by their general partner 5Y Capital GP Limited. Each of Liu Qin and Shi Jianming is entitled to exercise or control the exercise of one-half of the voting power of all issued shares in 5Y Capital GP Limited at its general meeting. Ni Yuanyuan is the spouse of Liu Qin. Lou Yiting is the spouse of Shi Jianming.

Accordingly, Chan Tan Ching Fen, Landmark Trust Switzerland SA, Morningside-Springfield Group Limited, Morningside Group International Limited, Morningside Ventures Limited, Morningside Venture (VII) Investments Limited, Liu Qin, Shi Jianming, TMT General Partner Ltd., Morningside China TMT GP IV, L.P., Ni Yuanyuan and Lou Yiting are deemed or taken to be interested in the Shares in which Morningside China TMT Fund IV, L.P., Morningside China TMT Fund IV Co-Investment, L.P., Morningside China TMT Special Opportunity Fund II, L.P., Evolution Special Opportunity Fund I, L.P., Evolution Fund I Co-investment, L.P. are interested in under the SFO, on an aggregated basis.

- (6) Tencent Holdings Limited (listed company on the Stock Exchange) is the sole member of Morespark Limited. Accordingly, Tencent Holdings Limited is deemed or taken to be interested in the Shares in which Morespark Limited is interested in under the SFO.
- (7) JenCap Squad is wholly owned by Jeneration Capital Partners II L.P., which is controlled by its general partner, Jeneration Capital GP II. JenCap Squad I L.P., is controlled by its general partner JenCap Squad I GP. Jeneration Capital GP II and JenCap Squad I GP are ultimately controlled by Jimmy Ching-Hsin Chang through a series of 100% owned holding companies, Jeneration Group Limited and Purple Panther. Leung Catherine Ho Yan is the spouse of Jimmy Ching-Hsin Chang.

Accordingly, Jimmy Ching-Hsin Chang, Leung Catherine Ho Yan, Purple Panther and Jeneration Group Limited are deemed or taken to be interested in the Shares in which JenCap Squad and JenCap Squad I L.P. are interested in under the SFO, on an aggregated basis.

- (8) BAI GmbH is wholly owned by Reinhard Mohn GmbH. Reinhard Mohn GmbH is wholly owned by Bertelsmann SE&Co. KgaA, which is controlled by Bertelsmann Verwaltungsgesellschaft mbH. Bertelsmann Verwaltungsgesellschaft mbH is controlled by Mr. Christoph Mohn. Bertelsmann SE&Co. KgaA is also indirectly non-wholly owned/controlled by Bertelsmann Stiftung through a series of holding/controlling entities, Bertelsmann Management SE, Reinhard Mohn Verwaltungsgesellschaft mit beschränkter Haftung and Johannes Mohn Gesellschaft mit beschränkter Haftung. Bertelsmann Stiftung is a non-profit foundation with no shareholders. Mohn Shobhna is the spouse of Mohn Christoph.

Accordingly, Bertelsmann Stiftung, Johannes Mohn Gesellschaft mit beschränkter Haftung, Reinhard Mohn Verwaltungsgesellschaft mit beschränkter Haftung, Bertelsmann Management SE, Bertelsmann Verwaltungsgesellschaft mbH, Bertelsmann SE & Co. KgaA, Reinhard Mohn GmbH, Mohn Christoph and Mohn Shobhna are deemed or taken to be interested in the Shares in which BAI GmbH is interested in under the SFO.

Save as disclosed above, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above or otherwise disclosed in this report, at no time during the Reporting Period and up to the date of this report, or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SHARE INCENTIVE PLANS

Pre-IPO Share Incentive Plans

Overview

The following is a summary of the principal terms of the Pre-IPO Share Incentive Plans as approved and adopted by the Board, as amended from time to time. The plans are not subject to Chapter 17 of the Listing Rules and will not involve the grant of options by our Company to subscribe for new shares after Listing. Upon Listing, we will not make any new grants of awards under the Pre-IPO Share Incentive Plans and the terms of the Pre-IPO Share Incentive Plans will not be subject to Chapter 17 of the Listing Rules. As at the date of this report, the number of awards and options outstanding under the Pre-IPO Share Incentive Plans are 22,753,075.

Purpose

The Pre-IPO Share Incentive Plans are adopted with a view to attracting and retaining the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, directors, and consultants and to promote the success of our business by offering these individuals an opportunity to acquire a proprietary interest in the success of our Company or to increase their interest, by issuing them Shares or by permitting them to purchase Shares.

Corporate Governance and Other Information

Eligible Participants

Persons eligible to participate in the Pre-IPO Share Incentive Plans include employees of our Company or any parent or subsidiary of our Company, a member of the board of directors of the Company, or any consultant who is engaged by the Company or its parent or subsidiary to render consulting or advisory services to such entity.

Maximum Number of Shares

There will not be no more new grants of awards under the Pre-IPO Share Incentive Plans upon the Listing. The maximum aggregate number of Shares underlying all awards pursuant to the 2016 Plan is 35,536,640 Shares, and the maximum aggregate number of Shares underlying all awards pursuant to the 2021 Plan is 25,108,660 Shares.

As at January 1, 2023, an aggregate of 24,724,825 Shares underlie awards that remain outstanding under the Pre-IPO Share Incentive Plans. As at June 30, 2023, an aggregate of 23,002,575 Shares underlie awards that remain outstanding under the Pre-IPO Share Incentive Plans, of which (a) 22,992,575 Shares were issued to Calorie Partner Limited, which are reserved for satisfying awards granted or to be granted to participants of our Pre-IPO Share Incentive Plans; and (b) 10,000 Shares remain to be issued and which underlie the options granted to our Director, Mr. Liu Dong. The Shares issued to and held by Calorie Partner Limited and that are unvested will not be used to vote at general meetings of our Company.

