The following is the text of a report set out on pages [I-1] to[I-2], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this **[REDACTED]**. *It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

[*Letterhead of PricewaterhouseCoopers]*

[DRAFT]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KEEP INC. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Keep Inc. (the "**Company**") and its subsidiaries (together, the "Group") set out on pages [I-3 to I-87], which comprises the consolidated balance sheets as at December 31, 2019, 2020, 2021 and 2022, the company balance sheets as at December 31, 2019, 2020, 2021 and 2022, and the consolidated income statements, the consolidated statements of comprehensive loss, the consolidated statements of changes in deficit in equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020, 2021 and 2022 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-3 to I-82] forms an integral part of this report, which has been prepared for inclusion in the **[REDACTED]** of the Company dated [Date] (the "**[REDACTED]**") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2019, 2020, 2021 and 2022 and the consolidated financial position of the Group as at December 31, 2019, 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-3] have been made.

Dividends

We refer to note 28 to the Historical Financial Information which states that no dividends have been paid by Keep Inc. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[*Date*]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED INCOME STATEMENTS

		Year ended December 31,			
		2019	2020	2021	2022
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Revenues	**6**	**663,119**	**1,106,777**	**1,619,538**	**2,211,551**
Cost of revenues	7	(390,493)	(607,350)	(942,910)	(1,311,171)
Gross profit		**272,626**	**499,427**	**676,628**	**900,380**
Fulfillment expenses	7	(55,128)	(92,411)	(127,872)	(201,586)
Selling and marketing expenses	7	(295,785)	(301,693)	(956,220)	(646,177)
Administrative expenses	7	(122,199)	(68,977)	(218,276)	(245,614)
Research and development expenses	7	(194,170)	(167,920)	(355,582)	(536,877)
Other income	8	12,602	4,195	4,258	6,509
Other gains/(losses), net	9	9,520	(984)	8,981	(65,375)
Operating loss		**(372,534)**	**(128,363)**	**(968,083)**	**(788,740)**
Finance income	11	5,017	5,325	13,828	27,536
Finance expenses	11	(11,225)	(5,769)	(7,777)	(7,313)
Finance (expenses)/income, net		(6,208)	(444)	6,051	20,223
Fair value changes of convertible redeemable preferred shares	34	(356,303)	(2,114,943)	(1,946,205)	664,969
Loss before income tax		**(735,045)**	**(2,243,750)**	**(2,908,237)**	**(103,548)**
Income tax expense	13	—	—	—	(1,003)
Loss for the year		**(735,045)**	**(2,243,750)**	**(2,908,237)**	**(104,551)**
Loss for the year attributable to:					
Owners of the Company		(728,979)	(2,239,609)	(2,908,237)	(104,551)
Non-controlling interests		(6,066)	(4,141)	—	—
		(735,045)	**(2,243,750)**	**(2,908,237)**	**(104,551)**
Loss per share for the loss attributable to the owners of the Company (expressed in RMB per share)	14				
Basic loss per share		(5.47)	(16.56)	(21.20)	(0.76)
Diluted loss per share		(5.47)	(16.56)	(21.20)	(0.76)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

		Year ended December 31,			
		2019	2020	2021	2022
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the year		(735,045)	(2,243,750)	(2,908,237)	(104,551)
Other comprehensive income/(loss)					
Items that will not be reclassified to profit or loss					
Fair value change on convertible redeemable preferred shares due to own credit risk	34	28,039	86,103	(97,242)	(46,730)
Currency translation differences		(35,367)	269,198	150,991	(700,844)
Other comprehensive income/(loss) for the year, net of tax		**(7,328)**	**355,301**	**53,749**	**(747,574)**
Total comprehensive loss for the year		**(742,373)**	**(1,888,449)**	**(2,854,488)**	**(852,125)**
Total comprehensive loss for the year attributable to					
Owners of the Company		(736,307)	(1,884,308)	(2,854,488)	(852,125)
Non-controlling interests		(6,066)	(4,141)	—	—
		(742,373)	**(1,888,449)**	**(2,854,488)**	**(852,125)**

CONSOLIDATED BALANCE SHEETS

		As at December 31,			
		2019	2020	2021	2022
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property and equipment	15	31,667	23,302	31,992	30,603
Right-of-use assets	16	125,783	97,164	98,913	90,659
Intangible assets	17	7,098	6,723	9,219	9,316
Other non-current assets	18	16,722	11,530	20,035	73,763
		181,270	**138,719**	**160,159**	**204,341**
Current assets					
Inventories	23	94,635	117,904	198,763	167,737
Accounts receivables	21	79,908	180,766	310,368	251,676
Prepayments and other current assets	22	71,875	77,719	86,819	128,966
Financial assets at fair value through profit or loss	20	—	429,310	255,949	139,864
Short-term time deposits	24	—	—	454,963	68,740
Cash and cash equivalents	24	563,914	2,342,713	1,653,517	1,672,217
		810,332	**3,148,412**	**2,960,379**	**2,429,200**
Total assets		**991,602**	**3,287,131**	**3,120,538**	**2,633,541**
DEFICIT IN EQUITY					
Deficit in equity attributable to owners of the Company					
Share capital	25	40	42	47	61
Other reserves	26	17,442	365,893	555,142	(89,833)
Accumulated losses		(2,167,994)	(4,407,603)	(7,315,840)	(7,420,391)
Deficit in equity attributable to owners of the Company		(2,150,512)	(4,041,668)	(6,760,651)	(7,510,163)
Non-controlling interests		4,870	—	—	—
Total deficit in equity		**(2,145,642)**	**(4,041,668)**	**(6,760,651)**	**(7,510,163)**
LIABILITIES					
Non-current liabilities					
Lease liabilities	16	110,178	80,057	72,820	59,069
Convertible redeemable preferred shares	34	2,810,328	6,918,563	9,201,503	9,401,472
Other non-current liability		—	—	—	16,048
		2,920,506	**6,998,620**	**9,274,323**	**9,476,589**
Current liabilities					
Accounts payables	30	46,305	58,534	141,007	154,095
Accrued expenses	31	88,450	127,516	186,399	244,537
Other current liabilities	31	13,119	30,554	63,918	65,301
Contract liabilities	32	38,918	80,227	86,959	84,104
Borrowings	33	—	—	87,584	74,524
Lease liabilities	16	29,946	33,348	40,999	44,554
		216,738	**330,179**	**606,866**	**667,115**
Total liabilities		**3,137,244**	**7,328,799**	**9,881,189**	**10,143,704**
Total deficit in equity and liabilities		**991,602**	**3,287,131**	**3,120,538**	**2,633,541**

COMPANY BALANCE SHEETS

		As at December 31,			
		2019	2020	2021	2022
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Investments in subsidiaries	12	986,973	2,031,248	3,684,383	4,488,868
Intangible assets		6,876	6,041	5,601	5,749
		993,849	**2,037,289**	**3,689,984**	**4,494,617**
Current assets					
Prepayments and other current assets	22	34,749	32,763	1,864	5,830
Financial assets at fair value through profit or loss	20	—	368,659	255,029	139,864
Cash and cash equivalents	24	490,841	1,370,066	330,181	74,760
		525,590	**1,771,488**	**587,074**	**220,454**
Total assets		**1,519,439**	**3,808,777**	**4,277,058**	**4,715,071**
DEFICIT IN EQUITY					
Deficit in equity attributable to owners of the Company					
Share capital	25	40	42	47	61
Other reserves	26	(3,988)	300,584	438,257	48,523
Accumulated losses		(1,297,554)	(3,413,302)	(5,375,404)	(4,755,032)
Total deficit in equity		**(1,301,502)**	**(3,112,676)**	**(4,937,100)**	**(4,706,448)**
LIABILITIES					
Non-current liabilities					
Convertible redeemable preferred shares	34	2,810,328	6,918,563	9,201,503	9,401,472
		2,810,328	**6,918,563**	**9,201,503**	**9,401,472**
Current liabilities					
Accrued expenses	31	10,613	2,890	10,492	16,426
Other current liabilities	31	—	—	2,163	3,621
		10,613	**2,890**	**12,655**	**20,047**
Total liabilities		**2,820,941**	**6,921,453**	**9,214,158**	**9,421,519**
Total deficit in equity and liabilities		**1,519,439**	**3,808,777**	**4,277,058**	**4,715,071**

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT IN EQUITY

		Attributable to owners of the Company					
		Share capital	Other reserves	Accumulated losses	Sub-Total	Non-controlling interests	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2019		40	12,478	(1,439,015)	(1,426,497)	10,936	(1,415,561)
Loss for the year		—	—	(728,979)	(728,979)	(6,066)	(735,045)
Other comprehensive income/(loss)							
Fair value change on convertible redeemable preferred shares due to own credit risk	34	—	28,039	—	28,039	—	28,039
Currency translation differences		—	(35,367)	—	(35,367)	—	(35,367)
Total comprehensive loss for the year		**—**	**(7,328)**	**(728,979)**	**(736,307)**	**(6,066)**	**(742,373)**
Transactions with owners in their capacity as owners							
Share-based compensation	29	—	12,292	—	12,292	—	12,292
Total transactions with owners in their capacity as owners		**—**	**12,292**	**—**	**12,292**	**—**	**12,292**
Balance at December 31, 2019		**40**	**17,442**	**(2,167,994)**	**(2,150,512)**	**4,870**	**(2,145,642)**
Balance at January 1, 2020		40	17,442	(2,167,994)	(2,150,512)	4,870	(2,145,642)
Loss for the year		—	—	(2,239,609)	(2,239,609)	(4,141)	(2,243,750)
Other comprehensive income/(loss)							
Fair value change on convertible redeemable preferred shares due to own credit risk	34	—	86,103	—	86,103	—	86,103
Currency translation differences		—	269,198	—	269,198	—	269,198
Total comprehensive income/(loss) for the year		**—**	**355,301**	**(2,239,609)**	**(1,884,308)**	**(4,141)**	**(1,888,449)**
Transactions with owners in their capacity as owners							
Issuance of ordinary shares		2	(2)	—	—	—	—
Share-based compensation	29	—	22,423	—	22,423	—	22,423
Transactions with non-controlling interests	27	—	(29,271)	—	(29,271)	(729)	(30,000)
Total transactions with owners in their capacity as owners		**2**	**(6,850)**	**—**	**(6,848)**	**(729)**	**(7,577)**
Balance at December 31, 2020		**42**	**365,893**	**(4,407,603)**	**(4,041,668)**	**—**	**(4,041,668)**

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT IN EQUITY (Continued)

		Attributable to owners of the Company			
	Note	Share capital	Other reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2021		42	365,893	(4,407,603)	(4,041,668)
Loss for the year		—	—	(2,908,237)	(2,908,237)
Other comprehensive income/(loss)					
Fair value change on convertible redeemable preferred shares due to own credit risk	34	—	(97,242)	—	(97,242)
Currency translation differences		—	150,991	—	150,991
Total comprehensive income/(loss) for the year		**—**	**53,749**	**(2,908,237)**	**(2,854,488)**
Transactions with owners in their capacity as owners					
Issuance of ordinary shares		5	(5)	—	—
Share-based compensation	29	—	135,505	—	135,505
Total transactions with owners in their capacity as owners		**5**	**135,500**	**—**	**135,505**
Balance at December 31, 2021		**47**	**555,142**	**(7,315,840)**	**(6,760,651)**

