*In the following section we discuss our historical financial results for the years ended December 31, 2019, 2020, 2021 and 2022. You should read the following discussion and analysis together with our audited consolidated financial statements as of and for the years ended December 31, 2019, 2020, 2021 and 2022, and the accompanying notes included in the Accountant's Report in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").*

This discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and our financial performance and involves risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of any number of factors. In evaluating our business, you should carefully consider all of the information provided in this document, including "Risk factors" and "Business".

OVERVIEW

We are a growing and result-oriented platform that provides users with a comprehensive fitness solution to help them achieve their fitness goals. We generated a majority of our revenue from the sales of our self-branded fitness products during the Track Record Period. We offer extensive and professional fitness content with AI-assisted personalized curriculums, encompassing interactive live streaming classes and recorded fitness courses, 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 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.

Our *Keep* brand is highly influential and has become synonymous with passion for fitness. 77.5% of fitness population in China knew of the *Keep* mobile app. We have made efforts to make fitness more accessible to a larger population, encourage tens of millions to become our users, or *Keepers*, and inspire them to develop a sense of belonging in our community. In 2019, 2020, 2021 and 2022, our platform recorded average MAUs of 21.8 million, 29.7 million, 34.4 million and 36.4 million, respectively. In 2022, our MAUs collectively recorded approximately 2.1 billion workout sessions on our platform. Supported by our compelling offerings and powerful brand, we have been able to quickly expand our user base and solidify our market leading position.

We primarily generate revenue from self-branded fitness products, membership and online paid content, and advertising and others. We have achieved continued growth during the Track Record Period. We generated a majority of our revenue from the sales of self-branded fitness products and invested significantly in the research and development of platform design and fitness content. Our revenue grew by 66.9% from RMB663.1 million in 2019 to RMB1.1 billion in 2020, increased by 46.3% to RMB1.6 billion in 2021, and further increased by 36.6% to RMB2.2 billion in 2022. Gross profit grew by 83.2% from RMB272.6 million in 2019 to RMB499.4 million in 2020, increased by 35.5% to RMB676.6 million in 2021, and further increased by 33.1% to RMB900.4 million in 2022. Our loss for the year increased from RMB735.0 million in 2019 to RMB2.2 billion in 2020, and further increased to RMB2.9 billion in 2021 as we strategically increased spending in traffic acquisition and branding to further acquire, activate and retain users. Our loss for the year decreased from RMB2.9 billion in 2021 to RMB104.6 million in 2022 due to the changes in fair value of convertible redeemable preferred shares. Our adjusted net loss (non-IFRS measure) was RMB366.5 million, RMB106.4 million, RMB826.5 million, and RMB666.9 million in 2019, 2020, 2021 and 2022, respectively. See "—Non-IFRS Measure: Adjusted Net Loss".

BASIS OF PREPARATION

Our historical financial information of the Group has been prepared in accordance with IFRSs and interpretations issued by International Accounting Standards Board ("**IASB**") applicable to companies reporting under IFRSs.

Our historical financial information has been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

Our preparation of the historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 to the Accountant's Report in Appendix I to this document.

Our historical financial information has been prepared based on the consolidated financial statements of the Group. Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The online fitness industry in China is rapidly evolving and increasingly competitive. Our business and operating results are affected by the general factors affecting China's online fitness industry, including China's overall economic growth and level of per capita disposable income, the competitive landscape of the online fitness industry in China and PRC governmental policies and initiatives affecting China's online fitness industry. In addition, they are also affected by factors affecting consumer habits and trends in online fitness, including mobile internet usage and penetration rate, consumption of fitness goods and services, and consumers' willingness to pay for premium online fitness content and experiences. Changes in any of these general factors could affect the demand for content and products on our platform and our results of operations.

Despite the general factors mentioned above, we believe our results of operations are more directly affected by the following specific factors:

Our ability to scale user base and increase user engagement

User Base

Our business depends on our ability to grow our user base and expand our content and product offerings. A large and growing base of fitness users on our platform is critical for the growth of our revenue. We have experienced rapid user growth since our inception. The following table sets forth our average MAUs for the periods indicated:

	For the Three Months Ended															
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
	(in thousands)															
Average MAUs	15,535	22,436	29,245	19,875	27,103	33,251	32,750	25,833	31,032	35,709	41,751	28,939	34,275	41,080	38,558	31,638

We have achieved substantial growth in our average MAUs. We experienced increased demand for at-home fitness content as a result of the COVID-19 pandemic. The COVID-19 pandemic also accelerated the market education process and enhanced fitness awareness of the general public, thereby attracting more users to view and consume online fitness content. Although quarantine and travel restrictions are gradually lifted starting from the second quarter of 2020 as the COVID-19 pandemic became more contained in China, the effects of our expanded influence on fitness population and increased user demand for high-quality fitness content and products remained, which is demonstrated by the continuous increase in MAUs. We experienced relatively higher average MAUs in the second and third quarter of each year during the Track Record Period, which was primarily due to an increase in users' willingness to exercise during spring and summer. Our MAUs include active users who logged into their user accounts on our platform through our mobile app, including through smart TV and other smart devices at least once in a given month. Our active users generally view and participate in a multitude of fitness content offerings on our platform, including recorded video courses, live streaming classes, fitness curriculums and other content in the community.

User Engagement

Our ability to attract, engage and retain users is key to our continued revenue growth. We seek to encourage users to actively engage on our platform by developing and offering more diversified and interactive fitness content, such as live streaming. Utilizing industry insights gained through user engagement on our platform, we are able to meet users' evolving needs and develop new and appealing fitness content faster and more efficiently. Having extensive, professional, personalized and dynamic content offerings helps us strengthen the popularity of our brand, increases user loyalty and encourages user engagement. In 2022, our MAUs recorded approximately 2.1 billion workout sessions on our platform. We also expect to continue to encourage content development from fitness influencers on our platform, and introduce new content sourced from fitness professionals and fitness content providers to respond to the latest industry trends.

We also have a track record of successfully introducing smart fitness devices, including *Keep Bike*, *Keep Wristband*, smart scale and treadmill, and other complemental fitness products, including fitness gear, apparel and food to complement our content offerings and enhance users' fitness experience. In order to expand our open platform and extend our user reach, we expect to continue to introduce new fitness products that are developed in house or by third-party fitness product suppliers. The success of new smart fitness devices and other products will impact the growth of our business, our ability to continue to attract and engage users, and our short-term and long-term financial performance, including our revenue and operating expenses, in particular marketing expenses associated with the launch and promotion of such new products.

Our ability to enhance our monetization capability

Our revenue and results of operations depend on our ability to monetize our large user base, convert more users to paying users, and increase the spending of our paying users. Paying users on our platform include users who make payments for various content offerings and products on our platform, including membership subscriptions, a la carte payments for fitness courses and curriculums, and purchases of smart fitness devices and other complemental fitness products. Our paying user base has generally been increasing as we expand our content offerings, and introduce live streaming classes and diversify the fitness products we offer. In particular, the number of average monthly subscribing members has increased from 0.8 million in 2019 to 1.9 million in 2020, 3.3 million in 2021, and further increased to 3.6 million in 2022, as we continued to strengthen our content development capabilities and expand our fitness content offerings. We also witnessed a steady increase in our membership penetration rate, from 3.5% in 2019 to 6.4% in 2020, 9.5% in 2021, and further increased to 10.0% in 2022. Our average monthly fitness product customers increased from 184 thousand in 2019 to 292 thousand in 2020, 383 thousand in 2021, and further increased to 550 thousand in 2022. However, the number of our subscribing members and fitness product customers may also fluctuate as they are often affected by a variety of factors such as seasonality and our marketing and promotion efforts.

The following table sets forth our average monthly subscribing members and fitness product customers for the periods indicated:

	For the Three Months Ended															
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
	(in thousands)															
Average monthly subscribing members	375	752	1,039	915	1,473	1,981	2,149	2,035	2,539	3,235	4,154	3,193	3,470	3,860	3,885	3,269
Average monthly fitness product customers	110	197	232	197	236	353	329	251	280	430	423	397	454	580	642	524

In an effort to monetize our user base and retain paying users, we continue to diversify our content offerings and fitness products and refine our monetization avenues without compromising user experience. We plan to deepen our partnership with third-party fitness content providers to offer more fitness content tailored to our platform and our users and enhance our capabilities to develop content in-house. And we also plan to identify users' unmet needs and introduce new fitness products and expand our self-branded product offerings. Our revenue growth will also be affected by our ability to effectively continue to expand our paying user base and execute our monetization strategies.

Our ability to manage costs and expenses

Our ability to manage and control our costs and expenses is critical to the success of our business. We will continue to invest in people and technology to drive our business growth. We expect to continue to enjoy economies of scale as we effectively manage our costs and expenses and improve our financial results.

Selling and Marketing Expenses

Our results of operations depend on our ability to attract and retain users at reasonable marketing expenses. While we are a young business, we have been successful in building our popular fitness brand and marketing our products. We also benefit significantly from our large and engaged user base, word-of-mouth referrals and continued growth in user subscriptions driven by content and growing brand awareness. We work closely with influencers on our platform who join us to generate creative and professional fitness content and deliver a brand image embodying positivity, passion and persistence. We conduct offline marketing primarily in the form of fitness events, outdoor bulletin boards, television commercials, and our offline fitness centers. Through our cutting-edge technology and industry insights, we monitor the efficiency of our various marketing and distribution channels and adjust our marketing spend and strategy accordingly in a timely manner. Meanwhile, the reputation and attractiveness of our brand and platform among users serve as a highly efficient marketing and user acquisition channel for our fitness content and products.

Research and Development Expenses

Our ability to innovate and keep pace with the growth of our business and bring forward cutting-edge technologies for building our content and product offerings will affect our results of operations. Our current research and development efforts are primarily focused on refining our online platform and developing new technology-enabled fitness products, which we believe are crucial for us to integrate and scale our offerings and enhance user engagement. For example, leveraging our AI technology, we are able to offer intelligent courses and curriculums that are tailored to users' needs and can dynamically adapt our fitness content curation based on users' profiles, feedback during fitness activities, changing body measurements from our smart scale and real-time heart rate from *Keep Wristband*. In addition, the growth of our business relies on retaining and recruiting research and development talents who have insights and experience in the tech and online fitness sector to develop products that attracts strong followings.

Fulfillment Expenses

Our results of operations are also affected by our ability to control our operating costs and expenses and continuously optimize our supply chain management. We have developed an efficient supply chain involving outsourcing, warehousing and logistics. We cooperate with leading outsourcing manufacturers with strong capabilities, and warehousing and logistics service providers with physical proximity to users, enabling us to shorten the production and fulfillment process further, thereby improving user experience.

IMPACT OF COVID-19 ON OUR OPERATIONS AND FINANCIAL PERFORMANCE

The outbreak of COVID-19 has severely impacted China and the rest of the world. In an effort to contain the spread of COVID-19, China took precautionary measures that reduced economic activities, including temporary closure of corporate offices, retail outlets and manufacturing facilities and strict implementation of quarantine measures. Our business and operations have also been affected adversely as a result. For example, the operation of *Keepland* fitness centers and the operation of our contract manufacturers and logistics partners for the first quarter of 2020. As many of the precautionary measures have later been lifted or relaxed, we and our business partners gradually resumed normal operations since the second quarter of 2020. As a result of the Omicron variants outbreak in late March 2022 in multiple regions in China, six of our fitness food suppliers suspended operations from April or May to June 2022, including five in Shanghai and one in Zhejiang, which negatively impacted the supply of 18 of our SKUs, including, for example, sugar-free whole wheat bread and pumpkin quinoa crisp. We also delayed the issuance of several new fitness products, including collagen peptide jelly and probiotic protein powder. In addition, we experienced logistics disruptions, especially in Shanghai, in the first half of 2022. We had about 59 thousand backlog orders in Shanghai after the resumption of logistics services in June 2022. The impact of the lockdown on supply chain and logistics services, however, was limited as the fitness products in stock helped us cope with the supply chains disruption in the second quarter of 2022. For the advertising and others business segment, all of the *Keepland* fitness centers located in Beijing suspended operation in May 2022 as a result of the COVID-19 pandemic. Many third-party offline gyms we collaborated with in connection with the *Keep* selected fitness classes also experienced temporary shutdown in 2022 due to temporary measures taken in response of the COVID-19 resurgence. All of the third-party offline gyms we collaborated with had resumed normal operation as of the Latest Practicable Date. The decline in economic activities during COVID-19 resurgence also caused our advertising customers to tighten their advertising budget. This, together with the slower growth of the internet advertising market, had a negative impact on our advertising revenue.

The COVID-19 pandemic also led to an increase in people's willingness to work out at home and an increase in online traffic to our platform. 89.8% of the China's fitness population spent more time on online fitness platforms in 2022 compared to 2021. We recorded higher average MAUs, average monthly subscribing members and average monthly fitness product customers. In addition, more users tend to follow our fitness content and complete workout sessions as a result of the outbreak of COVID-19 pandemic. As the outbreak of COVID-19 increased users' willingness to workout at home, we also witnessed a higher average monthly membership retention rate in 2020. Please refer to "Business—Our users - '*Keepers*'." In addition, we reduced our branding and marketing promotion expenses and other related expenses in 2020 due to the increased engagement of our users as a result of the COVID-19 pandemic. We believe the COVID-19 pandemic only accelerated the process of bringing in users who would sooner or later become our users rather than creating a temporary user inflow. We believe our MAUs will continue to grow as we continue to upgrade our fitness content, expand and deepen the services provided to subscribing members, and further invest in marketing and user acquisition. The overall impact of the COVID-19 pandemic on our business operation and financial performance has been immaterial. See "Risk Factors—Risks Related to Our Business and Industry—The COVID-19 outbreak has impacted our business, operating results and financial condition." and "Risk Factors—Risks Related to Our Business and Industry—The COVID-19 outbreak has impacted our business, operating results and financial condition.".