Maximum Entitlement of a Participant

There are no restrictions on the maximum entitlement of a participant under the terms of the Pre-IPO Share Incentive Plans.

Exercise Period

The exercise period of these options commence from the vesting date of the relevant options and end on the tenth anniversary of the grant date thereof.

Vesting Period

The options which have been granted shall be vested in accordance with the periods as may be determined by the Board and as set out in the notice of offer.

Duration and Remaining Life

Unless terminated earlier by the Board, the 2016 Plan and the 2021 Plan will terminate ten years after their respective adoption date.

As at the date of this report, the remaining life of the 2016 Plan and the 2021 Plan was about seven years and ten months and seven years and ten months, respectively.

Exercise Price

The exercise price in respect of any option shall be such amount as may be determined by the Board from time to time and set out in the notice of offer. The basis of determining the exercise price included among others service term and work performance.

Amount Payable on Application or Acceptance of the Option

No cash consideration was paid by the grantees for the outstanding options granted.

Details of Movements in the Options Granted under the 2016 Plan and the 2021 Plan during the Six Months ended June 30, 2023

Participant	Outstanding	Granted	Exercised	Canceled	Lapsed	Outstanding	Outstanding	Date of Grant	Exercise price (US\$/Share)	Vesting period	Exercise period	Share	Weighted
	as at January 1, 2023	during the Reporting Period ⁽¹⁾	during the Reporting Period	during the Reporting Period	during the Reporting Period	as at June 20, 2023 ⁽²⁾	as at June 30, 2023					closing price immediately before the date of grant of share options	average share closing price of the Shares immediately before the exercise dates
Mr. Liu Dong (Director)	10,000	Nil	Nil	Nil	Nil	10,000	10,000	April 22, 2021	US\$0.80	Note 3	Note 5	N/A ^{Note 6}	N/A
Other grantees	24,714,825	290,000	Nil	509,750	1,530,000	22,992,575	22,992,575	March 7, 2016– February 14, 2023	US\$0.005– US\$4.098	Note 4	Note 5	N/A ^{Note 6}	N/A

Notes:

- (1) Such options were granted before the Listing Date of July 12, 2023, and the Listing Date was after the six months ended June 30, 2023. The information is prepared based on the disclosure in the Prospectus. None of the grant of options to any participant was in excess of 1% individual limit.
- (2) Being the latest practicable date (i.e., June 20, 2023) for ascertaining information in the Prospectus.
- (3) 50% of the Shares underlying the option shall vest upon the second anniversary of the vesting commencement date. Another 25% of the Shares subject to the option shall vest upon the third and fourth anniversary of the vesting commencement date respectively or at such time that the plan administrator may designate at its sole discretion.
- (4) Please refer to Note 22 to the consolidated financial statements for the vesting schedule.
- (5) The exercise period of these options commence from the vesting date of the relevant options and end on the tenth anniversary of the grant date thereof.
- (6) Such options were granted before the Listing Date and therefore the share closing price immediately before the date of grant of the options is not applicable.
- (7) Details of the valuation of the options, including the accounting standard and policy adopted for the Pre-IPO Share Incentive Plans, are set out in Note 22 to the consolidated financial statements.
- (8) As the Listing Date is July 12, 2023, Rule 17.07(3) of the Listing Rules is not applicable since no Shares would be issued in respect of the options granted under the Pre-IPO Share Incentive Plans as of June 30, 2023.

Corporate Governance and Other Information

Post-IPO Share Incentive Plan

Overview

The following is a summary of the principal terms of the 2023 Plan approved by our Company on June 12, 2023, which was adopted immediately prior to Listing. This plan constitutes a share scheme governed by Chapter 17 of the Listing Rules.

As disclosed in the section headed “Summary of material terms of the Pre-IPO Share Incentive Plans — Maximum number of Shares” in Appendix IV to the Prospectus, 22,212,725 Shares issued and underlying ungranted awards under Pre-IPO Share Incentive Plans will be used to fund share options and share awards granted under the Post-IPO Share Incentive Plan.

As the 2023 Plan was not effective until the Listing Date (i.e. July 12, 2023), the numbers of options and awards available for grant under the 2023 Plan at the beginning and the end of the Reporting Period are not applicable. As at the date of this report, the number of options and awards available for grant under the 2023 Plan is 52,567,199.

As of the date of this report, no share option or share award was granted under the 2023 Plan.

Purpose

The purpose of this plan is to: (a) provide our Company with a flexible means of attracting, remunerating, incentivising, retaining, rewarding, compensating and/or providing benefits to Eligible Participants (defined below); (b) align the interests of Eligible Participants with those of our Company and Shareholders by providing such Eligible Participants with the opportunity to acquire proprietary interests in our Company and become Shareholders; and (c) encourage Eligible Participants to contribute to the long-term growth, performance and profits of the Company and to enhance the value of our Company and our Shares for the benefit of our Company and Shareholders as a whole.

Eligible Participants

The following participants are eligible to participate in this plan (the “**Eligible Participants**”):

Employee Participants

A director, officer or employee of our Group on the grant date.

Related Entity Participant

A director, officer or employee of (i) our holding company (if any); (ii) subsidiaries of our holding company other than our Group (if any); and (iii) associate companies of our Company.

Service Provider Participant

Persons providing services to our Group on a continuing basis in its ordinary and usual course of business that are in the interests of the long-term growth of our Group, as determined by the scheme administrator, pursuant to the criteria set out in this plan, and:

- (a) includes (i) content creators that provide significantly contributes to our Group and business; (ii) third-party platforms that is, or is anticipated to be going forward, a significant business partner or otherwise significant to our business; and (iii) consultants, suppliers and service providers that is, or is anticipated to be going forward, a significant business partner or otherwise significant to our business; but
- (b) does not include (i) placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions; or (ii) professional service providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity.