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT IN EQUITY (Continued)

		Attributable to owners of the Company			
	Note	Share capital	Other reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2022		47	555,142	(7,315,840)	(6,760,651)
Loss for the year		—	—	(104,551)	(104,551)
Other comprehensive loss					
Fair value change on convertible redeemable preferred shares due to own credit risk	34	—	(46,730)	—	(46,730)
Currency translation differences		—	(700,844)	—	(700,844)
Total comprehensive loss for the year		**—**	**(747,574)**	**(104,551)**	**(852,125)**
Transactions with owners in their capacity as owners					
Issuance of ordinary shares		14	(14)	—	—
Share-based compensation	29	—	102,613	—	102,613
Total transactions with owners in their capacity as owners		**14**	**102,599**	**—**	**102,613**
Balance at December 31, 2022		**61**	**(89,833)**	**(7,420,391)**	**(7,510,163)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			
		2019	2020	2021	2022
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities					
Cash used in operations	35	(276,989)	(70,822)	(868,502)	(454,980)
Income tax paid		—	—	—	(1,003)
Net cash outflow from operating activities		(276,989)	(70,822)	(868,502)	(455,983)
Cash flows from investing activities					
Investments in financial assets at fair value through profit or loss	20	—	(806,036)	(1,148,240)	(365,201)
Investment in a private company	18	—	—	—	(15,000)
Proceeds from disposal of financial assets at fair value through profit or loss	20	241,448	355,904	1,322,277	487,827
Investments in short-term time deposits		(75,162)	(156,101)	(975,215)	(236,287)
Proceeds from maturity of short-term time deposits and forward contracts		209,673	155,883	516,472	595,209
Purchase of property and equipment		(35,887)	(6,443)	(19,887)	(13,201)
Purchase of intangible assets		(303)	(770)	(4,743)	(6,455)
Interest income received		5,017	5,325	12,349	28,589
Payment for long-term naming rights and sponsorship fees		—	—	—	(16,048)
Proceeds from disposal of property and equipment		578	581	184	258
Loans to related party		—	—	(3,000)	—
Repayment of loans to related parties		—	3,900	3,000	—
Loan to a third party		—	—	—	(5,000)
Repayment from a third party		—	—	—	5,000
Net cash inflow/(outflow) from investing activities		345,364	(447,757)	(296,803)	459,691
Cash flows from financing activities					
Proceeds from bank borrowings		—	—	87,472	74,476
Repayment of borrowings		(34,370)	—	—	(87,472)
Bank borrowings interests paid		—	—	(2,181)	(2,312)
Proceeds from issuance of convertible redeemable preferred shares		490,360	2,382,202	478,869	—
Transactions cost on issuance of convertible redeemable preferred shares		(558)	(11,069)	(3,052)	—
Payment for **[REDACTED]**		—	—	**[REDACTED]**	**[REDACTED]**
Transactions with non-controlling interests		—	(30,000)	—	—
Repurchases of convertible redeemable preferred shares		—	—	(19,738)	(2,229)
Payments for principal elements and related interest of leases	16	(47,151)	(33,292)	(43,364)	(45,767)
Net cash inflow/(outflow) from financing activities		**408,281**	**2,307,841**	**[REDACTED]**	**[REDACTED]**
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	24	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	24	**563,914**	**2,342,713**	**[REDACTED]**	**[REDACTED]**
Non-cash financing and investing activities					
Receivables from convertible redeemable preferred shares shareholders		34,228	32,703	—	—
Prepayments for property, equipment and intangible assets		963	417	148	(3,480)
Payables for purchase of property and equipment		—	—	1,731	191

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information and reorganization

1.1 General information

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

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

Mr. Ning Wang is an ultimate controlling shareholder of the Company as at the date of the report.

1.2 History and reorganization of the Group

Prior to the incorporation of the Company and the completion of the reorganization (the "**Reorganization**"), as explained below, the Group carried out its business operations through Beijing Calorie Technology Co., Ltd. ("**BJ Tech**") in the "PRC", which was held by Mr. Ning Wang (one of the founders, the chairman of the board of directors and chief executive officer of the Group), other three founders and an angel investor, accounting for 58.6%, 19.6% and 21.8% of equity interests, respectively.

On April 21, 2015, the Company was incorporated in the Cayman Islands. The authorized share capital of the Company was USD 50,000, consisting of 50,000,000 ordinary shares (1,000,000,000 authorized ordinary shares after the share split in March 2021. See Note 25) of USD 0.001 par value (USD 0.00005 par value after the share split in March 2021) each, of which 9,949,910 ordinary shares were issued (198,998,200 issued ordinary shares after the share split) as at December 31, 2022. The Company was controlled by Persistent Courage Holdings Limited, a company duly incorporated and validly existing under the laws of the British Virgin Islands and beneficially wholly-owned by Mr. Ning Wang.

On May 7, 2015, Calorie Technology HK Company Limited ("**Calorie HK**") was established by the Company, as a wholly-owned subsidiary of the Company located in Hong Kong.

On July 7, 2015, Beijing Calorie Information Technology Co., Ltd. ("**BJ IT**") was established by Calorie HK, as a wholly foreign-owned enterprise (the "**WFOE**") of the Company located in the PRC.

BJ Tech completed the first round of onshore financing in December 2014. To facilitate offshore financing, an offshore corporate structure was formed in July 2015.

In July 2015, BJ IT obtained control over BJ Tech by entering a series of contractual arrangements ("**Contractual Arrangements**"). The Company concurrently issued ordinary shares to shareholders of BJ Tech or their affiliates, substantially in proportion to their previous respective equity interests in BJ Tech immediately prior to the Reorganization.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

1 General information and reorganization (continued)

1.2 History and reorganization of the Group (continued)

The Reorganization has been accounted for as a recapitalization among entities under common control since the same controlling shareholder controlled these entities immediately before and after the Reorganization. The consolidation of the Company and its subsidiaries has been accounted for at historical cost and the financial statements are prepared as if the corporate structure of the Group had been in existence since inception of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the structured entity. Uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the structured entity. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among BJ IT, BJ Tech and its owners are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

All of these operating companies are treated as controlled structured entities of the Company and their financial statements have also been consolidated by the Company. See details in Note 12.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies applied in the preparation of the Historical Financial Information. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and interpretations issued by International Accounting Standards Board ("**IASB**") applicable to companies reporting under IFRSs.

The Historical Financial Information has been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

The 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The Historical Financial Information has been prepared based on the consolidated financial statements of the Group. Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

As at December 31, 2019, 2020, 2021 and 2022, the Group was in a net liability position of RMB2.1 billion, RMB4.0 billion, RMB6.8 billion and RMB7.5 billion, respectively. The Group assesses its liquidity by its ability to generate cash from operating activities and attract additional capital and/or finance funding. Historically, the Group has relied principally on both operational

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

sources of cash and non-operational sources of financing from investors (e.g. convertible redeemable preferred shares) to fund its operations and business development. The Group's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenues while controlling operating expenses, as well as, generating operational cash flows and continuing to gain support from existing and new **[REDACTED]**.

Based on the above considerations, the Group's historical performance and management's operating and financing plans, the Group believes the cash and cash equivalents, short-term time deposits, financial assets at fair value through profit or loss and the operating and financing cash flows are sufficient to meet the cash requirements to fund planned operations and other obligations for at least the next twelve months after December 31, 2019, 2020, 2021 and 2022. Therefore, the Historical Financial Information has been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

2.1.1 Change in accounting policy and disclosures

All effective standards, amendments to standards and interpretations, which are mandatorily effective for the financial year beginning on January 1, 2022, are consistently applied to the Group for the Track Record Period.

(a) New standards and interpretations not yet adopted

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

Standards and amendments	Effective for annual years beginning on or after
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2—Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8—Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12—Deferred tax related to assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IFRS 16—Leases liability in a sale and leaseback	January 1, 2024
Amendments to IAS 1—Non-current liabilities with covenants	January 1, 2024

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. Management expects that "IAS 1 (Amendment) 'Classification of liabilities as current or non-current'", after its adoption on January 1, 2024, may cause a reclassification of "Convertible redeemable preferred shares" from non-current liabilities to current

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy and disclosures (continued)

(a) New standards and interpretations not yet adopted—continued

liabilities, as the preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time. Except for this, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, consolidated statements of changes in deficit in equity and consolidated balance sheets respectively.

2.2.1 Subsidiaries controlled through Contractual Arrangements

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its business operations within these areas in the PRC through a series of Contractual Arrangements entered into among the Company, its wholly-owned subsidiaries, and certain domestic entities that legally owned by certain management members of the Group ("**Nominee Shareholders**") authorised by the Group. The Contractual Arrangements include consulting and services agreement, option agreements, share pledge agreements, business cooperation agreement, spousal consents and powers of attorney, which enable the Group to:

- govern the financial and operating policies of the PRC operating entities;
- exercise equity holder voting rights of the PRC operating entities;
- receive substantially all of the economic interest returns generated by the PRC operating entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entities at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer; and

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Subsidiaries controlled through Contractual Arrangements (continued)

- obtain a pledge over all of its equity interests from its respective Nominee Shareholders as collateral for all of the PRC operating entities' payments due to the Group to secure performance of entities' obligation under the Contractual Arrangements.

Accordingly, the Group has rights to control these entities.

2.2.2 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

2.2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company and its overseas subsidiaries is USD. The Company's primary subsidiaries and structured entities are incorporated in the PRC and for these subsidiaries and structured entities, the RMB is the functional currency. The Group's presentation currency is RMB.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements on a net basis within other gains/(losses), net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss ("**FVPL**") are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("**FVOCI**") are recognised in other comprehensive income ("**OCI**").

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheets presented are translated at the closing rate at the date of that consolidated balance sheets;
- income and expenses for each consolidated income statement and consolidated statement of comprehensive loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income or loss.

2.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.5 Property and equipment (continued)

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives, as follows:

- Electronic equipment — 3-5 years
- Office and fitness equipment — 4-5 years
- Leasehold improvements — the shorter of the term of the lease or the estimated useful lives of the assets

The residual values and useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses), net in the consolidated income statements.

2.6 Intangible assets

(a) Domain names and software

Separately acquired domain names and software are initially recognised and measured at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses (if any).

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets, where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.6 Intangible assets (continued)

(a) Domain names and software (continued)

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(b) Research and development

Research expenditures are recognised as an expense as incurred. Costs incurred on development projects are capitalised as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalised as intangible assets during the Track Record Period.

(c) Amortisation methods and periods

Length of estimated useful life is determined to be the shorter of the period of contractual rights or estimated period during which such intangible assets can bring economic benefits to the Group.

The Group amortizes intangible assets with a finite useful life using the straight-line method over the following periods:

Domain name	20 years	The period of effective registration during which such domain name can bring economic benefits
Software	1-3 years	Shorter of the period of contractual rights or estimated period during which such software can bring economic benefits

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets (continued)

of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

See Note 19 for details of each type of financial assets.