Most of the travel restrictions and quarantine requirements were lifted in December 2022. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments.

Taking into account (i) the financial resources available to us, including cash and cash equivalents, and the portion of the estimated net proceeds from the Global Offering expected to be used for working capital and general corporate purposes, and (ii) the prudent estimates for the settlement of accrued expenses and accounts payables, we believe we retain substantial ability to manage our business growth and achieve an optimal balance between business expansion and operating efficiency.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail the notes of the Accountant's Report in Appendix I to this document.

Significant Accounting Policies

Revenue recognition

We recognize revenue when or as the control of the promised goods or services is transferred to a customer, net of value-added taxes ("**VAT**"), rebates and certain sales incentives. If control of the services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services. For further details, see Note 2.19 to the Accountant's Report in Appendix I to this document.

Further details of our revenue recognition policies are as follows:

(a) Sales of self-branded fitness products

The self-branded fitness products derives revenue from sale of self-branded fitness products, such as bikes, wristbands and treadmills, and complementary fitness products such fitness gears, apparels and fitness food, including delivery services. Our revenue are primarily derived from (i) sales of our products to end customers directly through our online stores run on third party's ecommerce platforms and through the online platform operated by us and (ii) sales of our products to third-party wholesale channels who then sell to end customers.

(i) Sales of products to end customers directly through our online stores run on third party's ecommerce platforms and through the online platform operated by us.

We set up online stores on third party's ecommerce platforms to sell our products to end customers. The platforms provide services to us to support the operations of the online stores including processing sales orders and collecting cash consideration from end customers. The platforms charge our service fees based on our sales through these online stores. We enter into sales contracts directly with the end customers. The platforms do not take control of the goods and have no sales contract with end customers. We are responsible for selling and fulfilling all obligations according to our sales contracts with end customers, including delivering products and providing customer support. Therefore, we determine that the end customers are our customers. The sales contracts with end customers include a customer's right to return products within 7 days after receipt of goods.

Sales from the end customers through our online platform are prepaid and recorded as contract liabilities. We recognize revenue from sales to end customers upon delivery of the product to end customers in an amount equal to the contract sales prices less estimated sales allowances for sales returns and sales incentives.

We identify our performance obligation to end customers as to transfer the control of the ordered products to end customers. Contracts with customers may include multiple performance obligations if there is a need to split one customer order into multiple deliveries. Under these circumstances, transaction prices will be allocated to different performance obligations based on relative standalone selling prices. We recognize revenue from sales to end customers upon receipts of the products by end customers in an amount equal to the contract sales prices less estimated sales allowances for sales returns and sales incentives.

(ii) Sales of products to third party wholesale channels who then sell to end customers.

The third-party wholesale channels purchase products from us and then resell the products to end customers. Subject to the underlying agreements with the wholesale channels, there are mainly two types of arrangements with wholesale channels. Under type I arrangements, the wholesale channels take control of the products upon delivery of the products to the wholesale channels' warehouses and accepted by the wholesale channels. Under type II arrangements, the wholesale channels take control of the products when orders are placed by end customers and the products are subsequently delivered out of wholesale channels' warehouse to end customers. The wholesale channels are entitled to rights of return and price protection rebates. After taking control of the products, the wholesale channels are responsible for selling and fulfilling all obligations in the sales contracts with end customers, including delivering the products and providing customer support. Therefore, we determine that the wholesale channels are our customers. Under the distribution agreement, we have a sale contract with our wholesale channels and have no sales contract with the end customers.

Sales to our wholesale channels are on credit terms which is usually less than three months. We recognize revenue and receivables from sales to the wholesale channels upon transferring the control of the products to the wholesale channels in an amount equal to the contract sales prices less estimated sales allowances for sales returns and price protection rebates.

We provide price protection rebates to certain wholesale channels to effectively compensate the wholesale channels when the wholesale channels offer discount to end customers, which are accounted for as variable consideration. We estimate these amounts based on the expected amount to be provided to the third party wholesale channels considering the contracted rebate rates and estimated sales volume based on historical pattern, and account for it as a reduction of the transaction price.

(b) Membership subscription and online paid content service

Our membership subscriptions provide unlimited access to content on our online platform of live streaming classes and on-demand fitness classes. The contract period for the membership subscription ranges from one month to one year. All membership subscriptions are non-refundable. We have one stand ready obligation to provide our subscribing members with access to content on our online platform, fitness classes and related membership benefits throughout the subscription period. Therefore, revenue is recognized ratably over the contract period as the membership subscription services are delivered. We collect membership subscription in advance and records it as contract liabilities.

Online paid content service primarily includes the virtual sports events service. We arrange virtual sports events on our own platform. Revenue is generated from event entry fees charged to event participants. Entry fees are paid in advance and non-refundable after the event participants complete the events or after the end of the virtual sports event. The performance obligation is satisfied over the service period, as the services are delivered.

(c) Advertising services

Advertising revenue is derived from online advertising, most of which is in the form of display advertisement. Display advertising arrangements allow customers, primarily advertising agencies, to place advertisements on particular areas of our online platform in particular formats and over particular periods of time. We recognize revenue from advertising services ratably over the periods during which the advertising services are provided.

Certain customers may receive rebates, which are accounted for as variable consideration. We estimate rebates based on expected revenue volume with reference to their historical results and account for such as a reduction of revenue.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs are assigned to individual items of inventories on the basis of weighted average costs. Costs of purchased inventories are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Convertible redeemable preferred shares ("Preferred Shares")

Preferred Shares issued by us are redeemable at the option of the holder upon occurrence of certain events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company.

We designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized in profit or loss. Fair value changes relating to market risk are recognized in profit or loss, while, the component of fair value changes relating to our own credit risk is recognized in other comprehensive income ("**OCI**"). Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when realized.

The Preferred Shares were classified as non-current liabilities unless the Preferred Shares' holders can demand our Company to redeem the Preferred Shares within 12 months after the end of the reporting period.

Share-based compensation

As of the date of this document, we operate two Share Incentive Plan (the "**ESOP Plans**"), under which we receive services from employees or non-employees in exchange for our equity instruments.

The fair value of options granted under the ESOP Plans is recognized as share-based compensation over the requisite service period, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted to employees on grant date by using binomial option-pricing models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

We recognize share-based compensation expenses in the consolidated income statements based on awards ultimately expected to vest, after considering estimated forfeitures. The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of certain percentage of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted.

Leases

We, as a lessee, leases office buildings and fitness centers. Lease contracts are typically made for fixed periods of several months to six years. Lease is recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by us.

Contracts may contain both lease and non-lease components. We allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. We use the incremental borrowing rate, for the implicit rate cannot be readily determined, which is the rate that we would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, we make adjustments using a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by them.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;

- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If we are reasonably certain to exercise a purchase option, the right-of-use assets is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

(a) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a fitness center. For certain fitness centers including fixed and variable rental payment terms, the variable lease payments that depend on sales are recognized in the consolidated income statements in the period in which the condition that triggers those payments occurs.

(b) Modification of lease

Except for COVID-19-related rent concessions in which we applied the practical expedient, we account for a lease modification as a separate lease if:

(i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, we remeasure the lease liabilities, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. We account for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

For partial or full termination of the lease for lease modifications that decrease the scope of the lease, decreasing the carrying amount of the right-of-use asset. We recognize in the consolidated income statements of any gain or loss relating to the partial or full termination of the lease.

Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where we, our subsidiaries and structured entities operate and generate taxable income. We periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. We measure our tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets is realized or the deferred income tax liabilities is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where we are able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax are recognized in profit or loss, except to the extent that they relate to items recognized in OCI or directly in equity. In this case, the tax is recognized in OCI or directly in equity, respectively.

(c) Tax incentives

We may be entitled to claim special tax deductions in relation to qualifying expenditure. We account for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognized for unclaimed tax credits that are carried forward as deferred tax assets.

Critical Accounting Estimates and Judgments

Recognition of share-based compensation expenses

We set up the ESOP Plan and granted options to employees and other qualifying participants. The fair value of the options are determined by the binomial option pricing model, and is expected to be expensed over the respective vesting periods. Significant estimates and assumptions, including forfeiture rate, risk-free interest rate, expected volatility and dividend yield, are made by the Directors.

Estimation of the fair value of financial liabilities

The convertible redeemable preferred shares we issued are not traded in an active market, and the respective fair value is determined by using valuation techniques. We applied the discounted cash flow method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the Preferred Shares. Key assumptions such as risk-free interest rate, discount rate for lack of marketability ("**DLOM**") and volatility are based on our best estimates.

Level 3 of Fair Value Management

In respect of the valuation of the financial liabilities categorized within level 3 at fair value through profit or loss (the "**Level 3 Financial Liabilities**"), with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 (the "**Guidance**") applicable to directors of companies listed on the Stock Exchange, we adopted the following procedures: (i) engaged a third-party valuation firm to manage the valuation of level 3 instruments for financial reporting purposes; (ii) carefully considered available information in assessing the financial data and assumptions including but not limited to terms, conversion price, redemption feature and liquidation preferences; and (iii) appraised the fair value of financial liabilities at least once a year. Based on the above procedures, our Directors are of the view that the valuation of our financial liabilities are fair and reasonable and our financial statements are properly prepared. The details on the fair value measurement of the financial liabilities at fair value through profit or loss, particularly the fair value hierarchy, the valuation techniques and key assumptions, including significant unobservable inputs and the sensitive analysis of the unobservable inputs to the fair values, are disclosed in Note 3.3 to the Accountant's Report in Appendix I to this Prospectus. The Reporting Accountant performed its works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKSIR 200**") for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole and its opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-1 to I-2 of Appendix I to this document.

In relation to the valuation of the financial liabilities categorized as Level 3 fair value measurement, the Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) reviewed the relevant notes in the Accountant's Report as contained in Appendix I to this document for the valuation of certain financial liabilities categorized as Level 3 fair value measurement, (ii) conducted interviews with the Company and the independent valuer of the Company (the "**Independent Valuer**") about the valuation methodology, the key basis and assumptions for the valuation of financial liabilities categorized as Level 3 fair value measurement; (iii) conducted interview with the Reporting Accountant to understand the work they have performed in relation to the valuation of the Level 3 financial assets and liabilities for the purpose of reporting on the Historical Financial Information, as a whole, of the Group; (iv) obtained and reviewed the valuation report prepared by the Independent Valuer; and (v) obtained and reviewed the credentials of the Independent Valuer. Having considered the work done by the Directors and the Reporting Accountant and the relevant due diligence done as stated above, nothing material has come to the Sole Sponsor's attention that would cause the Sole Sponsor to disagree with the Directors and the Reporting Accountant in respect of the valuation of such financial liabilities.

Contractual arrangements

We exercise control over certain structured entities and have the right to recognize and receive substantially all the economic benefits from them through the Contractual Arrangements. The Directors consider that we control these structured entities notwithstanding that it does not have direct or indirect legal ownership in equity of these entities as we have power over the financial and operating policies of these entities and receives substantially all the economic interest returns generated from the business activities of these entities through these Contractual Arrangements. Accordingly, all these structured entities are accounted for as controlled structured entities and their financial statements have also been consolidated by the Company throughout the Track Record Period.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing us with direct control over the structured entities. Uncertainties presented by the PRC legal system could impede our beneficiary rights of the results, assets and liabilities of the structured entities. Significant judgment is involved in determining whether we are able to control these entities through these Contractual Arrangements. The Directors of the Company, after taking into account of the advice from our external legal advisors, consider that the Contractual Arrangements entered into by us are in compliance with the relevant PRC laws and regulations and are therefore legally binding and enforceable.

Current and deferred income tax

We are subject to income taxes in several jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences or tax losses are recognized when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. As of December 31, 2022, we did not recognize deferred tax assets in respect of cumulative tax losses that can be carried forward against future taxable income. The outcome of their actual utilization may be different from management's estimation.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the periods presented, both in absolute amount and as percentages of our total revenue. This information should be read together with our consolidated financial statements and related notes in this document. The results of operations in any particular period are not necessarily indicative of our future trends.