Awards and Scheme Limits

We may grant share options and share awards (collectively, “**awards**”) funded by new Shares (or Shares treated as new Shares, including the Rollover Award Shares), or an equivalent value determined at the prevailing market rate, under this plan.

The 2023 Plan shall have the following scheme:

Total scheme limit

The total number of Shares which may be issued pursuant to all awards to be granted under this plan and under any other share schemes of our Company is 10% of the Shares in issue on the Listing Date (i.e. 52,567,199).

Service Provider Participants sub-limit

The total number of Shares which may be issued pursuant to all awards to be granted to Service Provider Participants under this plan is 2,500,000 Shares.

The above limits may be refreshed by Shareholders at general meeting in accordance with Rule 17.03C of Chapter 17 of the Listing Rules.

Additionally, each Eligible Participant shall be subject to an individual grant limit and additional approval requirements, (a) with respect to a Director, chief executive or substantial shareholder of our Company, or their respective associates, as specified in Rule 17.04 of Chapter 17 of the Listing Rules; and (b) with respect to any Eligible Participant, as specified in Rule 17.03D of the Chapter 17 of the Listing Rules.

Vesting and Performance Targets

The scheme administrator shall determine the vesting period and specify this in the award letter. However, the vesting period may not be for a period less than 12 months from the grant date, except in limited circumstances set out in this plan. These circumstances may only apply to Employee Participants and are consistent with the scenarios contemplated in FAQ 092-2022 issued by the Stock Exchange.

Corporate Governance and Other Information

The scheme administrator may set vesting conditions on awards, which shall be specified in the award letter. These include performance targets, criteria or conditions to be satisfied in order for the relevant award to vest and be settled by the Company, and may be based on, among other criteria, performance appraisals within a specified period, business/financial/transactional/performance milestones, current and anticipated future contribution to our Group and business, minimum service period, upon reaching other specified targets.

Duration and Remaining Life

Subject to any early termination as determined by our Board, this plan shall have a plan life of ten years from the adoption date.

No grants may be made after termination of this plan. Notwithstanding termination of this plan, this plan and its rules shall continue to be valid and effective to the extent necessary to give effect to the vesting and exercise of awards granted prior to termination, and the termination shall not affect any subsisting rights already granted to a grantee. For the avoidance of doubt, awards granted during the plan life but that remain unexercised or unexpired prior to the termination shall continue to be valid and exercisable in accordance with this plan and the relevant award letter.

As at the date of this report, the remaining life of the Post-IPO Share Incentive Plan was about nine year and ten months.

Exercise Price

For awards which take the form of share awards, exercise price in respect of such share awards shall be such amount as may be determined by the scheme administrator from time to time and set out in the letter of grant. The basis of determining the exercise price included among others, service term and work performance.

For awards which take the form of options, the exercise price for such options shall be such price determined by the by the scheme administrator from time to time and set out in the letter of grant, provided that the exercise price shall in any event be no less than the higher of: (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the grant date; and (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the grant date.

Amount Payable on Application or Acceptance of the Award

The consideration payable on acceptance of each grant of awards and the period within which payments or calls must or may be made are stipulated in the grant letters.

As no new Shares were issued for the grant of options and awards during the Reporting Period, the number of Shares that may be issued in respect of options and awards granted under the Pre-IPO Share Incentive Plans and the Post-IPO Share Incentive Plan during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is not applicable.

CHANGE IN DIRECTORS AND CHIEF EXECUTIVES' BIOGRAPHICAL DETAILS UNDER RULE 13.51(B) OF THE LISTING RULES

The Company was incorporated in the Cayman Islands on April 21, 2015 with limited liability, and the Shares were listed on the Main Board of the Stock Exchange on July 12, 2023. Since the Listing Date up to the date of this report, there has been no change in the information of the Directors and chief executives as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 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 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 Part 2 of the Corporate Governance Code throughout the period from the Listing Date up to the date of this report.

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 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 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 report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from the Listing Date up to the date of this report.

Corporate Governance and Other Information

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. 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 comprises three independent non-executive Directors, namely Ms. Ge Xin (葛新), Mr. Shan Yigang (單一剛) and Mr. Wang Haining (王海寧). Ms. Ge Xin is the chairlady of the Audit Committee and is the director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee has reviewed this report and 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 EVENT 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 report and as of the date of this report, the Company is not aware of any significant events that might affect the Group since June 30, 2023 and up to the date of this report.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended June 30, 2023 to the Shareholders.

Interim Condensed Consolidated Income Statement

	Notes	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenues	7	984,656	1,011,707
Cost of revenues	8	(560,985)	(598,265)
Gross profit		423,671	413,442
Fulfillment expenses	8	(83,431)	(78,627)
Selling and marketing expenses	8	(257,103)	(303,977)
Administrative expenses	8	(112,044)	(120,247)
Research and development expenses	8	(243,371)	(248,572)
Other income		10,312	5,328
Other gains/(losses), net	9	3,320	(37,175)
Operating loss		(258,646)	(369,828)
Finance income	10	24,755	8,158
Finance expenses	10	(3,246)	(3,948)
Finance income, net		21,509	4,210
Fair value changes of convertible redeemable preferred shares	27	1,432,261	628,240
Profit before income tax		1,195,124	262,622
Income tax expense	11	—	(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)	12		
Basic earnings per share		8.64	1.89
Diluted loss per share		(0.52)	(0.81)

The notes on page 39 to 68 are an integrated part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period		1,195,124	261,619
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value change on convertible redeemable preferred shares due to own credit risk	27	(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)