(b) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are immediately expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.8 Investments and other financial assets (continued)

(c) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains/(losses). Impairment losses are presented as separate line item in the consolidated income statements.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses), net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), net and impairment expenses are presented as separate line item in the consolidated income statements.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

(d) Impairment

While cash and cash equivalents, short-term time deposits with original maturities over three months but less than one year are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables, see Note 3.1 for details.

Impairment of other receivables that are included in prepayments and other current assets are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.8 Investments and other financial assets (continued)

(d) Impairment (continued)

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 losses.

2.9 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.

2.10 Accounts receivables

Accounts receivables are primarily amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within one year (or in the normal operating cycle of the business if longer) and therefore all classified as current assets.

Accounts receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. The Group holds the accounts receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance. See Note 21 for further information about the Group's accounting for accounts receivables, Note 22 for further information about other receivables and Note 2.8(d) for a description of the Group's impairment policies.

2.11 Cash and bank balance

For the purpose of presentation in the statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, highly liquid investments placed in banks with original maturities of three months or less, cash held at third party payment platforms that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits (with original maturities of three months or less) with restriction on use held at bank were classified as cash and cash equivalents as long as the restrictions did not change the nature of the cash.

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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.12 Share capital

Ordinary shares are classified as equity.

The repurchase of ordinary shares held by certain shareholder is measured at fair value of ordinary shares and debited to share capital and other reserves accordingly. The difference between fair value of ordinary shares and the repurchase price was recognised as profit or loss.

2.13 Accounts payables

Accounts payables represent liabilities for goods and services provided to the Group 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. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Convertible redeemable preferred shares ("Preferred Shares")

Preferred Shares issued by the Company 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 **[REDACTED]** of the Company. For details, refer to Note 34.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised in profit or loss. Fair value changes relating to market risk are recognised in profit or loss, while, the component of fair value changes relating to the Company's own credit risk is recognised in 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 realised.

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

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings costs are expensed in the period in which they are incurred.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance expenses.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.15 Borrowings (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 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.

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 the Company, its subsidiaries and structured entities operate and generate taxable income. Management periodically evaluates 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. The Group measures its 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.

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 realised or the deferred income tax liabilities is settled.

Deferred tax assets are recognised 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 recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is 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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.16 Current and deferred income tax (continued)

Deferred income tax (continued)

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

Tax incentives

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

2.17 Employee benefits

(i) Short-term obligations

Liabilities for wages, salaries, bonuses and other allowances that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations, which are included in accrued expenses in the consolidated balance sheets.

(ii) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(iii) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iv) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.17 Employee benefits (continued)

(iv) Bonus entitlements (continued)

estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and measured at the amounts expected paid when they are settled.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37—Provisions, Contingent Liabilities and Contingent Assets ("**IAS 37**") and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.18 Share-based compensation

The Group operates two Share Incentive Plan (the "**ESOP Plans**"), under which it receives services from employees or non-employees in exchange for equity instruments of the Company.

The fair value of options granted under the ESOP Plans is recognised 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 recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The Group recognises share-based compensation expenses in its consolidated income statements based on awards ultimately expected to vest, after considering estimated forfeitures of the Group. 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.

2.19 Revenue recognition

The Group primarily derives revenue from (1) sales of self-branded fitness products, (2) membership subscription service and online paid content service, and (3) advertising service. The

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.19 Revenue recognition (continued)

Group recognises 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 recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates transaction price to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

2.19.1 The accounting policy for the Group's principal revenue sources

(a) Sales of self-branded fitness products

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

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

The Group sets up online stores on third party's ecommerce platforms to sell the Group's products to end customers. The platforms provide services to the Group to support the operations of the online stores including processing sales orders and collecting cash consideration from end customers. The platforms charge the Group service fees based on the Group's sales through these online stores. The Group enters 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. The Group is responsible for selling and fulfilling all obligations according to its sales contracts with end customers, including delivering products and providing customer support. Therefore, the Group determines that the end customers are the Group's customers. The sales contracts with end customers usually include a customer's right to return products within 7 days after receipt of goods.

The Group identifies its 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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.19 Revenue recognition (continued)

2.19.1 The accounting policy for the Group's principal revenue sources (continued)

(a) Sales of self-branded fitness products—continued

relative standalone selling prices. Sales from the end customers through the Group's online platform are prepaid and recorded as contract liabilities. The Group recognises 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.

(ii) Sales of the Group's products to third-party wholesale channels who then sell to end customers

The third-party wholesale channels purchase products from the Group 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 their sales contracts with end customers, including delivering the products and providing customer support. Therefore, the Group determines that the wholesale channels are the Group's customers. Under the distribution agreement, the Group has a sale contract with their wholesale channels and has no sales contract with the end customers.

Sales to the Group's wholesale channels are on credit terms which is usually less than three months. The Group recognises 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.

The Group provides 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. The Group estimates 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

The Group's membership subscriptions provide unlimited access to content on its 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. The Group has one stand ready obligation to provide its subscribing members with

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.19 Revenue recognition (continued)

2.19.1 The accounting policy for the Group's principal revenue sources (continued)

(b) Membership subscription and online paid content service—continued

access to content on its online platform, fitness classes and related membership benefits throughout the subscription period. Therefore, revenue is recognised ratably over the contract period as the membership subscription services are delivered. The Group collects membership subscription in advance and records it as contract liabilities.

Online paid content service primarily includes the virtual sports events service. The Groups arranges virtual sports events on its 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 the Group's online platform in particular formats and over particular periods of time. The Group recognises 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. The Group estimates rebates based on expected revenue volume with reference to their historical results and account for such as a reduction of revenue.

2.19.2 Contract balances

When either party to a customer contract has performed, the Group presents the contract in the consolidated balance sheets as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. Contract balances include accounts receivables and contract liabilities.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

Payment terms and conditions vary by contract and service type. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

2.19.3 Practical expedients and exemptions

The Group has elected to use the practical expedient to not disclose the remaining performance obligations for contracts that have durations of one year or less, as substantially all of the Group's contracts have duration of one year or less.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.19 Revenue recognition (continued)

2.19.3 Practical expedients and exemptions (continued)

The revenue standard requires the Group to recognise an asset for the incremental costs of obtaining a contract with a customer if the benefit of those costs is expected to be longer than one year. The Group has determined that sales commission for sales personnel meet the definition of incremental costs of obtaining a contract. The Group generally expenses sales commissions when incurred because the amortisation period is generally one year or less. These costs are recorded within selling and marketing expenses.

2.19.4 Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group has applied the practical expedient of not to adjust any of the transaction prices for the time value of money.

2.20 Loss per share

Basic loss per share is calculated by dividing:

(a) the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and

(b) by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

(a) the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

(b) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.21 Leases

The Group, 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 recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.21 Leases (continued)

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. The Group uses the incremental borrowing rate, for the implicit rate cannot be readily determined, which is the rate that the Group 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, the Group makes adjustments uses 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 the Group is 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 recognised 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 recognised in the consolidated income statements in the period in which the condition that triggers those payments occurs.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.21 Leases (continued)

(b) Modification of lease

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts 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, the Group remeasures 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. The Group accounts 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. The Group recognise in the consolidated income statements of any gain or loss relating to the partial or full termination of the lease.

2.22 Fulfillment expenses

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.

2.23 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants provided to the Group mainly related to financial assistance from the local government in the PRC. There are no unfulfilled condition or other contingencies relating to these grants.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.24 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 9 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 Financial risk management

3.1 Financial risk factors

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk primarily arises from recognised assets and liabilities denominated in a currency other than the functional currency of the Group's entities. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and control these exposures through entering into foreign exchange forward contracts, when necessary.

The Group's 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 listed in below table:

Loss before income tax	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Increase 5%	1,266	13,075	4,912	204
Decrease 5%	(1,266)	(13,075)	(6,506)	(204)

(ii) Interest rate risk

The Group's interest rate risk primarily arises from borrowings with fixed rates, short-term time deposits and cash and cash equivalents. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate risk.

(b) Credit risk

Credit risk mainly arises from 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 the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk management—continued

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.

(ii) Impairment of financial assets

Accounts receivables

During the Track Record Period, the Group applies the IFRS 9 simplified approach to measuring 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. The Group has 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.

On that basis, the loss allowances of accounts receivables as at December 31, 2019, 2020, 2021 and 2022 were determined as follows:

	As at December 31,			
	2019	**2020**	**2021**	**2022**
	RMB	**RMB**	**RMB**	**RMB**
	in thousands, except for percentages			
Expected loss rate	1.18%	1.22%	0.73%	2.67%
Gross carrying amount	80,861	183,006	312,659	258,576
Loss allowance provision	953	2,240	2,291	6,900

Accounts receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and indicators of severe financial difficulty. The amounts of accounts receivables written off during the years ended December 31, 2019, 2020, 2021 and 2022 were nil, nil, RMB1,207,000 and RMB2,684,000, respectively (Note 21).

Impairment losses on accounts receivables are presented as "administrative expenses" in the consolidated income statements. Subsequent recoveries of amounts previously written off are credited against the same line item.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets—continued

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.

On that basis, the loss allowances of other receivables included in prepayments and other current assets as at December 31, 2019, 2020, 2021 and 2022 were immaterial.

Others

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

(c) Liquidity risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate liquid assets such as 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 to retain adequate financing arrangements to meet the Group's liquidity requirements.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group recognises the financial instruments issued to investors at fair value through profit or loss. Accordingly, the financial instruments issued to investors are managed on a fair value basis rather than by maturing dates.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2019					
Accounts payables	46,305	—	—	—	46,305
Accrued expenses (excluding accrued payroll related expenses)	57,547	—	—	—	57,547
Other current liabilities (excluding tax payables)	6,305	—	—	—	6,305
Lease liabilities	35,201	35,206	84,448	—	154,855
Total	**145,358**	**35,206**	**84,448**	**—**	**265,012**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2020					
Accounts payables	58,534	—	—	—	58,534
Accrued expenses (excluding accrued payroll related expenses)	72,534	—	—	—	72,534
Other current liabilities (excluding tax payables)	15,203	—	—	—	15,203
Lease liabilities	36,683	32,526	53,188	—	122,397
Total	**182,954**	**32,526**	**53,188**	**—**	**268,668**
As at December 31, 2021					
Accounts payables	141,007	—	—	—	141,007
Accrued expenses (excluding accrued payroll related expenses)	92,855	—	—	—	92,855
Other current liabilities (excluding tax payables)	26,010	—	—	—	26,010
Borrowings (Note a)	89,001	—	—	—	89,001
Lease liabilities	43,885	44,912	30,295	—	119,092
Total	**392,758**	**44,912**	**30,295**	**—**	**467,965**
As at December 31, 2022					
Accounts payables	154,095	—	—	—	154,095
Accrued expenses (excluding accrued payroll related expenses)	108,454	—	—	—	108,454
Other current liabilities (excluding tax payables)	32,815	—	—	—	32,815
Borrowings (Note a)	75,882	—	—	—	75,882
Lease liabilities	46,973	34,873	25,871	—	107,717
Total	**418,219**	**34,873**	**25,871**	**—**	**478,963**

Note a: As at December 31, 2021 and 2022, borrowings amounting to RMB87,584,000 and RMB61,521,000 were all secured. See details in Note 33.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital, other reserves and Preferred Shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.3 Fair value estimation

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

(1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

(3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2019:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Preferred Shares	—	—	2,810,328	2,810,328
Total	**—**	**—**	**2,810,328**	**2,810,328**

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2020:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at fair value through profit or loss				
—Wealth management products	—	429,310	—	429,310
Total	**—**	**429,310**	**—**	**429,310**
Liabilities				
Preferred Shares	—	—	6,918,563	6,918,563
Total	**—**	**—**	**6,918,563**	**6,918,563**

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2021:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at fair value through profit or loss				
—Wealth management products	—	255,029	—	255,029
—Foreign currency forward contracts	—	920	—	920
Total	**—**	**255,949**	**—**	**255,949**
Liabilities				
Preferred Shares	—	—	9,201,503	9,201,503
Total	**—**	**—**	**9,201,503**	**9,201,503**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

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

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

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

Specific valuation techniques used to value financial instruments include:

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The changes in level 3 instruments of Preferred Shares for the years ended December 31, 2019, 2020, 2021 and 2022 are presented in the Note 34. The changes in level 3 instruments of the investment in a private company for the year ended December 31, 2022 are presented in the Note 18.