	For the Year Ended December 31,							
	2019		2020		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)							
Revenue	**663,119**	**100.0**	**1,106,777**	**100.0**	**1,619,538**	**100.0**	**2,211,551**	**100.0**
Cost of revenues(1)	(390,493)	(58.9)	(607,350)	(54.9)	(942,910)	(58.2)	(1,311,171)	(59.3)
Gross profit	**272,626**	**41.1**	**499,427**	**45.1**	**676,628**	**41.8**	**900,380**	**40.7**
Fulfillment expenses(1)	(55,128)	(8.3)	(92,411)	(8.3)	(127,872)	(7.9)	(201,586)	(9.1)
Selling and marketing expenses(1)	(295,785)	(44.6)	(301,693)	(27.3)	(956,220)	(59.0)	(646,177)	(29.2)
Administrative expenses(1)	(122,199)	(18.4)	(68,977)	(6.2)	(218,276)	(13.6)	(245,614)	(11.1)
Research and development expenses(1)	(194,170)	(29.3)	(167,920)	(15.2)	(355,582)	(22.0)	(536,877)	(24.3)
Other income	12,602	1.9	4,195	0.4	4,258	0.3	6,509	0.3
Other gains/(losses), net	9,520	1.4	(984)	(0.1)	8,981	0.6	(65,375)	(3.0)
Operating loss	**(372,534)**	**(56.2)**	**(128,363)**	**(11.6)**	**(968,083)**	**(59.8)**	**(788,740)**	**(35.7)**
Finance income	5,017	0.8	5,325	0.5	13,828	0.9	27,536	1.2
Finance expenses	(11,225)	(1.7)	(5,769)	(0.5)	(7,777)	(0.5)	(7,313)	(0.3)
Finance (expenses)/income, net	(6,208)	(0.9)	(444)	(0.0)	6,051	0.4	20,223	0.9
Fair value changes of convertible redeemable preferred shares	(356,303)	(53.7)	(2,114,943)	(191.1)	(1,946,205)	(120.2)	664,969	30.1
Loss before income tax	**(735,045)**	**(110.8)**	**(2,243,750)**	**(202.7)**	**(2,908,237)**	**(179.6)**	**(103,548)**	**(4.7)**
Income tax expense	—	—	—	—	—	—	(1,003)	(0.0)
Loss for the year	**(735,045)**	**(110.8)**	**(2,243,750)**	**(202.7)**	**(2,908,237)**	**(179.6)**	**(104,551)**	**(4.7)**
Loss for the year attributable to:								
Owners of the Company	(728,979)	(109.9)	(2,239,609)	(202.4)	(2,908,237)	(179.6)	(104,551)	(4.7)
Non-controlling interests	(6,066)	(0.9)	(4,141)	(0.3)	—	—	—	—

Note:

(1) Share-based compensation expenses were allocated as follows:

	For the Year Ended December 31,			
	2019	2020	2021	2022
	(RMB in thousands)			
Share-based compensation expenses:				
Cost of revenues	802	1,825	7,139	1,691
Selling and marketing expenses	1,231	1,552	11,953	11,091
Research and development expenses	3,533	3,446	28,106	21,279
Administrative expenses	6,726	15,600	88,307	68,230
Fulfillment expenses	—	—	—	322
Total	**12,292**	**22,423**	**135,505**	**102,613**

NON-IFRS MEASURE: Adjusted Net Loss

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 year, 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 our 2016 Plan and 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.

For the years ended December 31, 2019, 2020, 2021 and 2022, our adjusted net loss (non-IFRS measure) was approximately RMB366.5 million, RMB106.4 million, RMB826.5 million and RMB666.9 million, respectively. 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 loss for the period:

	For the Year Ended December 31,			
	2019	2020	2021	2022
	RMB	RMB	RMB	RMB
	(in thousands)			
Reconciliation of loss to adjusted net loss (Non-IFRS measure):				
Loss for the year	(735,045)	(2,243,750)	(2,908,237)	(104,551)
Add:				
Share-based compensation expenses	12,292	22,423	135,505	102,613
Fair value changes of convertible redeemable preferred shares	356,303	2,114,943	1,946,205	(664,969)
Adjusted net loss for the year (Non-IFRS measure)	**(366,450)**	**(106,384)**	**(826,527)**	**(666,907)**

Revenue

We have three reportable segments: (i) self-branded fitness products, (ii) membership and online paid content, and (iii) advertising and others. We identify our reportable segments in the same manner that our chief operating decision maker, or CODM, reviews the operating results in assessing performance and allocating resources. See our consolidated financial statements in this document for additional information regarding our reportable segments.

The following table breaks down our revenue by amounts and as percentages of our total revenue for the periods presented:

	For the Year Ended December 31,							
	2019		2020		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)							
Revenue:								
Self-branded fitness products	396,034	59.7	636,709	57.5	872,452	53.9	1,136,971	51.4
—Smart fitness devices	135,061	20.4	220,830	20.0	286,516	17.7	438,875	19.8
—Complementary fitness products	260,973	39.3	415,879	37.5	585,936	36.2	698,096	31.6
Membership and online paid content	151,322	22.8	338,024	30.5	557,581	34.4	894,167	40.4
—Membership subscription	136,680	20.6	305,199	27.6	487,881	30.1	563,064	25.4
—Online paid content	14,642	2.2	32,825	2.9	69,700	4.3	331,103	15.0
Advertising and others	115,763	17.5	132,044	12.0	189,505	11.7	180,413	8.2
—Offline centers	30,019	4.5	20,839	1.9	30,888	1.9	19,540	0.9
—Advertising and others (excluding offline centers)	85,744	13.0	111,205	10.1	158,617	9.8	160,873	7.3
Total	**663,119**	**100.0**	**1,106,777**	**100.0**	**1,619,538**	**100.0**	**2,211,551**	**100.0**

Self-branded fitness products. We generate revenue from the sale of self-branded fitness products, including smart fitness devices, such as *Keep Bike*, *Keep Wristband*, smart scale, and treadmill, and complementary fitness products including fitness gear, apparel and food. We sell our self-branded fitness products to users either directly through our online store and third-party e-commerce platforms or through third-party wholesale channels.

Membership and online paid content. We generate revenue from (i) subscribing member exclusive content that can be accessed through membership subscription, and (ii) online paid content that can be purchased on a la carte basis. The majority of the pre-recorded courses and curriculum, whether produced in-house or by other parties, are free content available to all of our users. Users can subscribe to our membership to access privileged content and features that are exclusive to subscribing members, including live streaming classes and AI-assisted personalized curriculum. Our membership can be subscribed on a monthly, quarterly, or yearly basis, and users may elect to renew the subscription automatically. As of the Latest Practicable Date, our listed monthly, quarterly and yearly subscription fees were RMB25-RMB40, RMB68-RMB98 and RMB248-RMB328, respectively. Paid content refers to paid courses and curriculum that users can purchase on an a la carte basis and access repeatedly after purchase. The fees for these a la carte paid courses and curriculum on our platform typically range from RMB28 to RMB512. Subscribing members can enjoy discounts on paid courses and curriculum.

Advertising and others. We generate revenue from online advertising, which is primarily in the form of display advertisement. Display advertising arrangements allow the placement of advertisements on particular areas of our platform in particular formats and over particular periods of time. Such advertisements primarily appear on the app opening page and top banner. We enter into contracts mainly with third-party advertising agencies. The fee arrangement for our advertising services is determined on a case-by-case basis, taking into account various factors, including the format and duration of the advertisement, display location, market pricing, among others. Others primarily represent revenue generated from our *Keepland* fitness centers. The revenue from advertising and others increased from RMB115.8 million in 2019 and RMB 132.0 million in 2020 to RMB 189.5 million in 2021, which was mainly attributable to the expansion of our advertiser base and advertisers' increased spending on our platform. In addition, the growth of our average MAUs allowed advertisers to enjoy greater exposure, and attracted more advertisers to promote their products and services on our platform. The revenue from advertising and others decreased by 4.8% from RMB189.5 million in 2021 to RMB180.4 million in 2022, primarily due to COVID-19's negative impact on our *Keepland* business and the advertising budget of our advertising customers.

Cost of revenues

Our cost of revenues primarily consist of (i) cost of self-branded fitness products, (ii) cost of membership and online paid content, and (iii) cost of advertising and others.

The following tables set forth a breakdown of our cost of revenues by amounts and as percentages of total revenue for the periods indicated.

	For the Year Ended December 31,							
	2019		2020		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)							
Cost of revenues:								
Self-branded fitness products	256,354	38.7	405,806	36.7	629,147	38.8	816,883	36.9
Membership and online paid content	55,086	8.3	119,135	10.8	233,098	14.4	409,082	18.5
Advertising and others	79,053	11.9	82,409	7.4	80,665	5.0	85,206	3.9
Total	**390,493**	**58.9**	**607,350**	**54.9**	**942,910**	**58.2**	**1,311,171**	**59.3**

	For the Year Ended December 31,							
	2019		2020		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)							
Cost of revenues:								
Cost of self-branded fitness products sold	248,789	37.5	395,244	35.7	612,682	37.8	790,571	35.7
Cost of virtual sports events	4,197	0.6	11,512	1.0	33,049	2.0	163,674	7.4
Channel fees paid to third-party application stores and other payment channels	27,175	4.1	69,312	6.3	101,517	6.3	91,064	4.1
Content related cost	7,901	1.2	12,155	1.1	33,964	2.1	64,613	2.9
Employee benefit expenses	32,299	4.9	32,737	3.0	61,455	3.8	58,918	2.7
Advertising production cost	19,256	2.9	35,687	3.2	32,258	2.0	32,857	1.5
Outsourcing and other labor costs	4,024	0.6	6,002	0.5	10,668	0.7	15,145	0.7
Taxes and surcharges	1,147	0.2	3,870	0.3	5,319	0.3	11,411	0.5
Other cost of revenues	45,705	6.9	40,831	3.8	51,998	3.2	82,918	3.8
Total	**390,493**	**58.9**	**607,350**	**54.9**	**942,910**	**58.2**	**1,311,171**	**59.3**

Our cost of self-branded fitness products consists primarily of material costs, manufacturing costs and related costs that are directly attributable to the production of fitness products.

Our cost of membership and online paid content consists primarily of (i) channel fees paid to third-party application stores and other payment channels, (ii) salaries and benefits paid to employees related to content production, (iii) content-related cost, and (iv) cost of medals for virtual sports events. Content-related cost primarily represents (i) audio and video production fee, (ii) cost we incurred in purchasing content rights, and (iii) compensation and revenue sharing fee paid to fitness influencers in connection with the joint-production of fitness courses. We collaborate with content providers to develop quality and tailored content for our platform, including recorded fitness courses and live-streaming classes. We also source quality content directly from content providers.

Our cost of advertising and others consists primarily of advertising production fees, including advertisement-related video production cost and salaries and benefits paid to employees.

Gross profit

The following table sets forth our gross profit for the periods indicated:

	For the Year Ended December 31,			
	2019	2020	2021	2022
	(RMB in thousands)			
Gross profit	272,626	499,427	676,628	900,380

Fulfillment expenses

Our fulfillment expenses primarily consist of product delivering expenses paid to third-party couriers, packaging expenses, warehousing expenses, and salaries and benefits paid to relevant personnel. We expect our fulfillment expenses to increase in absolute amount as the sales continue to grow.

Selling and marketing expenses

Our selling and marketing expenses primarily consist of branding and promotion expenses, personnel expenses, and platform commission expenses relating to the promotion and sales of our self-branded fitness products and membership and online paid content. Branding and promotion expenses primarily represent traffic acquisition expenses to acquire users through app stores and various third-party apps such as short video platforms, branding expenses to increase mindshare and enhance brand awareness, as well as marketing fees to promote self-branded products on third-party platforms. Personnel expenses primarily represent benefits paid to sales and marketing personnel, including share-based compensation expenses. Platform commission expenses primarily represent commissions paid to third-party channels for the sales of our self-branded fitness products. We expect our selling and marketing expenses to increase in absolute amount as we seek to continue to grow our user base, introduce new content and products, raise our brand awareness and further expand our marketing efforts.

The following table sets forth a breakdown of our selling and marketing expenses by amounts and as percentages of total revenue for the periods indicated.

	Year Ended December 31,							
	2019		2020		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)							
Selling and marketing expenses:								
Branding and marketing promotion expenses and other related expenses	190,629	28.7	178,226	16.2	746,863	46.1	377,736	17.0
Platform commission and other selling and marketing expenses	17,134	2.6	39,109	3.5	57,073	3.5	80,916	3.7
Employee benefit expenses (including SBC)	61,656	9.3	55,453	5.0	110,222	6.8	149,963	6.8
Others	26,366	4.0	28,905	2.6	42,062	2.6	37,562	1.7
Total	**295,785**	**44.6**	**301,693**	**27.3**	**956,220**	**59.0**	**646,177**	**29.2**

Our selling and marketing expenses increased from RMB295.8 million in 2019 to RMB301.7 million in 2020 and RMB956.2 million in 2021, which was primarily due to an increase of RMB568.6 million in branding and marketing promotion expenses and other related expenses, driven by our efforts to increase mindshare, enhance brand awareness and expand user base. Our selling and marketing expenses decreased by 32.4% from RMB956.2 million in 2021 to RMB646.2 million in 2022, which was primarily due to a decrease of RMB369.1 million in branding and marketing promotion expenses and other related expenses as we reduced marketing spending and made more efficient spending on user acquisition. We reduced traffic acquisition spending and adopted optimal mix of marketing channels and strategies which allowed us to acquire users more efficiently. For example, we strategically reduced spending for general branding activities in collaboration with variety shows and user acquisition on short video platforms and increased our promotion and user acquisition efforts in app stores. On the other hand, we expanded our presence on social media to promote our content and services, including virtual sports events.