The notes on page 39 to 68 are an integrated part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet

		As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property and equipment	13	23,267	30,603
Right-of-use assets		73,830	90,659
Intangible assets	14	13,950	9,316
Other non-current assets		109,285	73,763
		220,332	204,341
Current assets			
Inventories	18	146,607	167,737
Accounts receivables	16	196,198	251,676
Prepayments and other current assets	17	135,182	128,966
Financial assets at fair value through profit or loss	15	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

The notes on page 39 to 68 are an integrated part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet

	Notes	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
DEFICIT IN EQUITY			
Deficit in equity attributable to owners of the Company			
Share capital	19	61	61
Other reserves	20	(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)
LIABILITIES			
Non-current liabilities			
Lease liabilities		39,304	59,069
Convertible redeemable preferred shares	27	8,421,283	9,401,472
Other non-current liability		10,708	16,048
		8,471,295	9,476,589
Current liabilities			
Accounts payables	23	149,077	154,095
Accrued expenses	24	227,553	244,537
Other current liabilities	24	71,291	65,301
Contract liabilities	25	109,709	84,104
Borrowings	26	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

The notes on page 39 to 68 are an integrated part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Deficit in Equity

	Notes	Attributable to owners of the Company			Total RMB'000
		Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	
(Unaudited)					
Balance at January 1, 2023		61	(89,833)	(7,420,391)	(7,510,163)
Profit for the period		—	—	1,195,124	1,195,124
Other comprehensive loss					
Fair value change on convertible redeemable preferred shares due to own credit risk	27	—	(138,007)	—	(138,007)
Currency translation differences		—	(296,868)	—	(296,868)
Total comprehensive income/(loss) for the period		—	(434,875)	1,195,124	760,249
Transactions with owners in their capacity as owners					
Share-based compensation	22	—	13,994	—	13,994
Total transactions with owners in their capacity as owners		—	13,994	—	13,994
Balance at June 30, 2023		61	(510,714)	(6,225,267)	(6,735,920)

The notes on page 39 to 68 are an integrated part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Deficit in Equity

	Notes	Attributable to owners of the Company			Total RMB'000
		Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	
(Unaudited)					
Balance at January 1, 2022		47	555,142	(7,315,840)	(6,760,651)
Profit for the period		—	—	261,619	261,619
Other comprehensive income/(loss)					
Fair value change on convertible redeemable preferred shares due to own credit risk	27	—	5,515	—	5,515
Currency translation differences		—	(397,000)	—	(397,000)
Total comprehensive income/(loss) for the period					
		—	(391,485)	261,619	(129,866)
Transactions with owners in their capacity as owners					
Issuance of ordinary shares		14	(14)	—	—
Share-based compensation	22	—	49,221	—	49,221
Total transactions with owners in their capacity as owners					
		14	49,207	—	49,221
Balance at June 30, 2022					
		61	212,864	(7,054,221)	(6,841,296)

The notes on page 39 to 68 are an integrated part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(176,088)	(150,871)
Income tax paid		—	(1,003)
Net cash outflow from operating activities		(176,088)	(151,874)
Cash flows from investing activities			
Investments in financial assets at fair value through profit or loss	15	(1,390)	(129,212)
Proceeds from disposal of financial assets at fair value through profit or loss	15	141,758	284,514
Investments in short-term time deposits		(152,977)	(188,935)
Proceeds from maturity of short-term time deposits and forward contracts		20,681	177,205
Purchase of property and equipment		(1,829)	(8,227)
Purchase of intangible assets		(3,026)	(4,167)
Interest income received		21,080	7,651
Payment for long-term naming rights and sponsorship fees		(6,000)	(16,000)
Proceeds from disposal of property and equipment		333	57
Purchase of investments in non-current financial assets at amortized cost		(206,649)	—
Proceeds from disposal of investments in non-current financial assets at amortized cost		206,649	—
Net cash inflow from investing activities		18,630	122,886

The notes on page 39 to 68 are an integrated part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Six months ended June 30,	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Cash flows from financing activities		
Proceeds from bank borrowings	50,708	17,008
Repayment of bank borrowings	(67,821)	(37,482)
Bank borrowings interests paid	(1,193)	(1,416)
Payment for listing expenses	(307)	(1,896)
Repurchases of convertible redeemable preferred shares	—	(2,229)
Payments for principal elements and related interest of leases	(24,874)	(23,132)
Net cash outflow from financing activities	(43,487)	(49,147)
Net decrease in cash and cash equivalents	(200,945)	(78,135)
Cash and cash equivalents at the beginning of the period	1,672,217	1,653,517
Effects of exchange rate changes on cash and cash equivalents	9,067	62,030
Cash and cash equivalents at the end of the period	1,480,339	1,637,412

The notes on page 39 to 68 are an integrated part of this interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated Financial Statements

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 Tree Bay 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 report.

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

Notes to Interim Condensed Consolidated Financial Statements

4 ESTIMATES

The preparation of the interim condensed consolidated financial information requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Accountant's Report.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

The Group's policies on financial risk management were set out in the Accountant's Report and there have been no significant changes in the financial risk management policies for the six months ended June 30, 2023.

5.2 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- (1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- (3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at June 30, 2023:

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)				
Assets				
Financial assets at fair value through profit or loss				
– Wealth management products	–	1,615	–	1,615
– Investment in a private company (included in other non-current assets)	–	–	15,000	15,000
Total	–	1,615	15,000	16,615
Liabilities				
Preferred Shares	–	–	8,421,283	8,421,283
Total	–	–	8,421,283	8,421,283

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2022:

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
(Audited)				
Assets				
Financial assets at fair value through profit or loss				
– Wealth management products	–	139,864	–	139,864
– Investment in a private company (included in other non-current assets)	–	–	15,000	15,000
Total	–	139,864	15,000	154,864
Liabilities				
Preferred Shares	–	–	9,401,472	9,401,472
Total	–	–	9,401,472	9,401,472

Notes to Interim Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Fair value estimation (Continued)

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

(c) *Financial instruments in level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability ("DLOM"), market multiples, etc.