The Company engaged a third-party valuation firm to manage the valuation of level 3 instruments of Preferred Shares for financial reporting purposes. At least once every year, the valuation firm would use valuation techniques to determine the fair value of the Group's level 3 instruments.

As Preferred Shares are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows. The following table summarizes the quantitative information about the key assumptions used in recurring level 3 fair value measurements.

At December 31, 2019

Description	Key assumptions	Range of key assumptions	Relationship of key assumptions to fair value
Preferred Shares	Risk-free interest rate	1.62%	The higher the risk-free interest rate, the lower the fair value
	DLOM	10%	The higher the DLOM, the lower the fair value
	Volatility	45.6%	The higher the expected volatility, the lower the fair value

At December 31, 2020

Description	Key assumptions	Range of key assumptions	Relationship of key assumptions to fair value
Preferred Shares	Risk-free interest rate	0.17%	The higher the risk-free interest rate, the lower the fair value
	DLOM	10%	The higher the DLOM, the lower the fair value
	Volatility	53.8%	The higher the expected volatility, the lower the fair value

At December 31, 2021

Description	Key assumptions	Range of key assumptions	Relationship of key assumptions to fair value
Preferred Shares	Risk-free interest rate	1.25%	The higher the risk-free interest rate, the lower the fair value
	DLOM	5%	The higher the DLOM, the lower the fair value
	Volatility	53.2%	The higher the expected volatility, the lower the fair value

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

At December 31, 2022

Description	Key assumptions	Range of key assumptions	Relationship of key assumptions to fair value
Preferred Shares	Risk-free interest rate	4.11%	The higher the risk-free interest rate, the lower the fair value
	DLOM	5%	The higher the DLOM, the lower the fair value
	Volatility	63.5%	The higher the expected volatility, the lower the fair value

As at December 31, 2019, 2020, 2021 and 2022, the discounted cash flow method was used to determine the total equity value and the equity allocation model was adopted to determine the fair value of the Preferred Shares. Key assumptions under discounted cash flow method included risk-free interest rate, DLOM and expected volatility.

For the Preferred Shares, risk-free interest rates are determined based on the yield of USD Treasury Strips with a maturity life equal to the expected time to a liquidation/redemption event as at each of the valuation dates. DLOM was estimated based on the option-pricing method. Under option-pricing method, the cost of put option, which can hedge the price change before the private held share can be sold, was considered as a basis to determine DLOM. Volatility was estimated at the valuation dates based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation/redemption date. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of the Preferred Shares on each valuation date.

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of the Preferred Shares issued by the Company. The changes in unobservable inputs including risk free rate, DLOM and expected volatility will result in a significantly higher or lower fair value measurement. The increase in the fair value of the Preferred Shares would increase the loss of fair value change in the consolidated income statements. When performing the sensitivity test, management applied an increase or decrease to each unobservable input, which represents management's assessment of reasonably possible change to these unobservable inputs.

If the Company's key valuation assumptions used to determine the fair value of the Preferred Shares had increased/decreased by 10% with all other variables held constant, the estimated fair value changes from carrying amount are listed in below table (assuming the change of key factors would not have significant impact on fair value change attributable to credit risk):

Fair value of the Preferred Shares	As at December 31, 2019		
	Expected volatility	DLOM	Risk-free interest rate
	RMB'000	RMB'000	RMB'000
Increase 10%	(1,233)	(4,476)	(211)
Decrease 10%	1,154	4,476	211

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

Fair value of the Preferred Shares	As at December 31, 2020		
	Expected volatility	DLOM	Risk-free interest rate
	RMB'000	RMB'000	RMB'000
Increase 10%	(2,368)	(11,781)	(28)
Decrease 10%	2,311	11,781	28

Fair value of the Preferred Shares	As at December 31, 2021		
	Expected volatility	DLOM	Risk-free interest rate
	RMB'000	RMB'000	RMB'000
Increase 10%	(1,549)	(7,596)	(168)
Decrease 10%	1,428	7,596	168

Fair value of the Preferred Shares	As at December 31, 2022		
	Expected volatility	DLOM	Risk-free interest rate
	RMB'000	RMB'000	RMB'000
Increase 10%	(1,130)	(7,105)	(281)
Decrease 10%	1,051	7,105	284

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2019, 2020, 2021 and 2022.

On 1 December 2022, the Group acquired certain ordinary shares with preferential rights of one private company with consideration of RMB 15,000,000 and measured the investment at financial assets at fair value through profit or loss (Note 18). The consideration was close to its fair value as at 31 December 2022.

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

4 Critical estimates and judgments

The preparation of financial statements requires the use of accounting estimates which will seldom equal the actual results. Management needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4 Critical estimates and judgments (continued)

significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

4.1 Recognition of share-based compensation expenses

The Group set up the ESOP Plan and granted options to employees and other qualifying participants. The fair value of the options granted to the employees is determined by the binomial option pricing model at the grant date, 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 (Note 29).

4.2 Estimation of the fair value of financial liabilities

The Preferred Shares issued by the Company are not traded in an active market, and the respective fair value is determined by using valuation techniques. The Group 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, DLOM and volatility based on the Group's best estimates, which is disclosed in Note 3.3.

4.3 Contractual arrangements

As disclosed in Note 2.2.1, the Group exercises control over certain structured entities and has the right to recognise and receive substantially all the economic benefits from them through the Contractual Arrangements. The directors consider that the Group controls these structured entities notwithstanding that it does not have direct or indirect legal ownership in equity of these entities as the Group has 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 the Group with direct control over the structured entities. Uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the structured entities. Significant judgement is involved in determining whether the Group is able to control these entities through these Contractual Arrangements. The directors of the Company, after taking into account of the advice from its external legal advisors, consider that the Contractual Arrangements entered into by the Group are in compliance with the relevant PRC laws and regulations and are therefore legally binding and enforceable.

4.4 Current and deferred income tax

The Group is subject to income taxes in several jurisdictions. Significant judgement 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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4 Critical estimates and judgments (continued)

4.4 Current and deferred income tax (continued)

Deferred tax assets relating to certain temporary differences or tax losses are recognised 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 at December 31, 2022, the Group did not recognise deferred tax assets in respect of cumulative tax losses that can be carried forward against future taxable income (Note 13). The outcome of their actual utilization may be different from management's estimation.

5 Segment information

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

- Self-branded fitness products
- Membership and online paid content
- Advertising and others

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

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

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As at December 31, 2019, 2020, 2021 and 2022, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented.

There were no material inter-segment sales during the years ended December 31, 2019, 2020, 2021 and 2022. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated income statements.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5 Segment information (continued)

The segment results for the years ended December 31, 2019, 2020, 2021 and 2022 are as follows:

	Year ended December 31, 2019			
	Self-branded fitness products	**Membership and online paid content**	**Advertising and others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue	396,034	151,322	115,763	663,119
Cost of revenues	(256,354)	(55,086)	(79,053)	(390,493)
Gross profit	**139,680**	**96,236**	**36,710**	**272,626**

	Year ended December 31, 2020			
	Self-branded fitness products	**Membership and online paid content**	**Advertising and others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue	636,709	338,024	132,044	1,106,777
Cost of revenues	(405,806)	(119,135)	(82,409)	(607,350)
Gross profit	**230,903**	**218,889**	**49,635**	**499,427**

	Year ended December 31, 2021			
	Self-branded fitness products	**Membership and online paid content**	**Advertising and others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue	872,452	557,581	189,505	1,619,538
Cost of revenues	(629,147)	(233,098)	(80,665)	(942,910)
Gross profit	**243,305**	**324,483**	**108,840**	**676,628**

	Year ended December 31, 2022			
	Self-branded fitness products	**Membership and online paid content**	**Advertising and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,136,971	894,167	180,413	2,211,551
Cost of revenues	(816,883)	(409,082)	(85,206)	(1,311,171)
Gross profit	**320,088**	**485,085**	**95,207**	**900,380**

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As at December 31, 2019, 2020, 2021 and 2022, substantially all of the non-current assets of the Group were located in the PRC.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6 Revenues

The breakdown of revenues for the years ended December 31, 2019, 2020, 2021 and 2022 is as follows:

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Self-branded fitness products	396,034	636,709	872,452	1,136,971
Membership and online paid content	151,322	338,024	557,581	894,167
Advertising and others	115,763	132,044	189,505	180,413
Total	**663,119**	**1,106,777**	**1,619,538**	**2,211,551**

Timing of revenue recognition is as follows:

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognized at a point in time	418,241	672,332	942,559	1,200,022
Revenue recognized over time	244,878	434,445	676,979	1,011,529
Total	**663,119**	**1,106,777**	**1,619,538**	**2,211,551**

The major customer which contributed more than 10% of the total revenues of the Group for the years ended December 31, 2019, 2020, 2021 and 2022 is listed as below:

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Customer A	**5.5%**	**5.8%**	**10.1%**	**6.4%**

All the revenues derived from other single external customers were less than 10% of the Group's total revenues for the years ended December 31, 2019, 2020, 2021 and 2022.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

7 Expenses by nature

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

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of self-branded fitness products sold	248,789	395,244	612,682	790,571
Employee benefit expenses (Note 10)	281,626	254,190	580,563	766,827
Branding and marketing promotion expenses and other related expenses	190,629	178,226	746,863	377,736
Warehousing, packaging and delivery expenses	47,275	81,717	109,590	175,586
Cost of virtual sports events	4,197	11,512	33,049	163,674
Channel fees paid to third-party application stores and other payment channels	27,175	69,312	101,517	91,064
Platform commission and other selling and marketing expenses	17,134	39,109	57,073	80,916
Cloud service, bandwidth and server custody fees	25,163	32,640	54,373	71,487
Outsourcing and other labor costs	23,282	21,025	35,064	69,388
Content related cost	7,901	12,155	33,964	64,613
Travelling, entertainment, general office expenses and utilizations costs	31,063	20,234	38,509	42,288
[REDACTED]	—	—	**[REDACTED]**	**[REDACTED]**
Depreciation of right-of-use assets (Note 16)	57,491	31,256	36,718	40,008
Advertising production cost	19,256	35,687	32,258	32,857
Professional fees	24,267	18,692	42,855	20,334
Depreciation of property and equipment (Note 15)	22,489	13,660	12,865	14,522
Warranty expenses	1,084	2,641	7,565	11,824
Tax and surcharges	1,147	3,870	5,319	11,411
Share-based compensation expenses—non-employee	2,063	3,729	20,825	7,910
Credit loss allowances on financial assets (Note 21)	592	1,287	1,258	7,293
Provision for impairment of inventories (Note 23)	3,064	2,540	1,601	6,226
Amortisation of intangible assets (Note 17)	448	668	2,107	2,451
Auditor's remuneration	92	288	115	310
—Audit fee	65	72	61	39
—Non-audit fee	27	216	54	271
Others	21,548	8,669	16,150	51,045
Total	**1,057,775**	**1,238,351**	**2,600,860**	**2,941,425**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