Administrative expenses

Our administrative expenses primarily consist of salaries and benefits, including share-based compensation expenses, and other expenses which are related to the general corporate functions, rental and general expenses associated with these functions and professional service fees. We expect our administrative expenses to increase in absolute amount as we will incur additional expenses related to the anticipated growth of our business and accounting, investor relations and other costs related to our operations as a public company.

Research and development expenses

Our research and development expenses primarily consist of salaries and benefits, including share-based compensation expenses, for research and development personnel dedicated to the development and enhancement of our app and self-branded fitness products, cloud computing fees and rental expenses. We expect our research and development expenses to increase in absolute amount as we continue to expand our research and development team to further develop our technology, refine our online platform and upgrade new technology-enabled fitness products.

Other income

Other income consists of government grants and value-added tax deduction. The following table sets forth a breakdown of our other income both in absolute amount and as a percentage of total revenue for the years presented.

	For the Year Ended December 31,							
	2019		2020		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)							
Government grants	12,602	1.9	4,195	0.4	3,012	0.2	1,815	0.1
Value-added tax deduction	—	—	—	—	1,246	0.1	4,694	0.2
Total	**12,602**	**1.9**	**4,195**	**0.4**	**4,258**	**0.3**	**6,509**	**0.3**

During the years ended December 31, 2019, 2020, 2021 and 2022, the government grants were mainly incentives provided to us by local government authorities in China to support high-tech and culture industry. None of the government grants are recurring in nature and none of the government grants is related to COVID-19 pandemic.

Other gains/(losses), net

Our other gains/(losses), net primarily includes net fair value gains on financial assets at fair value through profit or loss, net fair value losses on financial liabilities at fair value through profit or loss.

Finance (expenses)/income, net

Our finance (expenses)/income, net primarily includes finance income from bank deposits, net finance expenses from leases and borrowings.

Fair value changes of convertible redeemable preferred shares

The convertible redeemable preferred shares issued by us are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the underlying equity value of us and the option-pricing method and equity allocation model was adopted to determine the fair value of the preferred shares. Please refer to Note 3.3 to the Accountant's Report included in Appendix I to this document for the key assumptions in determining the fair value of the convertible redeemable preferred shares.

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains, or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties, which may be applicable on instruments executed in, or, after execution, brought to, or produced before a court of, the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong Income Tax

When Calorie HK was incorporated in Hong Kong, the subsidiary 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%.

PRC Enterprise Income Tax ("EIT")

Under the PRC Enterprise Income Tax Law, our PRC subsidiaries, consolidated affiliated entities and their subsidiaries are subject to the statutory rate of 25%, subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy. Enterprises that qualify as "high and new technology enterprises", or HNTEs, are entitled to a preferential rate of 15%, subject to a requirement that they re-apply for HNTE status every three years.

In October 2017 and December 2020, Beijing Calorie Information Technology Co., Ltd., 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. was qualified as HNTE and enjoyed a preferential tax rate of 15% from 2018 to 2023. In December 2020, Shenzhen Calorie Technology Co., Ltd. was qualified as a HNTE and enjoyed a preferential tax rate of 15% from 2020 to 2022. Our remaining PRC entities were subject to enterprise income tax at a rate of 25% in 2019, 2020, 2021 and 2022. 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**"). Pursuant to the PRC Enterprise Income Tax Law and other applicable laws and regulations, a 5% or 10% withholding tax is levied on dividends declared to foreign investors from China.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Risk factors—Risks related to doing business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders".

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our total revenue increased by 36.6% from RMB1.6 billion in 2021 to RMB2.2 billion in 2022, mainly attributable to the increased revenue from self-branded fitness products and membership and online paid content.

Self-branded fitness products. The revenue from self-branded fitness products increased by 30.3% from RMB872.5 million in 2021 to RMB1.1 billion in 2022, which was mainly attributable to the growth in average monthly fitness product customers and increased revenue generated from non-DTC channels. Our average monthly fitness product customers increased by 43.8% from approximately 383 thousand in 2021 to approximately 550 thousand in 2022.

Membership and online paid content. The revenue from membership and online paid content increased by 60.4% from RMB557.6 million in 2021 to RMB894.2 million in 2022, which was mainly attributable to an increase in the average monthly subscribing members, growing membership penetration rate and increased revenue generated from virtual sports events. Our average monthly subscribing members increased from 3.3 million in 2021 to 3.6 million in 2022, driven by our enriched content and efficient marketing and promotion efforts.

Advertising and others. The revenue from advertising and others decreased by 4.8% from RMB189.5 million in 2021 to RMB180.4 million in 2022, which was mainly attributable to COVID-19's negative impact on our *Keepland* business and the advertising budget of our advertising customers.

Cost of revenues

Our cost of revenues increased by 39.1% from RMB942.9 million in 2021 to RMB1.3 billion in 2022, which was generally in line with the increase in our total revenue.

Self-branded fitness products. Our cost of self-branded fitness products increased by 29.8% from RMB629.1 million in 2021 to RMB816.9 million in 2022, which was mainly attributable to the increase in the sales of our self-branded fitness products.

Membership and online paid content. Our costs of membership and online paid content increased by 75.5% from RMB233.1 million in 2021 to RMB409.1 million in 2022, which was mainly attributable to an increase of RMB130.6 million in the cost of virtual sports events and an increase of RMB30.6 million in content related costs.

Advertising and others. Our costs of advertising and others increased by 5.6% from RMB80.7 million in 2021 to RMB85.2 million in 2022, which was mainly attributable to an increase of RMB5.4 million in outsourcing and other labor costs as we expanded our collaboration with third-party offline gyms and worked with more part-time coaches in connection with our *Keep* selected fitness classes.

Gross profit

Our overall gross profit increased by 33.1% from RMB676.6 million in 2021 to RMB900.4 million in 2022.

Our gross profit of self-branded fitness products increased by 31.6% from RMB243.3 million in 2021 to RMB320.1 million in 2022. Our gross profit of membership and online paid content increased by 49.5% from RMB324.5 million in 2021 to RMB485.1 million in 2022. Our gross profit of self-branded fitness products and membership and online paid content increased as we generated higher sales for our fitness products and content. Our gross profit of advertising and others decreased by 12.5% from RMB108.8 million in 2021 to RMB95.2 million in 2022 primarily due to a decrease in revenue from our *Keepland* business. We experienced a decrease in our overall gross margin in 2022 compared to 2021, primarily attributable to (i) the decreased gross margin of our membership and online paid content segment which reflected the growing revenue contribution of virtual sports events and its comparably lower gross margin due to the higher cost of medals, and (ii) the decreased gross margin of our advertising and others segment as a result of the negative impact the COVID-19 pandemic had on our *Keepland* business.

Fulfillment expenses

Our fulfillment expenses increased by 57.6% from RMB127.9 million in 2021 to RMB201.6 million in 2022, which was primarily due to the growth in the sales volume of our self-branded fitness products and the expansion of our virtual sports events service.

Selling and marketing expenses

Our selling and marketing expenses decreased by 32.4% from RMB956.2 million in 2021 to RMB646.2 million in 2022, which was primarily due to a decrease of RMB369.1 million in branding and marketing promotion expenses and other related expenses as we reduced marketing spending and made more efficient spending on user acquisition. We reduced traffic acquisition spending and adopted optimal mix of marketing channels and strategies which allowed us to acquire users more efficiently. For example, we strategically reduced spending for general branding activities in collaboration with variety shows and user acquisition on short video platforms and increased our promotion and user acquisition efforts in app stores. On the other hand, we expanded our presence on social media to promote our content and services, including virtual sports events.

Administrative expenses

Our administrative expenses increased by 12.5% from RMB218.3 million in 2021 to RMB245.6 million in 2022, which was primarily due to an increase of RMB21.3 million in personnel cost as we expanded our general and administrative team.

Research and development expenses

Our research and development expenses increased by 51.0% from RMB355.6 million in 2021 to RMB536.9 million in 2022, which was primarily due to an increase of RMB133.8 million in research and development personnel costs (including related share-based compensation expenses) as a result of the increase in research and development personnel and an increase of RMB16.1 million in cloud computing fees as we continue to strengthen our technological capabilities.

Other income

Our other income increased by 52.9% from RMB4.3 million in 2021 to RMB6.5 million in 2022, which was primarily due to an increase in value-added tax deduction.

Other gains/(losses), net

We recorded other gains, net of RMB9.0 million in 2021 and other losses, net of RMB65.4 million in 2022. The change was primarily due to an increase of net fair value losses on financial liabilities at fair value through profit or loss.

Finance (expenses)/income, net

Our finance (expense)/income, net increased by 234.2% from RMB6.1 million in 2021 to RMB20.2 million in 2022. The change was primarily due to an increase in interest income from bank deposits.

Fair value changes of convertible redeemable preferred shares

We recorded fair value loss of convertible redeemable preferred shares of RMB1.9 billion in 2021 compared to fair value gain of convertible redeemable preferred shares of RMB665.0 million in 2022. The change in the fair value of convertible redeemable preferred shares was primarily attributable to the changes in the valuation of our Company. See Note 34 to the Accountant's Report in Appendix I to this document for details regarding the changes in fair value changes of convertible redeemable preferred shares.

Loss for the year

Our loss for the year was RMB104.6 million in 2022 compared to loss for the year of RMB2.9 billion in 2021. The change was primarily due to the decrease in fair value changes of preferred shares. Our adjusted net loss (non-IFRS measure) was RMB826.5 million and RMB666.9 million for 2021 and 2022, respectively.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our total revenue increased by 46.3% from RMB1.1 billion in 2020 to RMB1.6 billion in 2021, mainly attributable to the increased revenue from self-branded fitness products and membership and online paid content.

Self-branded fitness products. The revenue from self-branded fitness products increased by 37.0% from RMB636.7 million in 2020 to RMB872.5 million in 2021, which was mainly attributable to the growth in average monthly fitness product customers and increased revenue generated from non-DTC channels. Our average monthly fitness product customers increased by 31.0% from approximately 292 thousand in 2020 to approximately 383 thousand in 2021.

Membership and online paid content. The revenue from membership and online paid content increased by 65.0% from RMB338.0 million in 2020 to RMB557.6 million in 2021, which was mainly attributable to an increase in the average monthly subscribing members due to the expanding user base and growing membership penetration rate. The average monthly subscribing members increased from 1.9 million in 2020 to 3.3 million in 2021, driven by our enriched content and increased marketing and promotion efforts.

Advertising and others. The revenue from advertising and others increased by 43.5% from RMB132.0 million in 2020 to RMB189.5 million in 2021, which was mainly attributable to the expansion of our advertiser base and advertisers' increased spending on our platform. The number of our advertising customers increased from 36 in 2020 to 78 in 2021. In addition, the growth of our average MAUs allowed advertisers to enjoy greater exposure, and attracted more advertisers to promote their products and services on our platform. Our average MAUs increased from 29.7 million in 2020 to 34.4 million in 2021.

Cost of revenues

Our cost of revenues increased by 55.2% from RMB607.4 million in 2020 to RMB942.9 million in 2021, which was generally in line with the increase in our total revenue.

Self-branded fitness products. Our cost of self-branded fitness products increased by 55.0% from RMB405.8 million in 2020 to RMB629.1 million in 2021, which was mainly attributable to the increase in the sales of our self-branded fitness products.

Membership and online paid content. Our costs of membership and online paid content increased by 95.7% from RMB119.1 million in 2020 to RMB233.1 million in 2021, which was mainly attributable to (i) an increase of RMB31.6 million in channel fees paid to third-party application stores and other payment channels, (ii) an increase of RMB27.6 million in staff cost and related share-based compensation expenses and (iii) an increase of RMB21.8 million as we expanded our content offerings.

Advertising and others. Our costs of advertising and others decreased by 2.1% from RMB82.4 million in 2020 to RMB80.7 million in 2021, which was mainly attributable to a decrease of RMB3.4 million in advertising production fees and a decrease in depreciation expenses of leasehold improvement of RMB2.7 million primarily for our offline fitness centers, partially offset by an increase of RMB3.2 million in outsourcing and other labor costs primarily relating to the *Keepland* business which was negatively impacted by the COVID-19 pandemic in the first half of 2020.

Gross profit

Our overall gross profit increased by 35.5% from RMB499.4 million in 2020 to RMB676.6 million in 2021.

Our gross profit of self-branded fitness products increased by 5.4% from RMB230.9 million in 2020 to RMB243.3 million in 2021. Our gross profit of membership and online paid content increased by 48.2% from RMB218.9 million in 2020 to RMB324.5 million in 2021. Our gross profit of self-branded fitness products and membership and online paid content increased as we generated higher sales for our fitness products and content. Our gross profit of advertising and others increased by 119.3% from RMB49.6 million in 2020 to RMB108.8 million in 2021 primarily due to an increase in advertising revenue as we grew our advertising services.

We experienced a decrease in our overall gross margin in 2021 compared to 2020 primarily attributable to (i) the decreased gross margin of self-branded fitness products segment as we offered more discounts to incentivize user purchase, including more discounts for fitness products offered to subscribing members in our online stores, compared to 2020, and (ii) decreased gross margin of membership and online paid content segment as we incurred increased content related cost as we further expanded our content offerings which resulted in lower gross margin in 2021, but will contribute to our long-term revenue growth as more users are attracted by our extensive fitness content offerings.