Level 3 instruments of the Group's assets and liabilities include Preferred Shares and investment in a private company.

The changes in level 3 instruments of Preferred Shares for the six months ended June 30, 2023 and 2022 are presented in the Note 27. There's no change in level 3 instruments of the investment in a private company for the six months ended June 30, 2023.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the six months ended June 30, 2023 and 2022.

On December 1, 2022, the Group acquired certain ordinary shares with preferential rights of one private company with consideration of RMB15,000,000 and measured the investment at financial assets at fair value through profit or loss. The consideration was close to its fair value as at June 30, 2023.

The carrying amounts of the Group's financial assets that are not measured at fair value, including cash and cash equivalents, short-term time deposits, accounts receivables, other receivables including in prepayments and other current assets, and the Group's financial liabilities that are not measured at fair value, including borrowing, accounts payables, accrued expenses and other current liabilities, approximate their fair values due to their short maturities.

6 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, 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.

Notes to Interim Condensed Consolidated Financial Statements

6 SEGMENT INFORMATION (Continued)

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 <i>RMB'000</i> (Unaudited)	Membership and online paid content <i>RMB'000</i> (Unaudited)	Advertising and others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (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 <i>RMB'000</i> (Unaudited)	Membership and online paid content <i>RMB'000</i> (Unaudited)	Advertising and others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (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

7 REVENUES

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

	Six months ended June 30,	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (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

8 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	<i>RMB'000</i>
	(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 16)	15,079	637
Provision for impairment of inventories (Note 18)	4,091	515
Amortisation of intangible assets (Note 14)	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

Notes to Interim Condensed Consolidated Financial Statements

9 OTHER GAINS/(LOSSES), NET

	Six months ended June 30,	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (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 15)	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)

10 FINANCE INCOME, NET

	Six months ended June 30,	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Finance income:		
Interest income from bank deposits	24,755	8,158
Finance expenses:		
Interest expenses from lease	(1,625)	(2,566)
Interest expenses from borrowings	(1,185)	(1,382)
Interest expenses from other liability	(436)	—
Total	21,509	4,210

11 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”).

Notes to Interim Condensed Consolidated Financial Statements

11 INCOME TAX EXPENSE (Continued)

(c) PRC Enterprise Income Tax (“EIT”) (Continued)

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.

11 INCOME TAX EXPENSE (Continued)

(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 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (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.

12 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 (Unaudited)	2022 (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.

Notes to Interim Condensed Consolidated Financial Statements

12 EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted loss per share (Continued)

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 ("ESOP").

	Six months ended June 30,	
	2023 (Unaudited)	2022 (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)

13 PROPERTY AND EQUIPMENT

The detailed information of property and equipment for the six months ended June 30, 2023 and 2022 is as below:

	Leasehold improvements RMB'000	Electronic equipment RMB'000	Office and fitness equipment RMB'000	Assets under construction RMB'000	Total RMB'000
(Unaudited)					
Cost					
At January 1, 2023	58,075	28,592	9,325	—	95,992
Additions	—	454	350	—	804
Disposal	—	(2,214)	(1,076)	—	(3,290)
At June 30, 2023	58,075	26,832	8,599	—	93,506
Accumulated depreciation					
At January 1, 2023	(45,210)	(16,154)	(4,025)	—	(65,389)
Additions	(2,993)	(3,407)	(822)	—	(7,222)
Disposal	—	1,991	381	—	2,372
At June 30, 2023	(48,203)	(17,570)	(4,466)	—	(70,239)
Net carrying amount					
At January 1, 2023	12,865	12,438	5,300	—	30,603
At June 30, 2023	9,872	9,262	4,133	—	23,267

13 PROPERTY AND EQUIPMENT (Continued)

	Leasehold improvements <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Office and fitness equipment <i>RMB'000</i>	Assets under construction <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)					
Cost					
At January 1, 2022	53,681	24,040	6,184	—	83,905
Additions	—	2,888	1,971	2,646	7,505
Disposal	—	(493)	(29)	—	(522)
Transfers	2,646	—	—	(2,646)	—
At June 30, 2022	56,327	26,435	8,126	—	90,888
Accumulated depreciation					
At January 1, 2022	(38,459)	(10,692)	(2,762)	—	(51,913)
Additions	(3,200)	(2,974)	(559)	—	(6,733)
Disposal	—	443	22	—	465
At June 30, 2022	(41,659)	(13,223)	(3,299)	—	(58,181)
Net carrying amount					
At January 1, 2022	15,222	13,348	3,422	—	31,992
At June 30, 2022	14,668	13,212	4,827	—	32,707

Depreciation expenses have been charged to the condensed consolidated income statement as follows:

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Research and development expenses	2,722	2,677
Cost of revenues	1,665	1,888
Selling and marketing expenses	1,358	1,035
Administrative expenses	1,477	1,133
	7,222	6,733

Notes to Interim Condensed Consolidated Financial Statements

14 INTANGIBLE ASSETS

The detailed information of intangible assets for the six months ended June 30, 2023 and 2022 is as below:

	Domain name <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)			
Cost			
At January 1, 2023	7,567	6,823	14,390
Additions	91	6,479	6,570
Currency translation differences	277	—	277
At June 30, 2023	7,935	13,302	21,237
Accumulated amortisation			
At January 1, 2023	(1,645)	(3,429)	(5,074)
Additions	(211)	(1,933)	(2,144)
Currency translation differences	(69)	—	(69)
At June 30, 2023	(1,925)	(5,362)	(7,287)
Net carrying amount			
At January 1, 2023	5,922	3,394	9,316
At June 30, 2023	6,010	7,940	13,950
	Domain name <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)			
Cost			
At January 1, 2022	6,943	5,628	12,571
Additions	—	877	877
Currency translation differences	356	—	356
At June 30, 2022	7,299	6,505	13,804
Accumulated amortisation			
At January 1, 2022	(1,160)	(2,192)	(3,352)
Additions	(176)	(1,139)	(1,315)
Currency translation differences	(67)	—	(67)
At June 30, 2022	(1,403)	(3,331)	(4,734)
Net carrying amount			
At January 1, 2022	5,783	3,436	9,219
At June 30, 2022	5,896	3,174	9,070

14 INTANGIBLE ASSETS (Continued)

Amortisation expenses have been charged to the condensed consolidated income statement as follow:

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Research and development expenses	1,027	508
Administrative expenses	1,040	398
Selling and marketing expenses	52	409
Cost of revenues	25	—
Total	2,144	1,315

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	As at
	June 30,	December 31,
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(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
	<i>RMB'000</i>	<i>RMB'000</i>
	(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

Notes to Interim Condensed Consolidated Financial Statements

16 ACCOUNTS RECEIVABLES

The detailed information of accounts receivables is as below:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (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 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (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.

16 ACCOUNTS RECEIVABLES (Continued)

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

	Six months ended June 30,	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (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)

17 PREPAYMENTS AND OTHER CURRENT ASSETS

The detailed information of prepayments and other current assets is as below:

	As at June 30, 2023 <i>RMB'000</i> (Unaudited)	As at December 31, 2022 <i>RMB'000</i> (Audited)
Deductible value added taxes	88,038	69,849
Prepayments for promotion fees	8,926	7,481
Royalty licenses	8,858	9,827
Deferred payment channel fees (Note a)	8,484	6,870
Short-term rental and other deposits	6,455	5,564
Prepayments for products procurement	4,077	3,178
Prepayments for listing expenses	2,076	5,597
Software license fees	1,957	3,916
Others	6,311	16,684
Total	135,182	128,966

Note a: The Group amortized the deferred payment channel fees during the membership period which is usually up to one year.

Notes to Interim Condensed Consolidated Financial Statements

18 INVENTORIES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (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 a)	(12,205)	(14,237)
Total	146,607	167,737

Note a: 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 RMB'000 (Unaudited)	2022 RMB'000 (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.

19 SHARE CAPITAL

<i>Authorized</i>	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	
(Unaudited) At June 30, 2023 and December 31, 2022	684,165	34	
<i>Issued</i>	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000
(Unaudited) At December 31, 2022 and June 30, 2023	198,998	10	61
(Unaudited) As at January 1, 2022	153,793	8	47
Issuance of ordinary shares	45,205	2	14
At June 30, 2022	198,998	10	61

Notes to Interim Condensed Consolidated Financial Statements

20 OTHER RESERVES

The following table shows a breakdown of the condensed consolidated balance sheets line item 'other reserves' and the movements in these reserves during the period. A description of the nature and purpose of each reserve is provided below the table.

	Treasury stock <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Currency translation differences <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)						
As at January 1, 2023	(19)	29,584	300,225	(373,521)	(46,102)	(89,833)
Share-based compensation	—	—	13,994	—	—	13,994
Currency translation differences (Note a)	—	—	—	(296,868)	—	(296,868)
Fair value change on Preferred Shares due to own credit risk	—	—	—	—	(138,007)	(138,007)
As at June 30, 2023	(19)	29,584	314,219	(670,389)	(184,109)	(510,714)
(Unaudited)						
As at January 1, 2022	(5)	29,584	197,612	327,323	628	555,142
Issuance of ordinary shares (Note b)	(14)	—	—	—	—	(14)
Share-based compensation	—	—	49,221	—	—	49,221
Currency translation differences (Note a)	—	—	—	(397,000)	—	(397,000)
Fair value change on Preferred Shares due to own credit risk	—	—	—	—	5,515	5,515
As at June 30, 2022	(19)	29,584	246,833	(69,677)	6,143	212,864

20 OTHER RESERVES (Continued)

Note a: Currency translation difference represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the reporting currency of RMB for the financial statements of the Company and the Group.

Note b: On March 31, 2022, the Company issued 45,205,300 ordinary shares to Calorie Partner Limited, which are reserved for satisfying awards granted or to be granted to participants of the Company's employee share award scheme who are not close associates of the Company. Calorie Partner Limited is a trust company that is wholly-owned by a trust in which the Company is the settlor, Futu Trustee Limited acts as the trustee, and the beneficiaries are participants of the Company's share option plans who are not close associates of the Company. As trustee, Futu Trustee Limited exercises the voting and other rights attached to the shares as instructed by an advisory committee established by the Company. Therefore, the 45,205,300 ordinary shares were regarded as treasury shares and presented as a deduction in equity as "Other reserves".

21 DIVIDENDS

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

22 SHARE-BASED COMPENSATION

(a) Share options

In January 2016, the board of the directors of the Company approved the establishment of 2016 Employee's share option plan (the "2016 ESOP") with the purpose of providing incentives and rewards to its management, employees and non-employees. The maximum number of ordinary shares available for issuance pursuant to the 2016 ESOP shall be 35,536,640 ordinary shares.

In March 2021, the Company approved the establishment of a 2021 Employee's share option plan (the "2021 ESOP") with the purpose of providing incentives and rewards to its management, employees and non-employees. The maximum number of ordinary shares available for issuance pursuant to the 2021 ESOP shall be 25,108,660 ordinary shares.