7 Expenses by nature (continued)

The following table sets forth a breakdown of the cost of revenues by nature for the periods indicated:

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of self-branded fitness products sold	248,789	395,244	612,682	790,571
Cost of virtual sports events	4,197	11,512	33,049	163,674
Channel fees paid to third-party application stores and other payment channels	27,175	69,312	101,517	91,064
Content related cost	7,901	12,155	33,964	64,613
Employee benefit expenses	32,299	32,737	61,455	58,918
Advertising production cost	19,256	35,687	32,258	32,857
Outsourcing and other labor costs	4,024	6,002	10,668	15,145
Taxes and surcharges	1,147	3,870	5,319	11,411
Other cost of revenues	45,705	40,831	51,998	82,918
Total	**390,493**	**607,350**	**942,910**	**1,311,171**

8 Other income

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	12,602	4,195	3,012	1,815
Value-added tax deduction	—	—	1,246	4,694
Total	**12,602**	**4,195**	**4,258**	**6,509**

9 Other gains/(losses), net

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net losses on disposal of property and equipment	(1,484)	(985)	(27)	(65)
Net fair value gains on financial assets at fair value through profit or loss (Note 20)	—	88	8,826	1,164
Net fair value losses on financial liabilities at fair value through profit or loss	—	—	—	(67,271)
Net foreign exchange gains/(losses)	619	(156)	399	(582)
Donations	(280)	(623)	(318)	(164)
Gains on lease modifications (Note 16)	8,400	247	—	—
Gains on lease termination (Note 16)	1,887	—	—	—
Others	378	445	101	1,543
Total	**9,520**	**(984)**	**8,981**	**(65,375)**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10 Employee benefit expenses

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	196,429	203,425	372,419	535,130
Share-based compensation expenses	10,229	18,694	114,680	94,703
Other social security costs, housing benefits and other employee benefits	74,968	32,071	93,464	136,994
Total	**281,626**	**254,190**	**580,563**	**766,827**

(a) Pension costs—defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

(b) Five highest paid individuals

One of the five individuals whose emoluments were the highest in the Group for the years ended December 31, 2019, 2020, 2021 and 2022 was a director of the Group. The emoluments payable to the remaining 4, 4, 4 and 4 individuals for the years ended December 31, 2019, 2020, 2021 and 2022 are as follows:

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	3,945	5,571	7,682	7,477
Share-based compensation expenses	5,263	12,322	63,176	39,935
Other social security costs, housing benefits and other employee benefits	503	295	497	534
Total	**9,711**	**18,188**	**71,355**	**47,946**

The emoluments fell within the following bands:

	Year ended December 31,			
	2019	2020	2021	2022
HK$1,000,001 to HK$10,000,000	4	3	2	2
HK$10,000,001 to HK$20,000,000	—	1	—	1
HK$20,000,001 to HK$30,000,000	—	—	1	—
HK$30,000,001 to HK$40,000,000	—	—	—	1
HK$40,000,001 to HK$50,000,000	—	—	1	—
Total	**4**	**4**	**4**	**4**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10 Employee benefit expenses (continued)

(c) Benefits and interests of directors

The remuneration of every director and the chief executive officer is set out below:

For the year ended December 31, 2019：

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Ning Wang	942	—	126	1,068
Wei Peng	907	—	126	1,033
Haojun Li	—	—	—	—
Qin Liu	—	—	—	—
Dennis S Chang (Note a)	—	—	—	—
Yuehui Peng	964	458	126	1,548
David Tse Young Chou (Note b)	—	—	—	—
Hainan Tan (Note b)	—	—	—	—
Total	**2,813**	**458**	**378**	**3,649**

Note a: Resigned from the Company's director in December 2019.
Note b: Appointed as the director in December 2019.

For the year ended December 31, 2020:

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Ning Wang	1,418	—	74	1,492
Wei Peng	1,521	—	74	1,595
Haojun Li	—	—	—	—
Qin Liu	—	—	—	—
Yuehui Peng (Note a)	1,520	395	74	1,989
David Tse Young Chou (Note b)	—	—	—	—
Hainan Tan	—	—	—	—
Yue Yat Michael, HuI (Note c)	—	—	—	—
Dennis S Chang (Note d)	—	—	—	—
Total	**4,459**	**395**	**222**	**5,076**

Note a: Resigned from the Company's director in December 2020.
Note b: Resigned from the Company's director in July 2020.
Note c: Appointed as the director in July 2020.
Note d: Appointed as the director in December 2020.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10 Employee benefit expenses (continued)

(c) Benefits and interests of directors (continued)

For the year ended December 31, 2021:

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Ning Wang	1,715	—	130	1,845
Wei Peng	1,841	—	130	1,971
Haojun Li	—	—	—	—
Qin Liu (Note e)	—	—	—	—
Hainan Tan (Note e)	—	—	—	—
Yue Yat Michael, Hui (Note e)	—	—	—	—
Dennis S Chang (Note e)	—	—	—	—
Dong Liu (Note f)	1,781	9,052	130	10,963
Total	**5,337**	**9,052**	**390**	**14,779**

Note e: Resigned from the Company's director in April 2021.
Note f: Appointed as the director in April 2021.

For the year ended December 31, 2022:

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Ning Wang	1,914	—	139	2,053
Wei Peng	2,064	—	117	2,181
Haojun Li	—	—	—	—
Dong Liu	2,023	11,389	139	13,551
Total	**6,001**	**11,389**	**395**	**17,785**

No director and chief executive officer of the Company waived any emoluments during the Track Record Period.

(i) Benefits and interests of directors

Except for benefits and interests disclosed above, there is no other benefits and interests offered to the directors.

(ii) Directors' termination benefits

No director's termination benefit subsisted at the end of the period or at any time during the Track Record Period.

(iii) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available director's services subsisted at the end of the period or at any time during the Track Record Period.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10 Employee benefit expenses (continued)

(c) Benefits and interests of directors (continued)

(iv) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors was subsisted at the end of the period or at any time during the Track Record Period.

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the period or at any time during the Track Record Period.

11 Finance (expenses)/income, net

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Finance income:				
Interest income from bank deposits	5,017	5,325	13,828	27,536
Finance expenses:				
Interest expenses from lease (Note 16)	(11,225)	(5,769)	(5,484)	(4,657)
Interest expenses from borrowings	—	—	(2,293)	(2,248)
Interest expenses from other liability	—	—	—	(408)
Total	**(6,208)**	**(444)**	**6,051**	**20,223**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

12 Subsidiaries

The Company's subsidiaries (including controlled and structured entities) during the Track Record Period are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly or indirectly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Effective interest held by the owner As at December 31, 2019	2020	2021	2022	Principal activities	Note
Subsidiaries									
Directly held:									
Calorie Technology HK Company Limited	Hong Kong, limited liability company	May 7, 2015	USD 0.21	100%	100%	100%	100%	Investment holding and investment	c
Keep Sports PTE. Ltd.	Singapore, limited liability company	August 25, 2021	Nil	N/A	N/A	100%	100%	Sales of self-branded fitness products	d
Keep Technology PTE. Ltd.	Singapore, limited liability company	August 25, 2021	Nil	N/A	N/A	100%	100%	Dormant	d
Indirectly held:									
Beijing Calorie Information Technology Co., Ltd.	Beijing, China, limited liability company	July 7, 2015	USD360,000,000	100%	100%	100%	100%	Development of software	b
Shanghai Leranka Information Technology Co., Ltd.	Shanghai, China, limited liability company	May 27, 2021	Nil	N/A	N/A	100%	100%	Investment	f
Beijing Calorie Blue Technology Co., Ltd.	Beijing, China, limited liability company	August 25, 2021	Nil	N/A	N/A	100%	100%	Provision of other services	f
Beijing Calorie Blue Sports Management Co., Ltd.	Beijing, China, limited liability company	September 7, 2021	Nil	N/A	N/A	100%	100%	Provision of other services	f
Guangzhou Calorie Blue Sports Management Co., Ltd.	Guangzhou, China, limited liability company	August 18, 2022	Nil	N/A	N/A	N/A	100%	Provision of other services	g
Hainan Calorie Red Technology Co., Ltd.	Hainan, China, limited liability company	October 27, 2021	Nil	N/A	N/A	100%	100%	Production of online contents	e

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

12 Subsidiaries (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Effective interest held by the owner					
				As at December 31,					
				2019	2020	2021	2022	Principal activities	Note
Hangzhou Calorie Sports Co., Ltd.	Hangzhou, China, limited liability company	November 5, 2021	Nil	N/A	N/A	100%	100%	Sales of self-branded fitness products	e
Shenzhen Calorie Sports Technology Co., Ltd.	Shenzhen, China, limited liability company	November 18, 2021	Nil	N/A	N/A	100%	100%	Development of self-branded fitness products	e
Hangzhou Calorie Purple Technology Co., Ltd.	Hangzhou, China, limited liability company	November 5, 2021	RMB2,000,000	N/A	N/A	100%	100%	Provision of advertising services	e
Beijing Calorie Orange Management Consulting Co., Ltd.	Beijing, China, limited liability company	December 5, 2022	Nil	N/A	N/A	N/A	100%	Investment	g
Structured entities:									
Beijing Calorie Technology Co., Ltd.	Beijing, China, limited liability company	September 26, 2014	RMB2,439,024	100%	100%	100%	100%	Provision of membership and online paid content services	a,b
Shenzhen Calorie Technology Co., Ltd.	Shenzhen, China, limited liability company	August 29, 2017	RMB1,000,000	100%	100%	100%	100%	Development of self-branded fitness products	a,b
Beijing Calorie Sports Co., Ltd.	Beijing, China, limited liability company	November 7, 2017	RMB1,000,000	80%	100%	100%	100%	Provision of other services	a,b
Shanghai Calorie Sports Co., Ltd.	Shanghai, China, limited liability company	November 28, 2018	RMB1,000,000	100%	100%	100%	100%	Provision of other services	a,b
Calorie Sports Management (Beijing) Co., Ltd.	Beijing, China, limited liability company	June 29, 2018	RMB1,000,000	100%	100%	100%	100%	Provision of other services	a,b
Suqian Calorie Technology Co., Ltd.	Jiangsu, China, limited liability	January 21, 2019	N/A	100%	N/A	N/A	N/A	Provision of other services	a,h

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

12 Subsidiaries (continued)

Note a: As described in Note 2.2, the Company does not have direct or indirect legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with these structured entities and their registered owners, the Company and its other legally owned subsidiaries have rights to exercise power over these structured entities, receive variable returns from its involvement in these structured entities, and have the ability to affect those returns through its power over these structured entities. As a result, they are presented as structured entities of the Company.