Fulfillment expenses

Our fulfillment expenses increased by 38.4% from RMB92.4 million to RMB127.9 million in 2021, which was primarily due to the growth in the sales volume of our self-branded fitness products.

Selling and marketing expenses

Our selling and marketing expenses increased by 217.0% from RMB301.7 million in 2020 to RMB956.2 million in 2021, which was primarily due to an increase of RMB568.6 million in branding and marketing promotion expenses and other related expenses, driven by our efforts to increase mindshare, enhance brand awareness and expand user base. The increase in branding and marketing promotion expenses and other related expenses primarily includes an increase of RMB242.0 million in traffic acquisition expenses, and an increase of RMB311.7 million in our spending related to the general branding for our app and self-branded fitness products.

Administrative expenses

Our administrative expenses increased by 216.4% from RMB69.0 million in 2020 to RMB218.3 million in 2021, which was primarily due to an increase of RMB104.8 million in personnel cost and related share-based compensation expenses as we expanded our general and administrative team and an increase of RMB41.7 million in professional fees including listing expenses and auditor's remuneration.

Research and development expenses

Our research and development expenses increased by 111.8% from RMB167.9 million in 2020 to RMB355.6 million in 2021, which was primarily due to an increase of RMB150.9 million in research and development personnel costs including related share-based compensation expenses and an increase of RMB18.0 million in cloud computing fees as we continue to strengthen our technological capabilities.

Other income

We recorded other income of RMB4.2 million in 2020 and RMB4.3 million in 2021, which primarily consisted government grants.

Other gains/(losses), net

We recorded other losses, net of RMB1.0 million in 2020 and other gains, net of RMB9.0 million in 2021. The change was primarily due to an increase of RMB8.7 million in net fair value gains on financial assets at fair value through profit or loss.

Finance (expenses)/income, net

We recorded net finance expenses of RMB0.4 million in 2020 and net finance income of RMB6.1 million in 2021. The change was primarily due to the increased bank deposits as a result of our new round of financing in the end of 2020.

Fair value changes of convertible redeemable preferred shares

Our fair value changes of convertible redeemable preferred shares decreased by 8.0% from RMB2.1 billion in 2020 to RMB1.9 billion in 2021. The changes in the fair value of our convertible redeemable preferred shares were primarily attributable to the changes in the valuation of our Company. See Note 34 to the Accountant's Report in Appendix I to this document for details regarding the changes in fair value changes of convertible redeemable preferred shares.

Loss for the year

Our loss for the year was RMB2.9 billion in 2021, as compared to RMB2.2 billion in 2020. Our adjusted net loss (non-IFRS measure) for the year was RMB106.4 million and RMB826.5 million for 2020 and 2021, respectively.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our total revenue increased by 66.9% from RMB663.1 million in 2019 to RMB1.1 billion in 2020, mainly attributable to the increased revenue from self-branded fitness products and membership and online paid content.

Self-branded fitness products. The revenue from self-branded fitness products increased by 60.8% from RMB396.0 million in 2019 to RMB636.7 million in 2020, which was mainly attributable to the growth in sales volume resulting from the increasing fitness product customers. Our average monthly fitness product customers increased by 58.6% from approximately 184 thousand in 2019 to approximately 292 thousand in 2020.

Membership and online paid content. The revenue from membership and online paid content increased by 123.4% from RMB151.3 million in 2019 to RMB338.0 million in 2020, which was mainly attributable to an increase in the average monthly subscribing members due to the expanding user base and growing membership penetration rate. The average monthly subscribing members increased from 0.8 million in 2019 to 1.9 million in 2020, driven by our enriched content.

Advertising and others. The revenue from advertising and others increased by 14.1% from RMB115.8 million in 2019 to RMB132.0 million in 2020, which was mainly attributable to advertisers' increased spending on our platform. The growth of our user base allowed advertisers to enjoy greater exposure, and attracted more advertisers to promote their products and services on our platform. Our average MAUs increased from 21.8 million in 2019 to 29.7 million in 2020.

Cost of revenues

Our cost of revenues increased by 55.5% from RMB390.5 million in 2019 to RMB607.4 million in 2020, which was in line with the increase in our total revenue.

Self-branded fitness products. Our cost of self-branded fitness products increased by 58.3% from RMB256.4 million in 2019 to RMB405.8 million in 2020, which was mainly attributable to an increase of RMB146.5 million in procurement cost that was in line with the growth in the sales volume of our self-branded fitness products.

Membership and online paid content. Our costs of membership and online paid content increased by 116.3% from RMB55.1 million in 2019 to RMB119.1 million in 2020, which was mainly attributable to an increase of RMB41.8 million in channel fees paid to third-party application stores and other payment channels, and an increase of RMB5.2 million in employee benefit expenses including share-based compensation expenses.

Advertising and others. Our costs of advertising and others increased by 4.2% from RMB79.1 million in 2019 to RMB82.4 million in 2020, which was mainly attributable to an increase of RMB16.4 million in advertising production cost that was in line with the growth of advertising revenue, partially offset by a decrease of RMB7.0 million in rental expenses, primarily as a result of the negative impact the COVID-19 pandemic had on the operation of our offline fitness centers.

Gross profit

Our overall gross profit increased by 83.2% from RMB272.6 million in 2019 to RMB499.4 million in 2020.

The gross profit of self-branded fitness products increased by 65.3% from RMB139.7 million in 2019 to RMB230.9 million in 2020. The gross profit of membership and online paid content increased by 127.5% from RMB96.2 million in 2019 to RMB218.9 million in 2020. Our gross profit of self-branded fitness products and membership and online paid content increased as we generated higher sales for our fitness products and content. The gross profit of advertising and others increased by 35.2% from RMB36.7 million in 2019 to RMB49.6 million in 2020, which was primarily due to advertisers' increased spending on our platform. We experienced an increase in our overall gross margin in 2020 compared to 2019, primarily attributable to the growth of our membership and online paid content segment as a percentage of our revenue. Membership and online paid content has a higher growth margin, therefore driving a higher gross margin for our overall revenue.

Fulfillment expenses

Our fulfillment expenses increased by 67.6% from RMB55.1 million in 2019 to RMB92.4 million in 2020 due to an increase in warehousing, packaging and delivery expenses primarily attributable to the growth in sales volume of our self-branded fitness products.

Selling and marketing expenses

Our selling and marketing expenses increased by 2.0% from RMB295.8 million in 2019 to RMB301.7 million in 2020, which was primarily due to an increase of RMB22.0 million in platform commission and other selling and marketing expenses related to the operation of online stores, partially offset by a decrease of RMB12.4 million in branding and marketing promotion expenses and other related expenses as a result of our reduced marketing efforts during the COVID-19 pandemic.

Administrative expenses

Our administrative expenses decreased by 43.6% from RMB122.2 million in 2019 to RMB69.0 million in 2020, which was primarily due to a decrease of RMB25.1 million in rental fee primarily because we classified rental fees as administrative expenses in 2019 during the period when we furnished our office space and a decrease of RMB7.2 million in professional fee (including auditor's remuneration) incurred in 2019 resulting from our financing activities in the same year. The decrease was partially offset by an increase of RMB8.9 million in share-based compensation expenses that were allocated to administrative expenses.

Research and development expenses

Our research and development expenses decreased by 13.5% from RMB194.2 million in 2019 to RMB167.9 million in 2020, primarily due to a decrease of RMB17.4 million in social insurance contribution as a result of the relief policies promulgated by the government in response to the COVID-19 pandemic and as we optimized staffing efficiency.

Other income

Our other income decreased by 66.7% from RMB12.6 million in 2019 to RMB4.2 million in 2020, which was primarily due to a decrease in government grants.

Other gains/(losses), net

We recorded other gains, net of RMB9.5 million in 2019 and other losses, net of RMB1.0 million in 2020. The change was primarily due to a decrease of RMB10.0 million in gains on lease modification and termination.

Finance income/(expenses), net

Our finance income/(expenses), net increased by 92.8% from net finance expenses of RMB6.2 million in 2019 to net finance expenses of RMB0.4 million in 2020, which was primarily the result of a decrease in interest expenses arising from lease liabilities due to the adjustments we made to our operating sites.

Fair value changes of convertible redeemable preferred shares

Our fair value changes of convertible redeemable preferred shares increased by 493.6% from RMB356.3 million in 2019 to RMB2.1 billion in 2020. The changes in the fair value of our convertible redeemable preferred shares were primarily attributable to the increase in our the valuation of Company. See Note 34 to the Accountant's Report in Appendix I to this document for details regarding the changes in fair value changes of convertible redeemable preferred shares.

Loss for the year

Our loss for the year was RMB2.2 billion in 2020, as compared to RMB735.0 million in 2019. Our adjusted net loss (non-IFRS measure) for the year was RMB106.4 million in 2020 and RMB366.5 million in 2019.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED BALANCE SHEET

Current Assets/Liabilities

The following table sets forth our current assets and current liabilities as at the dates indicated.

	As at December 31,				As at April 30,
	2019	2020	2021	2022	2023
					(Unaudited)
	(RMB in thousands)				
Current assets					
Inventories	94,635	117,904	198,763	167,737	142,694
Accounts receivables	79,908	180,766	310,368	251,676	212,666
Prepayments and other current assets	71,875	77,719	86,819	128,966	136,769
Financial assets at fair value through profit or loss	—	429,310	255,949	139,864	71,901
Short-term time deposits(1)	—	—	454,963	68,740	188,679
Cash and cash equivalents	563,914	2,342,713	1,653,517	1,672,217	1,466,444
Total	**810,332**	**3,148,412**	**2,960,379**	**2,429,200**	**2,219,153**
Current liabilities					
Accounts payables	46,305	58,534	141,007	154,095	137,998
Accrued expenses	88,450	127,516	186,399	244,537	200,160
Other current liabilities	13,119	30,554	63,918	65,301	64,868
Contract liabilities	38,918	80,227	86,959	84,104	102,130
Borrowings	—	—	87,584	74,524	67,508
Lease liabilities	29,946	33,348	40,999	44,554	43,393
Total	**216,738**	**330,179**	**606,866**	**667,115**	**616,057**
Net current assets	**593,594**	**2,818,233**	**2,353,513**	**1,762,085**	**1,603,096**

Note:

(1) All time deposits held at bank with original maturities over three months and less than one year with corresponding interest receivables were classified as short-term time deposits. US$14.9 million, US$6.2 million and US$3.2 million short-term time deposits were pledged to Bank of Jiang Su Co., Ltd for bank borrowings as at December 31, 2021 and 2022, and April 30, 2023, respectively. RMB25.5 million and RMB25.5 million were pledged in the Bank of Ningbo Co., Ltd, as at December 31, 2022 and April 30, 2023, respectively. Except for above pledged short-term time deposits, other deposits can be withdrawn with no restriction.

We had net current assets positions as at December 31, 2019, 2020, 2021 and 2022. Our net current assets positions as of each of these dates were primarily attributable to our large balance of inventories, accounts receivables, prepayments and other current assets, financial assets at fair value through profit or loss, short-term time deposits and cash and cash equivalents, partially offset by our accounts payables, accrued expenses and other current liabilities, lease liabilities, contract liabilities and borrowings. Cash and cash equivalents account for a substantial portion of our current assets. Prepayments and other current assets primarily represent royalty licenses, deductible value added taxes and prepayments for promotion fees. See "—Liquidity and Capital Resources" for further details on change of the balance of our cash and cash equivalents.

Inventories

The following table sets forth our inventories as of the dates indicated.

	As at December 31,			
	2019	2020	2021	2022
	(RMB in thousands)			
Inventories:				
Raw materials	534	1,188	123	716
Components	3,333	9,599	20,273	12,563
Finished goods	94,638	113,527	186,378	168,695
	98,505	124,314	206,774	181,974
Less: provision for impairment(1)	(3,870)	(6,410)	(8,011)	(14,237)
Total	**94,635**	**117,904**	**198,763**	**167,737**

Note:

(1) Provision for impairment represent the amount by which the carrying amount of the inventories exceeds its net realizable value and was recorded in the cost of revenues in the consolidated income statements.

Our inventories were RMB94.6 million, RMB117.9 million, RMB198.8 million and RMB167.7 million as at December 31, 2019, 2020, 2021 and 2022, respectively. We experienced a decrease in inventory as at December 31, 2022 compared to that of December 31, 2021 as we improved our inventory management system and achieved more effective and efficient inventory management.

The following table sets forth provision for impairment movements for the periods indicated.

	Year ended December 31,			
	2019	2020	2021	2022
	(RMB in thousands)			
At the beginning of the year	**(806)**	**(3,870)**	**(6,410)**	**(8,011)**
Provision for impairment	(3,064)	(2,540)	(1,601)	(6,226)
At the end of the year	**(3,870)**	**(6,410)**	**(8,011)**	**(14,237)**

Inventory turnover days for a given period are equal to the average balances of inventories that are related to self-branded fitness products, net of provision for inventory write-down, at the beginning and at the end of the period divided by cost of self-branded fitness products sold during the period and multiplied by the number of days during the period. Our inventories turnover days decreased from 98 days in 2020 to 94 days in 2021 and 78 days in 2022, which were primarily due to our continued efforts to improve inventory management. As at April 30, 2023, RMB137.1 million, or 81.7%, of our inventories as of December 31, 2022 had been subsequently utilized.