With respect to the service conditions, there are 8 types of vesting schedule, which are:

- Type (i) 25% of the total granted share options shall become vested on each anniversary of the vesting commencement date for 4 years thereafter;
- Type (ii) 50% of the share options shall become vested on the second anniversary of the vesting commencement date and 25% of the total granted share options are vested on the third and fourth anniversary of the vesting commencement date;
- Type (iii) 50% of the total granted share options shall become vested on each anniversary of the vesting commencement date for 2 years thereafter;
- Type (iv) 75% of the total granted share options shall become vested on the first anniversary of the vesting commencement date and 25% of the total granted share options shall become vested on the second anniversary of the vesting commencement date;
- Type (v) 33% of the total granted share options shall become vested on each anniversary of the vesting commencement date for 3 years thereafter;

Notes to Interim Condensed Consolidated Financial Statements

22 SHARE-BASED COMPENSATION (Continued)

(a) Share options (Continued)

- Type (vi) 100% of the total granted share options shall become vested on the vesting commencement date;
- Type (vii) 100% of the total granted share options shall become vested on the third anniversary of the vesting commencement date;
- Type (viii) 100% of the total granted share options shall become vested on the first anniversary of the vesting commencement date;

Certain types of share options are exercisable at any time after the qualified initial public offering (“QIPO”), provided these types of options have vested. The QIPO means a fully underwritten initial public offering by the Company acceptable to the board of directors, with a minimum pre-offering Company valuation and aggregate IPO proceeds to the Company agreed among the shareholders pursuant to the Company’s memorandum of association. The options are exercisable for a maximum period of 10 years after the date of grant.

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price per share option (USD)
(Unaudited)		
Outstanding as at January 1, 2023	40,154,825	1.29
Granted during the period	290,000	2.96
Forfeited during the period	(2,039,750)	2.57
Outstanding as at June 30, 2023	38,405,075	1.24
Exercisable as at June 30, 2023	10,050,000	0.19
(Unaudited)		
Outstanding as at January 1, 2022	38,612,500	1.21
Granted during the period	2,184,000	2.34
Forfeited during the period	(2,472,425)	2.29
Outstanding as at June 30, 2022	38,324,075	1.20
Exercisable as at June 30, 2022	10,050,000	0.19

The weighted-average remaining contract life for outstanding share options was 5.72 years and 6.32 years as at June 30, 2023 and December 31, 2022, respectively.

22 SHARE-BASED COMPENSATION (Continued)

(a) Share options (Continued)

The Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted the equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as projections of future performance, are determined by the Group with best estimate.

Based on fair value of the underlying ordinary shares, the Group has used Binomial model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	Six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Fair value per share (USD)	3.69~3.87	3.78~4.09
Risk-free interest rates	3.39%	2.32%~2.98%
Dividend yield	0%	0%
Expected volatility	55.2%	53.2%~53.9%
Expected terms	10 years	10 years

The weighted-average fair value of granted share options was USD2.17 and USD2.52 per share for the six months ended June 30, 2023 and 2022, respectively.

(b) Share-based compensation expenses

The share-based compensation expenses have been charged to the condensed consolidated income statement for the six months ended June 30, 2023 and 2022 as follows:

	Six months ended June 30,	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Administrative expenses	11,176	35,088
Selling and marketing expenses	1,196	4,766
Cost of revenues	641	154
Research and development expenses	521	9,179
Fulfillment expenses	460	34
Total	13,994	49,221

Notes to Interim Condensed Consolidated Financial Statements

23 ACCOUNTS PAYABLES

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (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.

24 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The breakdown of accrued expenses and other current liabilities are as follows:

(a) Accrued expenses

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Accrued payroll related expenses	109,349	136,083
Accrued promotion fees	54,699	46,969
Accrued professional service fees and unpaid issuance cost	33,626	21,913
Accrued transportation fees	23,794	33,132
Accrued office facilities fees	2,748	3,224
Others	3,337	3,216
Total	227,553	244,537

24 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES (Continued)

(b) Other current liabilities

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Tax payables	19,084	32,486
Deposits	12,648	11,643
Payable to joint strategic partners	8,987	7,467
Others	30,572	13,705
Total	71,291	65,301

25 CONTRACT LIABILITIES

The breakdown of contract liabilities are as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Contract liabilities from membership and online paid content service	98,041	72,933
Contract liabilities from advertising and others service	6,392	6,922
Contract liabilities from self-branded fitness products sales	5,276	4,249
Total	109,709	84,104

Notes to Interim Condensed Consolidated Financial Statements

26 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.

27 CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing by issuing Preferred Shares to investors, namely, series A Preferred Shares, series B Preferred Shares, series C Preferred Shares, series C-1 Preferred Shares, series D Preferred Shares, series E Preferred Shares, series F Preferred Shares and series F-1 Preferred Shares.

27 CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

The details of the issuance are set out in the table below:

		Purchase Price (USD/Share)	Number of Shares	Total consideration	
	Date of Issuance			USD'000	RMB'000
(Unaudited)					
Series A Preferred Shares	June 8, 2015	USD0.13	40,000,000	5,000	30,603
Series B Preferred Shares	September 21, 2015	USD0.28	35,293,880	9,988	63,532
Series C Preferred Shares	April 20, 2016	USD0.62	51,926,960	31,987	206,569
Series C-1 Preferred Shares	June 29, 2016	USD0.70	14,946,080	10,522	69,786
Series D Preferred Shares	July 5, 2018	USD2.06	39,873,000	82,019	542,800
Series E Preferred Shares	December 13, 2019 April 14, 2020	USD2.42	34,497,140	83,345	583,374
Series F Preferred Shares	December 11, 2020	USD4.10	86,628,120	355,002	2,321,891
Series F-1 Preferred Shares	December 3, 2021	USD5.19	13,497,767	70,000	446,166
			316,662,947	647,863	4,264,721

The key terms of the Preferred Shares pursuant to the Company's memorandum of association at December 3, 2021 are summarized as follows:

(a) Dividends rights

Holder of Preferred Shares of later series have preference to receive any declaration or payment of any cash or non-cash dividends in the following sequence: series F-1 Preferred Shares, series F Preferred Shares, series E Preferred Shares, series D Preferred Shares, series C-1 Preferred Shares, series C Preferred Shares, series B Preferred Shares, series A Preferred Shares and ordinary shares, cumulative dividends at a simple rate of ten percent (10%) per annum of the original issue price of such Preferred Shares on each such Preferred Share held by such holder, payable when, as and if declared by the board.