Note b: The statutory financial statements were audited by Beijing Dongshendingli International Certified Public Accountants for the years ended December 31, 2019, 2020 and 2021. The statutory financial statement for the year ended December 31,2022 has not yet been issued.

Note c: The statutory financial statements were audited by Sammi Y. S. Liu & Co. Certified Public Accountants (Practising) for the years ended December 31, 2019, 2020 and 2021. The statutory financial statement for the year ended December 31,2022 has not yet been issued.

Note d: No audited financial statements were issued for these companies as they are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

Note e: No audited financial statements were issued for these companies as they are established during 2021 and no material financial transactions in 2021. The statutory financial statement for the year ended December 31,2022 has not yet been issued.

Note f: The statutory financial statements were audited by Beijing Dongshendingli International Certified Public Accountants for the years ended December 31, 2021. The statutory financial statement for the year ended December 31,2022 has not yet been issued.

Note g: These companies are newly established during 2022. The statutory financial statement for the year ended December 31,2022 has not yet been issued.

Note h: Suqian Calorie Technology Co., Ltd. was canceled in 2020.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

13 Income tax expense

(a) Cayman Islands

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

(b) Hong Kong Income Tax

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

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

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

In accordance with the Enterprise Income Tax Law ("**EIT Law**"), Foreign Investment Enterprises ("**FIEs**") and domestic companies are subject to Enterprise Income Tax ("**EIT**") at a uniform rate of 25%. In October 2017 and December 2020, BJ IT was qualified as a High and New Technology enterprise ("**HNTE**") and enjoyed a preferential tax rate of 15% from 2017 to 2022. In November 2018 and December 2021, BJ Tech was qualified as a HNTE and enjoyed a preferential tax rate of 15% from 2018 to 2023. In December 2020, Shenzhen Calorie was qualified as a HNTE and enjoyed a preferential tax rate of 15% from 2020 to 2022. BJ Tech, BJ IT and Shenzhen Calorie were in accumulated loss position for the years ended December 31, 2019, 2020, 2021 and 2022. The other entities incorporated in the PRC are subject to an enterprise income tax at a rate of 25%.

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

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

13 Income tax expense (continued)

(c) PRC Enterprise Income Tax ("EIT") (continued)

control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located". Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its entities registered outside of the PRC should be considered as resident enterprises for the PRC tax purposes.

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

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

The undistributed earnings and reserves of the Group entities located in the PRC are considered to be indefinitely reinvested, because the Group does not have any present plan to pay any cash dividends on its ordinary shares in the foreseeable future and intends to retain most of its available funds and any future earnings for use in the operation and expansion of its business. Accordingly, no deferred tax liability on 10% WHT of aggregate undistributed earnings and reserves of the Company's entities located in the PRC has been accrued that would be payable upon the distribution of those amounts to the Company as at December 31, 2022. As at December 31, 2019, 2020, 2021 and 2022, the Company did not record any withholding tax on the retained earnings of its subsidiaries and structured entity in the PRC as they were still in accumulated deficit position.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

13 Income tax expense (continued)

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

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the rates prevailing in the jurisdictions in which the Group operates:

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Loss before income tax	(735,045)	(2,243,750)	(2,908,237)	(103,548)
Tax calculated at applicable tax rate of 25%	183,761	560,938	727,059	25,887
Tax effects of:				
—Effect of different tax rates in other jurisdictions	(91,666)	(528,942)	(490,427)	148,112
—Effect of preferential income tax rates of certain subsidiary	(33,287)	(12,787)	(93,937)	(31,025)
—Tax losses and temporary deductible timing differences for which no deferred tax assets was recognised	(68,841)	(21,288)	(133,982)	(150,107)
—Expenses not deductible for income tax purposes	(3,874)	(10,048)	(26,386)	(25,648)
—Super deduction for research and development expenses	13,907	12,127	17,673	32,781
—Withholding tax of royalty fee (Note a)	—	—	—	(1,003)
	—	**—**	**—**	**(1,003)**

Note a: The Group's subsidiary outside of PRC recognised withholding tax for royalty fee from the PRC entity.

(e) Deferred tax assets not recognised

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

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses and timing difference				
—Deductible temporary differences	274,246	280,451	665,277	706,308
—Deductible cumulative tax losses (Note a)	687,024	830,151	1,337,612	2,035,548
	961,270	**1,110,602**	**2,002,889**	**2,741,856**
Unrecognised deferred tax assets:	**151,263**	**172,551**	**306,533**	**456,640**

Note a: These tax losses of PRC entities will expire from 2023 to 2033.

14 Loss per share

Following the share split as detailed in Note 25, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the years ended December 31, 2019, 2020, 2021 and 2022 has been retrospectively adjusted.

(a) Basic loss per share

Basic loss per share for the years ended December 31, 2019, 2020, 2021 and 2022 are calculated by dividing the loss attributable to the Company's owners by the weighted average number of ordinary shares in issue during the year.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

14 Loss per share (continued)

(a) Basic loss per share (continued)

	Year ended December 31,			
	2019	2020	2021	2022
Net loss attributable to owners of the Company (RMB'000)	(728,979)	(2,239,609)	(2,908,237)	(104,551)
Weighted average number of ordinary shares in issue (thousand shares)	133,360	135,217	137,175	138,363
Basic loss per share (expressed in RMB per share)	**(5.47)**	**(16.56)**	**(21.20)**	**(0.76)**

(b) Diluted loss per share

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

During the years ended December 31, 2019, 2020, 2021 and 2022, the Company had three categories of potential ordinary shares: Preferred Shares, restricted shares and share options granted under the ESOP Plans. As the Company incurred losses for the years ended December 31, 2019, 2020, 2021 and 2022, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, the amounts of diluted loss per share for the years ended December 31, 2019, 2020, 2021 and 2022 were the same as basic loss per share of the respective year.

15 Property and equipment

The detailed information of property and equipment for the years ended December 31, 2019, 2020, 2021 and 2022 is as below:

	Leasehold improvements	Electronic equipment	Office and fitness equipment	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At January 1, 2019	9,332	9,496	2,844	5,226	26,898
Additions	—	3,773	5,093	27,984	36,850
Disposal	—	(1,183)	(2,004)	—	(3,187)
Transfers	33,210	—	—	(33,210)	—
At December 31, 2019	**42,542**	**12,086**	**5,933**	**—**	**60,561**
Accumulated depreciation					
At January 1, 2019	(4,334)	(2,441)	(755)	—	(7,530)
Additions	(18,413)	(3,198)	(878)	—	(22,489)
Disposal	—	760	365	—	1,125
At December 31, 2019	**(22,747)**	**(4,879)**	**(1,268)**	**—**	**(28,894)**
Net carrying amount					
At January 1, 2019	**4,998**	**7,055**	**2,089**	**5,226**	**19,368**
At December 31, 2019	**19,795**	**7,207**	**4,665**	**—**	**31,667**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15 Property and equipment (continued)

	Leasehold improvements	Electronic equipment	Office and fitness equipment	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At January 1, 2020	42,542	12,086	5,933	—	60,561
Additions	—	2,612	505	3,744	6,861
Disposal	—	(1,933)	(1,141)	—	(3,074)
Transfers	3,744	—	—	(3,744)	—
At December 31, 2020	**46,286**	**12,765**	**5,297**	**—**	**64,348**
Accumulated depreciation					
At January 1, 2020	(22,747)	(4,879)	(1,268)	—	(28,894)
Additions	(8,964)	(3,607)	(1,089)	—	(13,660)
Disposal	—	1,238	270	—	1,508
At December 31, 2020	**(31,711)**	**(7,248)**	**(2,087)**	**—**	**(41,046)**
Net carrying amount					
At January 1, 2020	**19,795**	**7,207**	**4,665**	**—**	**31,667**
At December 31, 2020	**14,575**	**5,517**	**3,210**	**—**	**23,302**

	Leasehold improvements	Electronic equipment	Office and fitness equipment	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At January 1, 2021	46,286	12,765	5,297	—	64,348
Additions	—	13,035	1,336	7,395	21,766
Disposal	—	(1,760)	(449)	—	(2,209)
Transfers	7,395	—	—	(7,395)	—
At December 31, 2021	**53,681**	**24,040**	**6,184**	**—**	**83,905**
Accumulated depreciation					
At January 1, 2021	(31,711)	(7,248)	(2,087)	—	(41,046)
Additions	(6,748)	(5,086)	(1,031)	—	(12,865)
Disposal	—	1,642	356	—	1,998
At December 31, 2021	**(38,459)**	**(10,692)**	**(2,762)**	**—**	**(51,913)**
Net carrying amount					
At January 1, 2021	**14,575**	**5,517**	**3,210**	**—**	**23,302**
At December 31, 2021	**15,222**	**13,348**	**3,422**	**—**	**31,992**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15 Property and equipment (continued)

	Leasehold improvements	Electronic equipment	Office and fitness equipment	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At January 1, 2022	**53,681**	**24,040**	**6,184**	**—**	**83,905**
Additions	28	5,522	3,540	4,366	13,456
Disposal	—	(970)	(399)	—	(1,369)
Transfers	4,366	—	—	(4,366)	—
At December 31, 2022	**58,075**	**28,592**	**9,325**	**—**	**95,992**
Accumulated depreciation					
At January 1, 2022	**(38,459)**	**(10,692)**	**(2,762)**	**—**	**(51,913)**
Additions	(6,751)	(6,330)	(1,441)	—	(14,522)
Disposal	—	868	178	—	1,046
At December 31, 2022	**(45,210)**	**(16,154)**	**(4,025)**	**—**	**(65,389)**
Net carrying amount					
At January 1, 2022	**15,222**	**13,348**	**3,422**	**—**	**31,992**
At December 31, 2022	**12,865**	**12,438**	**5,300**	**—**	**30,603**

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

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Research and development expenses	2,159	2,492	3,657	5,739
Cost of revenues	7,887	8,260	5,691	3,708
Selling and marketing expenses	1,433	1,489	1,702	2,558
Administrative expenses	11,010	1,419	1,815	2,517
	22,489	**13,660**	**12,865**	**14,522**

16 Leases

(a) Items recognised in the consolidated balance sheets

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
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**

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities				
Current	(29,946)	(33,348)	(40,999)	(44,554)
Non-current	(110,178)	(80,057)	(72,820)	(59,069)
Total	**(140,124)**	**(113,405)**	**(113,819)**	**(103,623)**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16 Leases (continued)

(a) Items recognised in the consolidated balance sheets (continued)

Additions to the right-of-use assets for the years ended December 31, 2019, 2020, 2021 and 2022 were RMB21,420,000, RMB4,329,000, RMB39,854,000 and RMB31,754,000, respectively.

The decrease of the right-of-use assets due to modification of leasing contracts for the years ended December 31, 2019, 2020, 2021 and 2022 were RMB100,462,000, RMB1,692,000, RMB1,387,000 and nil, respectively.