As at December 31, 2019, 2020, 2021 and 2022, 99.2%, 98.6%, 97.0% and 100% of our inventories had age of less than one year, respectively. During the Track Record Period, more than 80% of the inventories with an age of over one year was finished goods. Inventories with an age of over one year increased from RMB0.8 million as at December 31, 2019 to RMB1.7 million as at December 31, 2020, and decreased from RMB6.0 million as at December 31, 2021 to nil as of December 31, 2022. The decrease of inventories with an age of over one year was primarily due to the disposal of old and excess inventories to optimize our inventory.

The following table sets forth the aging analysis of our inventories as at the dates indicated.

As at December 31, 2019	0-360 days	Over 360 days	Total
	(RMB in thousands)		
Raw materials and components	3,832	35	3,867
Finished goods	90,002	766	90,768
Total	**93,834**	**801**	**94,635**

As at December 31, 2020	0-360 days	Over 360 days	Total
	(RMB in thousands)		
Raw materials and components	10,787	—	10,787
Finished goods	105,424	1,693	107,117
Total	**116,211**	**1,693**	**117,904**

As at December 31, 2021	0-360 days	Over 360 days	Total
	(RMB in thousands)		
Raw materials and components	19,289	1,107	20,396
Finished goods	173,438	4,929	178,367
Total	**192,727**	**6,036**	**198,763**

As at December 31, 2022	0-360 days	Over 360 days	Total
	(RMB in thousands)		
Raw materials and components	13,279	—	13,279
Finished goods	154,458	—	154,458
Total	**167,737**	**—**	**167,737**

We regularly carried out inventory review on the recoverability of our inventory. Provision for inventory is recorded where events and changes in circumstances indicate that the carrying cost of inventories will not be fully realized. Inventories are stated at the lower of cost or net realizable value. Costs are assigned to individual items of inventories on the basis of weighted average costs. Costs of purchased inventories are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. As at December 31, 2019, 2020 and 2021, the balance of provision for impairment were approximately RMB3.9 million, RMB 6.4 million and RMB8.0 million, respectively, which were in line with the increase of inventory balances. The balance of provision for impairment as at December 31, 2022 was RMB14.2 million. We experienced an increase in the provision for impairment due to the decreased net realizable values of inventory as at December 31, 2022.

Accounts receivables

Our accounts receivables represent amounts due from customers and agent for goods sold or services performed in the ordinary course of business. The following table sets forth our accounts receivables as of the dates indicated.

	As at December 31,			
	2019	**2020**	**2021**	**2022**
	(RMB in thousands)			
Accounts receivables	80,861	183,006	312,659	258,576
Less: credit loss allowances	(953)	(2,240)	(2,291)	(6,900)
Total	**79,908**	**180,766**	**310,368**	**251,676**

Our accounts receivables increased from RMB79.9 million as at December 31, 2019 to RMB180.8 million as at December 31, 2020 and RMB310.4 million as at December 31, 2021. The increase in accounts receivables was primarily due to an increase in accounts receivables arising from the increased sales of our self-branded fitness products and joint membership. Under the joint membership arrangements we had in cooperation with other popular platforms, our membership subscriptions were sold in bundle with the membership package of our joint membership partners at both platforms to promote subscriptions and broaden our user reach. Our accounts receivables decreased from RMB310.4 million as at December 31, 2021 to RMB251.7 million as at December 31, 2022, primarily due to our continued efforts to improve accounts receivable collections.

We generally allow a credit period of three months to our customers. Aging analysis of accounts receivables based on recognition date is as follows:

	As at December 31,			
	2019	**2020**	**2021**	**2022**
	(RMB in thousands)			
Up to 3 months	70,995	157,193	156,064	135,423
3 to 6 months	6,268	21,874	109,277	48,144
6 to 9 months	1,996	126	13,407	21,137
9 months to 1 year	401	—	5,309	11,466
Over 1 year	1,201	3,813	28,602	42,406
Total	**80,861**	**183,006**	**312,659**	**258,576**

Accounts receivables turnover days for a given period are equal to the average balances of accounts receivables at the beginning and at the end of the period divided by revenue during the period and multiplied by the number of days during the period. Our accounts receivables turnover days increased from 43 days in 2020 to 55 days in 2021, primarily due to an increase in accounts receivables from our joint membership partners as usually no settlement is required during the cooperation period. Our accounts receivables turnover days decreased from 55 days in 2021 to 46 days in 2022, primarily due to our continued efforts to improve accounts receivable collections. As at April 30, 2023, RMB166.7 million, or 64.5%, of our accounts receivables as at December 31, 2022 had been subsequently settled.

To strengthen the recovering of outstanding receivables, we have established effective customer credit policies, implemented strengthened credit term review and approval procedures and strengthened the receivables management performance review with respect to the relevant sales personnel. We do not hold any collateral or other credit enhancements over our accounts receivable balances.

We have assessed the recoverability of the relevant outstanding account receivables. Most of the outstanding account receivables as of December 31, 2022 were aged less than one year. Approximately 71.3% of our trade receivables aged less than one year as of December 31, 2022 were recovered as of April 30, 2023. In light of the life cycle collection history of our accounts receivables, the collection ratio is relatively high if the aging is still within one year. Therefore, we believe the risk of us not being able to recover the relevant account receivables aged less than one year is relatively low based on our evaluation of the historical credit standing, ongoing monitoring and the credit records of these customers.

Moreover, we monitor long aged account receivables closely and update the collection status of account receivables on a regular basis. Among the approximately RMB42.4 million account receivables aged over one year that had not been settled as of December 31, 2022, approximately RMB12.6 million were recovered as at April 30, 2023. As of December 31, 2022, the balance of account receivables aged more than one year primarily consisted of the accounts receivables due from our joint membership partners who sold our membership cards in conjunction with their own membership cards to third-party end customers. We agreed with the joint membership partners to not settle the sales proceeds attributable to the sales of our membership cards during the cooperation period. In June 2022, the cooperation with one of our joint membership partners expired and the corresponding outstanding accounts receivables balance was fully settled.

With regard to the balance of account receivables aged over one year, we performed an impairment analysis at the end of each of the period within the Track Record Period and made sufficient provision for account receivables aged over one year. We assess the credit quality of our customers and other debtors by taking into account various factors including their financial position, past operational and financial performance and forward-looking factors. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and credit rating. The expected loss rates are based on the historical payment profiles, historical loss rates and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We have identified factors such as the Gross Domestic Products ("**GDP**") of the PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Therefore, we believe sufficient provision has been made for the balance of accounts receivables.

We have been continuously receiving payments from relevant customers or making settlement with relevant customers to settle the accounts receivables due from them. Therefore, we believe there is no recoverability issue after making the necessary adjustments for loss allowance.

Prepayments and other current assets

The following table sets forth our prepayments and other current assets as at the dates indicated.

Group	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Deductible value added taxes	17,041	6,474	32,613	69,849
Royalty licenses	1,213	1,627	4,507	9,827
Prepayments for promotion fees	4,183	10,490	17,010	7,481
Deferred payment channel fees[(1)]	4,759	9,178	11,682	6,870
Prepayments for listing expenses	—	—	1,735	5,597
Short-term rental and other deposits	2,291	2,222	4,763	5,564
Software license fees	594	959	2,588	3,916
Prepayments for products procurement	5,155	11,588	7,863	3,178
Receivable from Preferred Shares shareholder	34,228	32,703	—	—
Others	2,411	2,478	4,058	16,684
Total	**71,875**	**77,719**	**86,819**	**128,966**

Notes:

(1) We amortized the deferred payment channel fees during the membership period which is usually up to one year.

Our prepayments and other current assets increased from RMB71.9 million as at December 31, 2019 to RMB77.7 million as at December 31, 2020, RMB86.8 million as at December 31, 2021 and further increased to RMB129.0 million as at December 31, 2022. The increase in prepayments and other current assets from December 31, 2019 to December 31, 2020 was primarily due to an increase in prepayments for promotion fees and prepayments for products procurement as we increased spending on promotional activities and the increased sales of our self-branded fitness products. The increase in prepayments and other current assets from December 31, 2020 to December 31, 2021 was due to an increase in deductible value added taxes which relate to our increased promotional spending and an increase in prepayments for promotion fees as we increased spending on promotional activities, partially offset by a decrease in receivables from shareholders of the company's preferred shares. The increase in prepayments and other current assets from December 31, 2021 to December 31, 2022 was primarily due to an increase in deductible value-added taxes. As at April 30, 2023, RMB64.7 million, or 50.1%, of our prepayments and other current assets as at December 31, 2022 had been subsequently settled.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss primarily consist of wealth management products we purchased to improve returns on our excess liquidity. Short-term wealth management products with maturity period within one year that we purchased from various reputable financial institutions in China without guaranteed returns. Wealth management products mainly represent deposits with variable interest rates indexed to the performance of underlying assets or principal that are not-guaranteed by certain financial institutions. We recorded wealth management product of, nil, RMB429.3 million, RMB255.9 million and RMB139.9 million as of December 31, 2019, 2020, 2021 and 2022, respectively. Going forward, we may continue to invest in wealth management products. We plan to make investment decisions related to the purchase of such products on a case-by-case basis.

We manage and evaluate the performance of investments on a fair value basis in accordance with our risk management and investment strategy. To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products. Mr. Huang Weibo, the chief financial officer of the Company, has been supervising our investment. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by Mr. Huang and his designated senior member of our management. Our investment strategy related to wealth management products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our Shareholders. We primarily invest in wealth management products issued by major commercial banks with low risks and a short-to mid-term of no more than one year. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment. Mr. Huang has approximately 20 years of experience in financial management, held senior positions in a renowned public accounting firm and top technology companies in China. In addition, we have a professional and efficient financial management team. The team members have professional certifications, such as CPA and strong financial and cash management capabilities with prior working experience in renowned multinational enterprises and accounting firms. We also require Board approval for (i) any investment in any other individual or entity in excess of US$8,000,000 and (ii) any incurrence of indebtedness or capital expenditure in excess of US$5,000,000 or exceeding 10% of the approved annual budget individually or in aggregate. During the Track Record Period, our investment in wealth management products did not meet the threshold for Board approval, therefore the Board was not involved in the investment process. After the Listing, our investments in financial assets at fair value through profit or loss will be subject to compliance with Chapter 14 of the Listing Rules. The fair values are based on valuation techniques which maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates and are within level 2 of the fair value hierarchy.

The following table sets forth our current financial assets at fair value through profit or loss as of the dates indicated.

	As at December 31,			
	2019	**2020**	**2021**	**2022**
		(RMB in thousands)		
Current assets				
Wealth management products	—	429,310	255,029	139,864
Foreign currency forward contracts	—	—	920	—
Total	**—**	**429,310**	**255,949**	**139,864**

Our financial assets at fair value through profit or loss increased from nil as at December 31, 2019 to RMB429.3 million as of December 31, 2020 as we purchased certain wealth management products in 2020. Our financial assets at fair value through profit or loss decreased from RMB429.3 million as at December 31, 2020 to RMB255.9 million as at December 31, 2021 and further decreased to RMB139.9 million as at December 31, 2022, as certain financial products we held were redeemed to cash and cash equivalents.

Accounts payables

Accounts payables represent liabilities for goods and services provided to us prior to the end of financial year which are unpaid. The amounts are unsecured and are generally paid within three months of invoice date. Accounts payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. The following table sets forth the accounts payables and their aging analysis as of the dates indicated based on invoiced date.

	As at December 31,			
	2019	**2020**	**2021**	**2022**
		(RMB in thousands)		
Up to 3 months	46,305	58,534	141,007	154,095

Our accounts payables increased from RMB46.3 million in 2019 to RMB58.5 million in 2020, RMB141.0 million in 2021 and further increased to RMB154.1 million as at December 31, 2022. The increase in our accounts payables was in line with the growth of our business.

Accounts payables turnover days for a given period are equal to the average balances of accounts payables at the beginning and at the end of the period divided by cost of revenue during the period and multiplied by the number of days during the period. Our accounts payables turnover days increased from 32 days in 2020 to 39 days in 2021 and further to 41 days in 2022, primarily due to extended contractual payment period as a result of our increased bargaining power and our continuous efforts to enhance our relationship with our suppliers. As at April 30, 2023, RMB145.0 million, or 94.1%, of our accounts payables as at December 31, 2022 had been subsequently settled.

Accrued expenses

The following table sets forth our accrued expenses of the dates indicated:

	As at December 31,			
	2019	**2020**	**2021**	**2022**
		(RMB in thousands)		
Accrued expenses:				
Accrued payroll related expenses	30,903	54,982	93,544	136,083
Accrued promotion fees	28,214	58,126	55,350	46,969
Accrued transportation fees	5,255	4,892	10,550	33,132
Accrued professional service fees and unpaid issuance cost	12,699	6,243	21,527	21,913
Accrued office facilities fees	10,020	1,040	3,275	3,224
Others	1,359	2,233	2,153	3,216
Total	**88,450**	**127,516**	**186,399**	**244,537**

Our accrued expenses increased from RMB88.5 million as at December 31, 2019 to RMB127.5 million as at December 31, 2020, primarily due to an increase in accrued promotion fees as we increased promotion activities and an increase in accrued payroll related expenses as we increased employee headcount. Our accrued expenses increased from RMB127.5 million as at December 31, 2020 to RMB186.4 million as at December 31, 2021, primarily due to an increase in accrued payroll related expenses as we increased employee headcount and an increase in unpaid issuance cost relating to this offering. Our accrued expenses increased from RMB186.4 million as at December 31, 2021 to RMB244.5 million as at December 31, 2022, primarily due to an increase in accrued payroll related expenses with more employee headcount and higher accrued transportation fees as our sales volume increased.