(b) Conversion feature

All of the Preferred Shares are convertible, at the option of the holders at any time after the original issue date of the relevant series of Preferred Shares into such number of fully paid ordinary shares. The Series A, B, C, C-1, F and F-1 Preferred Shares shall automatically be converted into ordinary shares at the then effective conversion price upon the closing of a QIPO or upon the written consent of the holders of two-thirds (Series C & C-1 voting together as a single class and to the exclusion of other classes and series of Shares; Series F & F-1 voting together as a single class and to the exclusion of other classes and series of Shares). The Series D and E Preferred Shares shall automatically be converted into ordinary shares at the then effective conversion price upon the closing of a QIPO or upon the written consent of the holders of 51%.

The conversion ratio for each Preferred Share shall be determined by dividing the issue price by the conversion price, in effect at the time of the conversion. The initial conversion price of each series of Preferred Share shall be its respective subscription price and shall be subject to adjustment in the event of the issuance of additional ordinary shares at a per share price less than the conversion price.

Notes to Interim Condensed Consolidated Financial Statements

27 CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

(c) Redemption feature

Upon the occurrence of any redemption event as described below, the Company shall, at the written request of any holder of the Preferred Shares, redeem all or any of the issued and outstanding Preferred Shares held and as elected by such holder of the Preferred Shares.

“Redemption Event” means the occurrence of any of the followings events: (i) If the Company has not consummated a qualified public offering at the 5th anniversary of the issuance date of series F-1 Preferred Shares; or (ii) The occurrence of any material breach or violation by the Company or any holder of the ordinary shares; or (iii) The occurrence of a change in the regulatory environment pursuant to which the Company can no longer conduct their respective businesses under the control documents and the existing variable interest entity structure.

The series A Preferred Shares’ redemption price shall be equal to the issue price compounded with an interest rate of 10% per annum plus all declared but unpaid dividends thereon up to the date of redemption. The series B, C and C-1 Preferred Shares’ redemption price shall be equal to 130%, 150% and 150% of the respective Preferred Shares’ issue price plus all declared but unpaid dividends thereon up to the date of redemption. The series D, E, F and F-1 Preferred Shares’ redemption price shall be equal to the issue price compounded with an interest rate of 8% per annum plus all declared but unpaid dividends thereon up to the date of redemption.

(d) Liquidation preferences

Upon the occurrence of any liquidation event, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution shall be distributed to the shareholders in the following order and manner:

Holders of Preferred Shares of later series have preference to the distribution of assets or funds over holders of Preferred Shares of earlier series and holders of ordinary shares, in the following sequence: series F-1 Preferred Shares, series F Preferred Shares, series E Preferred Shares, series D Preferred Shares, series C-1 Preferred Shares, series C Preferred Shares, series B Preferred Shares, series A Preferred Shares and ordinary shares. The amount of liquidation will be equal to 120% of the issuance price plus all accrued or declared but unpaid dividends.

Liquidation events include a liquidation, winding-up or dissolution of the Company, or a merger, acquisition or sale of voting control of the Company in which its shareholders do not retain a majority of the voting power in the surviving entity, a sale of all or substantially all of the Company’s assets or the exclusive licensing of substantially all of the Company’s intellectual property, including without limitation.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the condensed consolidated income statement.

27 CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

(d) Liquidation preferences (Continued)

In March 2021, the Company entered into share repurchase agreement with one selling shareholder in connection with the sale and repurchase of 827,760 issued and outstanding series E preferred shares held by the selling shareholder at an aggregate repurchase price of RMB22 million, which was fully paid as at March 31, 2022. The difference between the fair value and repurchase consideration amount was recorded in fair value changes of convertible redeemable preferred shares in the condensed consolidated income statement.

The movements of the Preferred Shares are set out as below:

	<i>RMB'000</i>
(Unaudited)	
At January 1, 2023	9,401,472
Change in fair value	(1,294,254)
Includes: change in fair value due to own credit risk	138,007
Currency translation differences	314,065
At June 30, 2023	8,421,283
Total unrealized income and change in fair value for the period included in fair value changes of convertible redeemable preferred shares	(1,432,261)
(Unaudited)	
At January 1, 2022	9,201,503
Change in fair value	(633,755)
Includes: change in fair value due to own credit risk	(5,515)
Currency translation differences	478,383
At June 30, 2022	9,046,131
Total unrealized income and change in fair value for the period included in fair value changes of convertible redeemable preferred shares	(628,240)

The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the Preferred Shares.

Changes in fair value of Preferred Shares were recorded in fair value changes of convertible redeemable preferred shares in the condensed consolidated income statement, and the fair value changes in the Preferred Shares that are attributable to changes of credit risk of this liability are recorded in other comprehensive income/loss.

Notes to Interim Condensed Consolidated Financial Statements

28 CONTINGENCIES

As at June 30, 2023, the Group did not have any material contingent liabilities.

29 COMMITMENTS

The Group did not have any material commitments as at June 30, 2023.

30 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.