(b) Items recognised in the consolidated income statements:

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of right-of-use assets				
—Office buildings	43,972	22,544	28,327	32,892
—Fitness centers	13,519	8,712	8,391	7,116
Gains on lease modification (Note 9)	(8,400)	(247)	—	—
Gains on lease termination (Note 9)	(1,887)	—	—	—
Losses on breach of lease contracts	14,498	729	—	297
Covid-19-related rent concessions from lessors	—	(1,586)	—	(840)
Interest expense (included in finance expenses) (Note 11)	11,225	5,769	5,484	4,657
Expense relating to short-term leases not included in lease liabilities (included in cost of revenues, selling and marketing expenses, administrative expenses and research and development expenses)	394	11	2,751	3,914
Total	**73,321**	**35,932**	**44,953**	**48,036**

(c) Items recognised in the consolidated statements of cash flows:

The total cash outflows in financing activities for the years ended December 31, 2019, 2020, 2021 and 2022 are as below:

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Principal elements of lease payments	35,926	27,523	37,880	41,110
Related interest paid	11,225	5,769	5,484	4,657
Total	**47,151**	**33,292**	**43,364**	**45,767**

The weighted average incremental borrowing rate applied to the lease liabilities was 4.6% per annum during the year ended December 31, 2019, 2020 and 2021, and 3.5% per annum during the year ended December 31, 2022.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17 Intangible assets

The detailed information of intangible assets for the years ended December 31, 2019, 2020, 2021 and 2022 is as below:

	Domain name	Software	Total
	RMB'000	RMB'000	RMB'000
Cost			
At January 1, 2019	7,271	—	7,271
Additions	—	303	303
Currency translation differences	119	—	119
At December 31, 2019	**7,390**	**303**	**7,693**
Accumulated amortisation			
At January 1, 2019	(147)	—	(147)
Additions	(367)	(81)	(448)
At December 31, 2019	**(514)**	**(81)**	**(595)**
Net carrying amount			
At January 1, 2019	**7,124**	**—**	**7,124**
At December 31, 2019	**6,876**	**222**	**7,098**
Cost			
At January 1, 2020	7,390	303	7,693
Additions	—	770	770
Currency translation differences	(477)	—	(477)
At December 31, 2020	**6,913**	**1,073**	**7,986**
Accumulated amortisation			
At January 1, 2020	(514)	(81)	(595)
Additions	(358)	(310)	(668)
At December 31, 2020	**(872)**	**(391)**	**(1,263)**
Net carrying amount			
At January 1, 2020	**6,876**	**222**	**7,098**
At December 31, 2020	**6,041**	**682**	**6,723**
Cost			
At January 1, 2021	6,913	1,073	7,986
Additions	188	4,555	4,743
Currency translation differences	(158)	—	(158)
At December 31, 2021	**6,943**	**5,628**	**12,571**
Accumulated amortisation			
At January 1, 2021	(872)	(391)	(1,263)
Additions	(306)	(1,801)	(2,107)
Currency translation differences	18	—	18
At December 31, 2021	**(1,160)**	**(2,192)**	**(3,352)**
Net carrying amount			
At January 1, 2021	**6,041**	**682**	**6,723**
At December 31, 2021	**5,783**	**3,436**	**9,219**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17 Intangible assets (continued)

	Domain name	Software	Total
	RMB'000	RMB'000	RMB'000
Cost			
At January 1, 2022	6,943	5,628	12,571
Additions	—	2,911	2,911
Disposal	—	(1,716)	(1,716)
Currency translation differences	624	—	624
At December 31, 2022	**7,567**	**6,823**	**14,390**
Accumulated amortisation			
At January 1, 2022	(1,160)	(2,192)	(3,352)
Additions	(365)	(2,086)	(2,451)
Disposal	—	849	849
Currency translation differences	(120)	—	(120)
At December 31, 2022	**(1,645)**	**(3,429)**	**(5,074)**
Net carrying amount			
At January 1, 2022	**5,783**	**3,436**	**9,219**
At December 31, 2022	**5,922**	**3,394**	**9,316**

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

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Research and development expenses	63	138	584	1,149
Administrative expenses	367	358	704	778
Selling and marketing expenses	18	172	819	524
Total	**448**	**668**	**2,107**	**2,451**

18 Other non-current assets

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term royalty licenses, naming rights and sponsorship fees (Note a)	—	—	6,904	41,782
Investment in a private company (Note b)	—	—	—	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
Loans to management (Note 37)	3,900	—	—	—
Total	**16,722**	**11,530**	**20,035**	**73,763**

Note a: As at December 31, 2022, the balance of long-term royalty licenses, naming rights and sponsorship fees mainly included RMB38,012,000 of naming rights and sponsorship fees for a period of five years and RMB3,770,000 of royalty licenses, of which the contract periods are more than one year.

Note b: On December 1, 2022, the Group acquired certain ordinary shares with preferential rights of one private company representing 15% equity interest, for consideration of RMB15,000,000, which was close to its fair value as at December 31, 2022. The Group has the right to require and demand the investee to redeem all of the shares held by the Group upon redemption events which are out of control of issuers. The investment is measured at fair value through profit or loss.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18 Other non-current assets (continued)

Other non-current assets are denominated in the following currencies:

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	16,722	11,530	13,817	70,453
USD	—	—	6,218	3,310
Total	**16,722**	**11,530**	**20,035**	**73,763**

19 Financial instruments by category

The detailed information of financial instruments by category during the Track Record Period is as below:

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Assets as per consolidated balance sheets				
Financial assets measured at fair value through profit or loss:				
—Wealth management products	—	429,310	255,029	139,864
—Foreign currency forward contracts (included in financial assets at fair value through profit or loss)	—	—	920	—
—Investment in a private company (included in other non-current assets)	—	—	—	15,000
Financial assets measured at amortised costs:				
—Accounts receivables	79,908	180,766	310,368	251,676
—Receivable from a preferred shareholder and short-term rental and other deposits (included in prepayments and other current assets)	36,519	34,925	4,763	5,564
—Other non-current assets (excluding prepayments for property and equipment and prepayments for royalty licenses and long-term service)	16,093	11,318	13,067	13,437
—Short-term time deposits	—	—	454,963	68,740
—Cash and cash equivalents	563,914	2,342,713	1,653,517	1,672,217
Total	**696,434**	**2,999,032**	**2,692,627**	**2,166,498**

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities as per consolidated balance sheets				
Financial liabilities measured at fair value through profit or loss:				
—Convertible redeemable preferred shares	2,810,328	6,918,563	9,201,503	9,401,472
Financial liabilities measured at amortised cost:				
—Accounts payables	46,305	58,534	141,007	154,095
—Accrued expenses (excluding accrued payroll related expenses)	57,547	72,534	92,855	108,454
—Other current liabilities (excluding tax payables)	6,305	15,203	26,010	32,815
—Borrowings	—	—	87,584	74,524
—Lease liabilities	140,124	113,405	113,819	103,623
Total	**3,060,609**	**7,178,239**	**9,662,778**	**9,874,983**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

19 Financial instruments by category (continued)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

20 Financial assets at fair value through profit or loss

Group

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
—Wealth management products	—	429,310	255,029	139,864
—Foreign currency forward contracts	—	—	920	—
Total	**—**	**429,310**	**255,949**	**139,864**

Company

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
—Wealth management products	**—**	**368,659**	**255,029**	**139,864**

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

Group

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year	240,876	—	429,310	255,949
Additions	—	806,036	1,148,240	365,201
Disposal	(241,448)	(355,904)	(1,322,277)	(487,827)
Change in fair value through profit or loss (Note 9)	—	88	8,826	1,164
Currency translation differences	572	(20,910)	(8,150)	5,377
At the end of the year	**—**	**429,310**	**255,949**	**139,864**

Company

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year	240,876	—	368,659	255,029
Additions	—	665,385	1,148,240	305,201
Disposal	(241,448)	(275,904)	(1,255,611)	(427,312)
Change in fair value through profit or loss	—	66	1,891	1,569
Currency translation differences	572	(20,888)	(8,150)	5,377
At the end of the year	**—**	**368,659**	**255,029**	**139,864**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21 Accounts receivables

The detailed information of accounts receivables during the Track Record Period is as below:

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
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**

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

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
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**

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

Information about the impairment of accounts receivables and the Group's exposure to credit risk can be found in Note 3.1.

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

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year	(361)	(953)	(2,240)	(2,291)
Additional provision	(592)	(1,287)	(1,258)	(7,293)
Receivables written off as uncollectable	—	—	1,207	2,684
At the end of the year	**(953)**	**(2,240)**	**(2,291)**	**(6,900)**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

22 Prepayments and other current assets

The detailed information of prepayments and other current assets during the Track Record Period is as below:

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 (Note a)	4,759	9,178	11,682	6,870
Prepayments for **[REDACTED]**	—	—	**[REDACTED]**	**[REDACTED]**
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**

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

The Group applies the IFRS 9 to measuring expected credit losses for other receivables included prepayments and other current assets. For detailed information about the methods, refer to Note 3.1.

Prepayments and other current assets are denominated in the following currencies:

Group

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	37,126	44,956	84,289	123,136
USD	34,749	32,763	2,530	5,830
Total	**71,875**	**77,719**	**86,819**	**128,966**

Company

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for **[REDACTED]**	—	—	**[REDACTED]**	**[REDACTED]**
Receivable from Preferred Shares shareholder	34,228	32,703	—	—
Others	521	60	129	233
Total	**34,749**	**32,763**	**1,864**	**5,830**

Prepayments and other current assets are denominated in the following currencies:

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
USD	**34,749**	**32,763**	**1,864**	**5,830**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23 Inventories

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
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 (Note a)	(3,870)	(6,410)	(8,011)	(14,237)
Total	**94,635**	**117,904**	**198,763**	**167,737**

Note a: Provision for impairment was recognised for the amount by which the carrying amount of the inventories exceeds its net realizable value and was recorded in cost of revenues in the consolidated income statements. The provision for impairment expense of inventories amounted to RMB3,064,000, RMB2,540,000, RMB1,601,000 and RMB6,226,000 for the years ended December 31, 2019, 2020, 2021 and 2022, respectively.

Provision for impairment movements for the years ended December 31, 2019, 2020, 2021 and 2022 are as below:

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
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)**

Inventories recognised as cost of revenues during the years ended December 31, 2019, 2020, 2021 and 2022 amounted to RMB252,986,000, RMB406,756,000, RMB645,731,000 and RMB954,245,000, respectively.

24 Cash and bank balances

(a) Cash and cash equivalents

Group

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	560,026	1,023,929	852,639	1,426,480
Time deposits with initial terms within three months	—	1,304,980	778,984	232,203
Cash held at third party payment platforms	3,888	13,804	21,894	13,534
Total	**563,914**	**2,342,713**	**1,653,517**	**1,672,217**

Cash and cash equivalents are denominated in the following currencies:

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	45,920	709,498	555,079	1,357,777
USD	517,994	1,633,215	1,098,438	314,162
SGD	—	—	—	278
Total	**563,914**	**2,342,713**	**1,653,517**	**1,672,217**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

24 Cash and bank balances (continued)

(a) Cash and cash equivalents (continued)

The interest rates on time deposits of the Group with initial terms within three months were 0.21%, 0.03% to 2.10% and 2.00% to 4.63% as at December 31, 2020, 2021 and 2022.