Non-Current Assets/Liabilities

The following table sets forth our non-current assets and non-current liabilities as at the dates indicated:

	As at December 31,			
	2019	2020	2021	2022
	(RMB in thousands)			
Non-current assets:				
Property and equipment	31,667	23,302	31,992	30,603
Right-of-use assets	125,783	97,164	98,913	90,659
Intangible assets	7,098	6,723	9,219	9,316
Other non-current assets	16,722	11,530	20,035	73,763
Total	**181,270**	**138,719**	**160,159**	**204,341**
Non-current liabilities:				
Lease liabilities	110,178	80,057	72,820	59,069
Convertible redeemable preferred shares	2,810,328	6,918,563	9,201,503	9,401,472
Other non-current liability	—	—	—	16,048
Total	**2,920,506**	**6,998,620**	**9,274,323**	**9,476,589**

Property and equipment

Our property and equipment decreased from RMB31.7 million as at December 31, 2019 to RMB23.3 million as at December 31, 2020, primarily due to the depreciation of property and equipment in the ordinary course of business. Our property and equipment increased from RMB23.3 million as at December 31, 2020 to RMB32.0 million as at December 31, 2021, primarily due to (i) electronic devices we purchased as we expanded our operation and increased employee headcount and (ii) renovation as a result of our newly lease office space. We recorded property and equipment of RMB30.6 million as at December 31, 2022.

Right-of-use assets

Our right-of-use assets represent carrying amounts of leased properties, including office buildings and fitness centers. These leases have a fixed term of one year to six years. Lease terms are negotiated on an individual basis and contain different terms and conditions. Right-of-use assets are depreciated on a straight-line basis over the shorter of their respective estimated useful life and the lease term. The following table sets forth our right-of-use assets as at the dates indicated.

	As at December 31,			
	2019	2020	2021	2022
	(RMB in thousands)			
Right-of-use assets				
Office buildings	105,698	84,698	86,158	83,726
Fitness centers	20,085	12,466	12,755	6,933
Total	**125,783**	**97,164**	**98,913**	**90,659**

Our right-of-use assets decreased from RMB125.8 million as at December 31, 2019 to RMB97.2 million as at December 31, 2020, primarily due to depreciation of leased asset and adjustments we made to our operating sites. Our right-of-use assets increased from RMB97.2 million as at December 31, 2020 to RMB98.9 million as at December 31, 2021 as we leased additional office space. Our right-of-use assets decreased from RMB98.9 million as at December 31, 2021 to RMB90.7 million as at December 31, 2022, primarily due to the amortization of right-of-use assets.

Lease liabilities

Our non-current lease liabilities represent the payment obligations on our leases in relation to properties that we lease primarily for office buildings and fitness centers.

Our non-current lease liabilities decreased from RMB110.2 million as at December 31, 2019 to RMB80.1 million as at December 31, 2020 due to adjustments we made to our operating sites. Our non-current lease liabilities decreased from RMB80.1 million as at December 31, 2020 to RMB72.8 million as at December 31, 2021, and further decreased to RMB59.1 million as at December 31, 2022, as we settled certain rental expenses.

Other non-current assets

Other non-current assets primarily represent long-term royalty licenses, naming rights and sponsorship fees, corporate investment, deposits on lease and prepayments for property, equipment and intangible assets.

The following table sets forth our other non-current assets as at the dates indicated.

	As at December 31,			
	2019	2020	2021	2022
	(RMB in thousands)			
Loans to management	3,900	—	—	—
Long-term royalty licenses, naming rights and sponsorship fees	—	—	6,904	41,782
Corporate investment	—	—	—	15,000
Deposits on lease	12,193	11,318	13,067	13,437
Prepayments for property, equipment and intangible assets	629	212	64	3,544
Total	16,722	11,530	20,035	73,763

Other non-current assets decreased from RMB16.7 million as of December 31, 2019 to RMB11.5 million as of December 31, 2020, primarily due to management's repayment of loans. Other non-current assets increased from RMB11.5 million as of December 31, 2020 to RMB20.0 million as of December 31, 2021, primarily due to an increase in long-term royalty licenses, naming rights and sponsorship fees as we newly purchased certain royalty licenses with contract periods of more than one year. Other non-current assets further increased to RMB73.8 million as of December 31, 2022, primarily due to an increase in (i) long-term royalty licenses, naming rights and sponsorship fees, (ii) corporate investment, and (iii) prepayments for property, equipment and intangible assets. Corporate investment represents our acquisition of certain ordinary shares with preferential rights of a private company in December 2022. Currently, their product is in the form of a mini-program that allows users to search for offline sports activities online and sign up to participate. The private company's business aligns with our goals to explore the outdoor sports market. We believe this partnership will help us to explore and validate a larger market and reach untapped users. The acquisition aims to promote better collaboration and foster synergy between the two companies. The increase in long-term royalty licenses, naming rights and sponsorship fees primarily represents fees we incurred to obtain certain naming rights to further enhance our brand image. The increase in prepayments for property, equipment and intangible assets is mainly attributed to the increase in intangible assets that have been paid for but are not yet ready for use. These assets are primarily used for enhancing internal management within our Company.

Convertible redeemable preferred shares

During the Track Record Period, we issued certain convertible redeemable preferred shares to our investors. See "History, Reorganization, and Corporate Structure" of this document and Note 34 to the Accountant's Report in Appendix I to this document for details of the convertible redeemable preferred shares. We applied the discounted cash flow method to determine the underlying equity value of our Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. See Note 3.3 to the Accountant's Report in Appendix I to this document for the key assumptions used to determine the fair value of the convertible redeemable preferred shares.

KEY FINANCIAL RATIOS

	For the Year Ended December 31,			
	2019	2020	2021	2022
Total revenue growth (%)	—	66.9	46.3	36.6
Total gross margin (%)	41.1	45.1	41.8	40.7
Net loss margin (%)	(110.8)	(202.7)	(179.6)	(4.7)
Adjusted net margin (Non-IFRS measure) (%)(1)	(55.3)	(9.6)	(51.0)	(30.2)

Note:

(1) Adjusted net margin (non-IFRS measure) represents adjusted net loss (non-IFRS measure) for the periods indicated as a percentage of total revenue of such period. For details of the adjusted net loss (non-IFRS measure) of the periods indicated, see "—Non-IFRS Measure: Adjusted Net Loss".

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally 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 RMB563.9 million, RMB2.3 billion, RMB1.7 billion and RMB1.7 billion as at December 31, 2019, 2020, 2021 and 2022, respectively.

The following table sets forth a summary of our cash flows for the periods indicated.

	For the Year Ended December 31,			
	2019	2020	2021	2022
	(RMB in thousands)			
Selected Consolidated Cash Flow Data:				
Net cash outflow from operating activities before movements in working capital	(270,534)	(55,477)	(785,636)	(561,590)
Change in working capital	(6,455)	(15,345)	(82,866)	106,610
Income tax paid	—	—	—	(1,003)
Net cash outflow from operating activities	(276,989)	(70,822)	(868,502)	(455,983)
Net cash inflow/(outflow) from investing activities	345,364	(447,757)	(296,803)	459,691
Bank borrowings interests paid	—	—	(2,181)	(2,312)
Net cash inflow/(outflow) from financing activities	408,281	2,307,841	497,328	(66,830)
Net increase/(decrease) in cash and cash equivalents	476,656	1,789,262	(667,977)	(63,122)
Cash and cash equivalents at the beginning of the year	88,834	563,914	2,342,713	1,653,517
Effects of exchange rate changes on cash and cash equivalents	(1,576)	(10,463)	(21,219)	81,822
Cash and cash equivalents at the end of the year	**563,914**	**2,342,713**	**1,653,517**	**1,672,217**

In view of our net operating cash outflows position as of December 31, 2022, going forward, we plan to improve such position by further diversifying our monetization channels and enhancing our monetization capabilities leveraging our vertical integration capabilities and deep insights accumulated from our large user base. For membership and online paid content, we will continue to expand into more fitness categories, introduce more fitness content and new features in our online courses. For example, we have expanded into more niche fitness categories, such as martial art and dancing. We are also working to improve the connectivity between our content offerings and smart fitness devices to deliver more immersive experience and better training results. For self-branded fitness products, we will continue to research and develop new fitness products and enhance our existing product offerings. We will launch new categories of smart fitness devices and complementary fitness products to capture more wallet share of our existing users. For advertising and others, we have introduced *Keep* selected fitness classes as new format of offline fitness classes to increase user touch point. We plan to further expand such asset-light format to provide more integrated online and offline experience. We also plan to increase collaboration with advertisers in selected industries, such as fitness, sports and electric cars. We believe our continuous efforts in content and product development will drive continuous revenue growth and enhance our overall monetization capabilities.

We will also adopt comprehensive measures to effectively control our operating expenses, in particular selling and marketing expenses through effective and efficient promotion campaigns and marketing spending. In addition, we expect to enjoy greater economies of scale on our platform as we continue to improve our one-stop, integrate fitness solution to unlock synergies across segments and increase flexibility in managing expenses. We will also enhance working capital management efficiency through continuously building a stable and collaborative relationship with our suppliers and customers and enhance credit management. For example, we have established effective customer credit policies and implemented strengthened credit term review and approval procedures to strengthen the recovering of outstanding receivables.

Net Cash Outflow from Operating Activities

Net cash outflow from operating activities in 2022 was RMB456.0 million. The difference between net cash used in operating activities and the loss before income tax of RMB103.5 million was the result of (i) non-cash items, which primarily consist of fair value gains of preferred shares of RMB665.0 million and share-based compensation expenses of RMB102.6 million, and (ii) changes in working capital, which primarily consist of an increase in accrued expenses and other current liabilities of RMB57.5 million, a decrease in account receivables of RMB51.4 million and a decrease in inventories of RMB24.8 million, partially offset by an increase in prepayments and other current assets of RMB38.6 million.

Net cash outflow from operating activities in 2021 was RMB868.5 million. The difference between net cash used in operating activities and loss before income tax of RMB2.9 billion was the result of (i) non-cash items, which primarily consist of fair value changes of preferred shares of RMB1.9 billion and share-based compensation expenses of RMB135.5 million, and (ii) changes in working capital, which primarily consist of increase in accrued expenses and other current liabilities of RMB91.0 million and an increase in accounts payables of RMB82.5 million, offset by an increase in accounts receivables of RMB130.9 million and an increase in inventories of RMB82.5 million.

Net cash outflow from operating activities in 2020 was RMB70.8 million. The difference between net cash used in operating activities and loss before income tax of RMB2.2 billion was the result of (i) non-cash items, which primarily consist of fair value changes of preferred shares of RMB2.1 billion, depreciation of right-of-use assets RMB31.3 million and share-based compensation expenses of RMB22.4 million, and (ii) changes in working capital, which primarily consist of increase in accrued expenses and other current liabilities of RMB65.6 million, offset by an increase in accounts receivables of RMB102.1 million.

Net cash outflow from operating activities in 2019 was RMB277.0 million. The difference between net cash used in operating activities and net loss of RMB735.0 million was the result of (i) non-cash items, which primarily consist of fair value changes of preferred shares of RMB356.3 million and depreciation of right-of-use assets RMB57.5 million and (ii) changes in working capital, which primarily consist of increase in accounts payables of RMB30.5 million, increase in contract liabilities of RMB29.0 million and increase in accrued expenses and other current liabilities of RMB20.1 million, offset by an increase in inventories of RMB52.8 million and an increase in accounts receivables of RMB37.5 million.

Net Cash inflow/(outflow) from Investing Activities

Net cash inflow from investing activities in 2022 was RMB459.7 million, primarily due to proceeds from maturities of short-term time deposits and forward contracts of RMB595.2 million and proceeds from disposal of financial assets at fair value through profit or loss of RMB487.8 million, partially offset by investments in financial assets at fair value through profit or loss of RMB365.2 million and investments in short-term time deposits of RMB236.3 million.

Net cash outflow from investing activities in 2021 was RMB296.8 million, primarily due to proceeds from disposal of financial assets at fair value through profit or loss of RMB1.3 billion and proceeds from maturities of short-term time deposits and forward contracts of RMB516.5 million, partially offset by investments in financial assets at fair value through profit or loss of RMB1.1 billion and investments in short-term time deposits of RMB975.2 million.

Net cash outflow from investing activities in 2020 was RMB447.8 million, primarily due to investments in financial assets at fair value through profit or loss of RMB806.0 million and investments in short-term time deposits of RMB156.1 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB355.9 million and proceeds from maturity of short-term time deposits and forward contracts of RMB155.9 million.

Net cash inflow from investing activities in 2019 was RMB345.4 million, primarily due to proceeds from disposal of financial assets at fair value through profit or loss of RMB241.4 million and proceeds from maturity of short-term time deposits of RMB209.7 million, partially offset by investments in short-term time deposits of RMB75.2 million and purchase of property and equipment of RMB35.9 million.

Net Cash Inflow/(Outflow) from Financing Activities

Net cash outflow from financing activities in 2022 was RMB66.8 million, primarily due to repayment of borrowings of RMB87.5 million and payments for principal elements and related interest of leases of RMB45.8 million, partially offset by proceeds from bank borrowings of RMB74.5 million.

Net cash inflow from financing activities in 2021 was RMB497.3 million, primarily due to proceeds from borrowing of RMB87.5 million and proceeds from issuance of convertible redeemable preferred shares of RMB478.9 million, partially offset by payments for principal elements of lease and related interest of RMB43.4 million and repurchases of convertible redeemable preferred shares of RMB19.7 million.

Net cash inflow from financing activities in 2020 was RMB2.3 billion, primarily due to proceeds from the issuance of convertible redeemable preferred shares of RMB2.4 billion, partially offset by payments for principal elements of lease and related interest of RMB33.3 million and transactions with non-controlling interests of RMB30.0 million.

Net cash inflow from financing activities in 2019 was RMB408.3 million, primarily due to proceeds from the issuance of convertible redeemable preferred shares of RMB490.4 million, partially offset by payment for principal elements of lease and related interest of RMB47.2 million.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As at December 31,				As at April 30,
	2019	2020	2021	2022	2023
					(Unaudited)
	(RMB in thousands)				
—Preferred Shares	2,810,328	6,918,563	9,201,503	9,401,472	11,847,188
—Borrowings	—	—	87,584	74,524	67,508
—Lease liabilities	140,124	113,405	113,819	103,623	90,363
Total	**2,950,452**	**7,031,968**	**9,402,906**	**9,579,619**	**12,005,059**

Borrowings

As at December 31, 2019 and 2020, we did not have any bank borrowings. We recorded borrowings of RMB87.6 million and RMB74.5 million as at December 31, 2021 and 2022, respectively, with a weighted average interest rate for the outstanding borrowings of 4.2% and 3.3%. Borrowings in the amount of RMB87.6 million and RMB61.5 million were secured bank loan as at December 31, 2021 and 2022, respectively. Borrowings in the amount of RMB13.0 million were unsecured bank loan as at December 31, 2022. We recorded borrowings of RMB67.5 million as at April 30, 2023. We did not have any unutilized banking facilities as of December 31, 2019, 2020 and 2021. We had RMB17.0 million in unutilized banking facilities as of December 31, 2022.

Convertible Redeemable Preferred Shares

As at December 31, 2019, 2020, 2021 and 2022, our convertible redeemable preferred shares had a fair value of RMB2.8 billion, RMB6.9 billion, RMB9.2 billion and RMB9.4 billion, respectively. For further information regarding the preferred shares, see Note 34 to the Accountant's Report in Appendix I to this document. We have not repurchased any preferred shares since December 31, 2022. All of the convertible redeemable preferred shares are unsecured and unguaranteed.

Lease Liabilities

Our lease liabilities are in relation to properties that we lease primarily for our office buildings and fitness centers. The following table sets forth our lease liabilities as of the dates indicated:

	As at December 31,				As at April 30,
	2019	2020	2021	2022	2023
					(Unaudited)
Lease liabilities:	(RMB in thousands)				
Current	(29,946)	(33,348)	(40,999)	(44,554)	(43,393)
Non-current	(110,178)	(80,057)	(72,820)	(59,069)	(46,970)
Total	**(140,124)**	**(113,405)**	**(113,819)**	**(103,623)**	**(90,363)**

Our lease liabilities decreased from RMB140.1 million as at December 31, 2019 to RMB113.4 million as at December 31, 2020 due to adjustments we made to our operating sites. We recorded lease liabilities of RMB113.4 million as at December 31, 2020 and RMB113.8 million as at December 31, 2021, and our lease liabilities decreased from RMB113.8 million as at December 31, 2021 to RMB103.6 million as at December 31, 2022, and further decreased to RMB90.4 million as at April 30, 2023.

No Other Outstanding Indebtedness

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured as at April 30, 2023.

CONTINGENT LIABILITIES OR GUARANTEES

As at December 31, 2019, 2020, 2021, and 2022, and April 30, 2023, we did not have any material contingent liabilities or guarantees.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purchases of property and equipment and purchase of intangible assets. The following table sets forth our capital expenditures for the years indicated.

	For the Year Ended December 31,			
	2019	2020	2021	2022
	(RMB in thousands)			
Payment for long-term naming rights and sponsorship fees	—	—	—	(16,048)
Purchases of property and equipment	(35,887)	(6,443)	(19,887)	(13,201)
Purchase of intangible assets	(303)	(770)	(4,743)	(6,455)
Total	**(36,190)**	**(7,213)**	**(24,630)**	**(35,704)**

Our capital expenditures were RMB36.2 million in 2019, RMB7.2 million in 2020, RMB24.6 million in 2021 and RMB35.7 million in 2022.

We intend to fund our future capital expenditures with our existing cash balance and proceeds from the Global Offering. See "Use of proceeds" for more details. We may reallocate the fund to be utilized on capital expenditure and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital Commitments

We did not have any material commitments as at December 31, 2019, 2020, 2021 and 2022.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time.

Our Directors believe that our transactions with the related parties during the Track Record Period were conducted in the normal course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

In 2017, we provided an interest-free, unsecured loan amounting RMB3.0 million to one of the management with a term of one year, which was later extended to December 31, 2021. The loan was repaid during the year ended December 31, 2020.

In 2018, we provided an interest-free, unsecured loan in the amount of RMB0.9 million to one of the management with a term of five years. The loan was repaid during the year ended December 31, 2020.

In 2021, we provided an interest-free, unsecured loan in the amount of RMB3.0 million to one of the management with a term of five years. The loan was repaid during the year ended December 31, 2021.

We repurchased certain Series E Preferred Shares held by an entity wholly owned and controlled by Mr. Wang Ning, our founder, chairman of the board of Directors and chief executive officer of our Company, for a total consideration of RMB22 million. The consideration was fully paid as at December 31, 2022.

For more details about our related party transactions, see Note 37 to the Accountant's Report in Appendix I to this document.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risks (such as foreign exchange risk, interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our senior management. See Note 3 to the Accountant's Report in Appendix I to this document for a detailed description of our financial risk management.

Foreign exchange risk

Foreign exchange risk primarily arises from recognized assets and liabilities denominated in a currency other than the functional currency of our entities. The functional currency for our PRC subsidiaries is RMB. For our Company and certain of our overseas subsidiaries, the functional currency is USD. We manage the foreign exchange risk by performing regular reviews of our net foreign exchange exposures and control these exposures through entering into foreign exchange forward contracts, when necessary.

Our foreign exchange risk primarily arises from cash and cash equivalents and short-term deposits denominated in USD held by subsidiaries whose functional currency is RMB, and cash and cash equivalents denominated in RMB held by subsidiaries whose functional currency is USD. If USD had strengthened/weakened by 5% against RMB with all other variables held constant, the estimated changes of loss before income tax for the years ended December 31, 2019, 2020, 2021 and 2022 are set forth in the table below:

Loss before income tax	Year ended December 31,			
	2019	2020	2021	2022
	(RMB in thousands)			
Increase 5%	1,266	13,075	4,912	204
Decrease 5%	(1,266)	(13,075)	(6,506)	(204)

Currency translation differences

We recorded currency translation loss of RMB35.4 million in 2019 and currency translation gain of RMB269.2 million in 2020, RMB151.0 million in 2021 and translation loss of RMB700.8 million in 2022. Currency translation difference is recognized in other comprehensive income/(loss) and 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. The fluctuation of currency translation differences during the Track Record Period was primarily due to the exchange rate changes of USD against the reporting currency RMB, which resulted in the changes in book value of the U.S. dollar-dominated convertible redeemable preferred shares.

Interest rate risk

Our exposure to interest rate risk primarily relates to borrowings with fixed rates, short-term time deposits and cash and cash equivalents. Those carried at floating rates expose us to cash flow interest rate risk whereas those carried at fixed rates expose us to fair value interest rate risk.

We regularly monitor our interest rate risk to ensure there is no undue exposure to significant interest rate movements.

Credit risk

Our credit risk exposures are primarily attributable to cash and cash equivalents, short-term time deposits, accounts receivables and other receivables included in prepayments and other current assets. The carrying amount of these financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

Risk management

Accounts receivables and other receivables included in prepayments and other current assets are managed on a group basis. Our finance team is responsible for managing and analyzing the credit risk for each new customer/debtor before standard credit payment terms are offered. We assess the credit quality of our customers and other debtors by taking into account various factors including their financial position, past operational and financial performance and forward-looking factors.

Cash and cash equivalents and short-term time deposits are mainly placed with reputable financial institutions in the PRC and international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. The expected credit loss is not material.

Impairment of financial assets

Accounts receivables

During the Track Record Period, we apply the IFRS 9 simplified approach to measure expected credit losses under which the lifetime expected credit losses for all accounts receivables are estimated. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and credit rating.

The expected loss rates are based on the historical payment profiles, historical loss rates and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We have identified the Gross Domestic Products ("**GDP**") of the PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Other receivables included in prepayments and other current assets

Impairment on other receivables included in prepayments and other current assets is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables included in prepayments and other current assets based on historical settlement records and past experience.

Others

Cash and cash equivalents and short-term time deposits are also subject to the impairment requirements of IFRS 9. However, the identified impairment loss was immaterial.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents, short-term time deposits and investments in wealth management products and foreign currency forward contracts linked to an exchange rate or retain adequate financing arrangements deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. For further details, see Note 3.1 to the Accountant's Report set out in Appendix I.

DIVIDEND

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends shall be paid only out of the profit for the year determined according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves until the aggregate amount of such fund reaches 50% or more of its registered capital, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. During the Track Record Period, no dividends have been paid or declared by us.

DISTRIBUTABLE RESERVES

As of December 31, 2022, we did not have any distributable reserves.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. We had negative cash flows from operations in 2019, 2020, 2021 and 2022. Our net cash used in operating activities was RMB277.0 million, RMB70.8 million, RMB868.5 million and RMB456.0 million, respectively, in 2019, 2020, 2021 and 2022. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

LISTING EXPENSE

Based on the mid-point Offer Price of HK$45.19 per share, the total estimated listing expenses in relation to the Global Offering is approximately RMB113.3 million, assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentive Plans, among which (a) underwriting-related expenses, including underwriting commission and other expenses, are expected to be approximately RMB21.7 million and (b) non-underwriting-related expenses are expected to be approximately RMB91.6 million, comprising (1) fees and expenses of legal advisers and the Reporting Accountant of approximately RMB72.3 million and (2) other fees and expenses of approximately RMB19.3 million, representing approximately 25.3% of the gross proceeds from the Global Offering (assuming the mid-point of the indicative Offer Price range and no exercise of the Over-allotment Option), of which approximately RMB16.9 million is directly attributable to the issue of our Shares to the public and will be deducted from equity, and approximately RMB96.4 million is expected to be expensed upon the Listing.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS ATTRIBUTABLE TO OWNERS OF OUR COMPANY

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity holders of the Company as of December 31, 2022 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at December 31, 2022 or at any future dates following the completion of the Global Offering.

	Audited consolidated net tangible liabilities of the Group attributable to equity holders of the Company as at December 31, 2022 *(Note 1)*	Estimated impact to the net tangible liabilities upon conversion of the 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 *(Note 2)*	Estimated net proceeds from the Global Offering *(Note 3)*	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company as at December 31, 2022	Unaudited pro forma adjusted net tangible assets per Share *(Note 4)*	
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB**	**HK$**
Based on an Offer Price of HK$28.92 per Share	(7,519,479)	9,401,472	238,208	2,120,201	4.56	4.98
Based on an Offer Price of HK$61.46 per Share	(7,519,479)	9,401,472	550,777	2,432,770	5.23	5.71

Notes:

(1) The audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2022 is extracted from the Accountant's Report set out in Appendix I to this document which is based on the audited consolidated net liabilities of the Group attributable to the equity holders of the Company as at December 31, 2022 of RMB7,510,163,000 with adjustments for the intangible assets as at December 31, 2022 of RMB9,316,000.

(2) All 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 ("**Series Preferred Shares**") will be automatically converted to Shares upon the Global Offering. The Series Preferred Shares were accounted for as a liability to the Company. Accordingly, for the purpose of the unaudited pro forma adjusted net tangible assets, the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the equity holders of the Company will be increased by RMB9,401,472,000, being the carrying amount of the Series Preferred Shares as of December 31, 2022.

(3) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$28.92 and HK$61.46 per share, respectively, after deduction of the underwriting fees and other related expenses and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares or any Shares which may be granted, issued or repurchased by the Company pursuant to the general mandates.

(4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 525,671,987 Shares were in issue assuming that the Global Offering and the conversion of Series Preferred Shares to Shares had been completed on December 31, 2022, excluding the 60,635,300 restricted shares that were accounted for as treasury shares, but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be granted, issued or repurchased by the Company pursuant to the general mandates.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.9161. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2022.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022, which is the end date of the periods reported on in the Accountant's Report included in Appendix I to this document, and there is no event since December 31, 2022 that would materially affect the information as set out in the Accountant's Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.