Company

	As at December 31,			
	2019	**2020**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash at bank and in hand	490,841	65,086	84,314	12,079
Time deposits with initial terms within three months	—	1,304,980	245,867	62,681
Total	**490,841**	**1,370,066**	**330,181**	**74,760**

Cash and cash equivalents are denominated in the following currencies:

	As at December 31,			
	2019	**2020**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
USD	490,841	1,370,066	330,179	74,468
RMB	—	—	2	292
Total	**490,841**	**1,370,066**	**330,181**	**74,760**

The interest rates on time deposits of the Company with initial terms within three months were 0.21%, 0.03% to 0.11% and 4.63% as at December 31, 2020, 2021 and 2022, respectively.

(b) Short-term time deposits

Group

	As at December 31,			
	2019	**2020**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Short-term time deposits denominated in USD	—	—	454,963	43,217
Short-term time deposits denominated in RMB	—	—	—	25,523
	—	**—**	**454,963**	**68,740**

The short-term time deposits consist of RMB453,504,000 and RMB68,333,000 in principal and RMB1,459,000 and RMB407,000 in interest receivables as at December 31, 2021 and December 31, 2022, respectively.

The interest rates on short-term time deposits of the Group were in the range of 0.14% to 1.50% as at December 31, 2021, and in the range of 1.50% to 3.40% as at December 31, 2022.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

25 Share capital

Authorised

	Number of ordinary shares	Nominal value of ordinary shares
	'000	USD'000
At January 1, 2019	**40,898**	**41**
Issuance of Series E Preferred Shares	(1,552)	(2)
At December 31, 2019	**39,346**	**39**
Issuance of Series E Preferred Shares	(173)	—
Issuance of Series F Preferred Shares	(4,331)	(4)
At December 31, 2020	**34,842**	**35**
Split of shares	661,993	—
Repurchase of Series E Preferred Shares	828	—
Issuance of Series F-1 Preferred Shares	(13,498)	(1)
At December 31, 2021 and 2022	**684,165**	**34**

Issued

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
	'000	USD'000	RMB'000
At January 1, 2019 and December 31, 2019	6,668	7	40
Issuance of ordinary shares (Note 29)	250	—	2
At December 31, 2020	**6,918**	**7**	**42**
Split of shares	131,445	—	—
Issuance of ordinary shares	15,430	1	5
At December 31, 2021	**153,793**	**8**	**47**
Issuance of ordinary shares	45,205	2	14
At December 31, 2022	**198,998**	**10**	**61**

In March 2021, the Company effected a 20-for-1 share split whereby each of the issued and unissued share with a par value of USD 0.001 each was sub-divided into 20 shares with a par value of USD 0.00005 each, such that the authorised share capital became USD 50,000 divided into 1,000,000,000 ordinary shares of a par value of USD 0.00005 each.

Key terms of the issued Preferred Shares have been set out in Note 34.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

26 Other reserves

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

Group

	Treasury stock	Capital reserve	Share-based compensation	Currency translation differences	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	—	58,857	27,392	(57,499)	(16,272)	12,478
Share-based compensation	—	—	12,292	—	—	12,292
Currency translation differences (Note a)	—	—	—	(35,367)	—	(35,367)
Fair value change on Preferred Shares due to own credit risk	—	—	—	—	28,039	28,039
As at December 31, 2019	**—**	**58,857**	**39,684**	**(92,866)**	**11,767**	**17,442**
Issuance of ordinary shares	(1)	(1)	—	—	—	(2)
Share-based compensation	—	—	22,423	—	—	22,423
Transactions with non-controlling interests	—	(29,271)	—	—	—	(29,271)
Currency translation differences (Note a)	—	—	—	269,198	—	269,198
Fair value change on Preferred Shares due to own credit risk	—	—	—	—	86,103	86,103
As at December 31, 2020	**(1)**	**29,585**	**62,107**	**176,332**	**97,870**	**365,893**
Issuance of ordinary shares (Note b)	(4)	(1)	—	—	—	(5)
Share-based compensation	—	—	135,505	—	—	135,505
Currency translation differences (Note a)	—	—	—	150,991	—	150,991
Fair value change on Preferred Shares due to own credit risk	—	—	—	—	(97,242)	(97,242)
As at December 31, 2021	**(5)**	**29,584**	**197,612**	**327,323**	**628**	**555,142**

Group

	Treasury stock	Capital reserve	Share-based compensation	Currency translation differences	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	(5)	29,584	197,612	327,323	628	555,142
Issuance of ordinary shares (Note c)	(14)	—	—	—	—	(14)
Share-based compensation	—	—	102,613	—	—	102,613
Currency translation differences (Note a)	—	—	—	(700,844)	—	(700,844)
Fair value change on Preferred Shares due to own credit risk	—	—	—	—	(46,730)	(46,730)
As at December 31, 2022	**(19)**	**29,584**	**300,225**	**(373,521)**	**(46,102)**	**(89,833)**

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

Note b: In June 2021, the Company issued and allotted 14,440,000 ordinary shares to Calorie Fortune Limited controlled by the Company and 990,000 ordinary shares to Bulldog Group Limited controlled by one founder at the par value of USD 0.00005 each. With respect to the 14,440,000 ordinary shares issued to Calorie Fortune Limited, the Company has the power to direct the grant of awards associated with these shares, has exposure or rights to variable returns from its involvement with the award scheme, and has the ability to use its power over the award scheme to affect the amount of the Company's return. Therefore, the 14,440,000 ordinary shares held for the Company's employee share award scheme were regarded as treasury shares and presented as a deduction in equity as "Other reserves".

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

26 Other reserves (continued)

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

Company

	Treasury stock	Capital reserve	Share-based compensation	Currency translation differences	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	—	2,925	27,392	(38,561)	(16,272)	(24,516)
Share-based compensation	—	—	12,292	—	—	12,292
Currency translation differences	—	—	—	(19,803)	—	(19,803)
Fair value change on Preferred Shares due to own credit risk	—	—	—	—	28,039	28,039
As at December 31, 2019	**—**	**2,925**	**39,684**	**(58,364)**	**11,767**	**(3,988)**
Issuance of ordinary shares	(1)	(1)	—	—	—	(2)
Share-based compensation	—	—	22,423	—	—	22,423
Currency translation differences	—	—	—	196,048	—	196,048
Fair value change on Preferred Shares due to own credit risk	—	—	—	—	86,103	86,103
As at December 31, 2020	**(1)**	**2,924**	**62,107**	**137,684**	**97,870**	**300,584**
Issuance of ordinary shares	(4)	(1)	—	—	—	(5)
Share-based compensation	—	—	135,505	—	—	135,505
Currency translation differences	—	—	—	99,415	—	99,415
Fair value change on Preferred Shares due to own credit risk	—	—	—	—	(97,242)	(97,242)
As at December 31, 2021	**(5)**	**2,923**	**197,612**	**237,099**	**628**	**438,257**
Issuance of ordinary shares	(14)	—	—	—	—	(14)
Share-based compensation	—	—	102,613	—	—	102,613
Currency translation differences	—	—	—	(445,603)	—	(445,603)
Fair value change on Preferred Shares due to own credit risk	—	—	—	—	(46,730)	(46,730)
As at December 31, 2022	**(19)**	**2,923**	**300,225**	**(208,504)**	**(46,102)**	**48,523**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

27 Transactions with non-controlling interests

During the year ended December 31, 2020, the Group acquired additional equity interests in one subsidiary from the relevant non-controlling interests at cash consideration of RMB30,000,000. The difference between the carrying amounts of non-controlling interests acquired and consideration paid is set out below.

	Year ended December 31, 2020
	RMB'000
Total carrying amount of non-controlling interests acquired	(729)
Less: total consideration paid to non-controlling interests	(30,000)
Total difference recognised within equity	**29,271**

28 Dividends

No dividends have been paid or declared by the Company during each of the years ended December 31, 2019, 2020, 2021 and 2022.

29 Share-based compensation

(a) Founder's Restricted Shares

In April 2020, the Company canceled 4,483,820 share options (after share split) held by one founder and concurrently issued 2,500,000 unrestricted ordinary shares (after share split) and 2,500,000 restricted ordinary shares (after share split) to this founder which will vest in equal yearly installment over the two years following December 13, 2019. The cancelation of the original share options along with grant of the replacement awards were accounted for as a probable-to-probable modification. The cumulative amount of compensation cost that should be recognised is the original grant-date fair value of the award plus any incremental fair value resulting from the modification.

The movement of the restricted shares during the years ended December 31, 2019, 2020, 2021 and 2022 was as follow (after taking into consideration of share split):

	Number of restricted shares
Unvested as at January 1, 2019 and December 31, 2019	**—**
Modified from options to restricted shares	2,500,000
Vested	(1,250,000)
Unvested as at December 31, 2020	**1,250,000**
Vested	(1,250,000)
Unvested as at December 31, 2021 and December 31, 2022	**—**

(b) Share options

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

29 Share-based compensation (continued)

(b) Share options (continued)

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

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

- Type (i) 25% of the total granted share options shall become vested on each anniversary of the vesting commencement date for 4 years thereafter;
- Type (ii) 50% of the share options shall become vested on the second anniversary of the vesting commencement date and 25% of the total granted share options are vested on the third and fourth anniversary of the vesting commencement date;
- Type (iii) 50% of the total granted share options shall become vested on each anniversary of the vesting commencement date for 2 years thereafter;
- Type (iv) 75% of the total granted share options shall become vested on the first anniversary of the vesting commencement date and 25% of the total granted share options shall become vested on the second anniversary of the vesting commencement date.
- Type (v) 33% of the total granted share options shall become vested on each anniversary of the vesting commencement date for 3 years thereafter;
- Type (vi) 100% of the total granted share options shall become vested on the vesting commencement date;
- Type (vii) 100% of the total granted share options shall become vested on the third anniversary of the vesting commencement date;
- Type (viii) 100% of the total granted share options shall become vested on the first anniversary of the vesting commencement date;

Certain types of share options are exercisable at any time after the qualified **[REDACTED]** ("**[REDACTED]**"), provided these types of options have vested. The **[REDACTED]** means a fully **[REDACTED]** by the Company acceptable to the board of directors, with a minimum pre-**[REDACTED]** Company valuation and aggregate **[REDACTED]** to the Company agreed among the shareholders pursuant to the Company's memorandum of association. The options are exercisable for a maximum period of 10 years after the date of grant.

In April 2021, 2,000,000 options were modified with the exercise price from USD 2.42 to USD 0.80, leading to RMB9,694,000 incremental costs.

In June 2021, the Company issued 14,440,000 ordinary shares to Calorie Fortune Limited controlled by the Company and 990,000 ordinary shares to Bulldog Group Limited controlled by one founder. On March 31, 2022, the Company issued 45,205,300 ordinary shares to Calorie Partner Limited, of which 24,714,825 ordinary shares have been granted to participants of the Company's employee share award scheme as at December 31, 2022. All of these 40,144,825 ordinary shares will

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

29 Share-based compensation (continued)

(b) Share options (continued)

either continue to be subject to satisfaction of the service condition only or of both service and performance conditions set forth in the applicable equity award agreements. If the aforementioned vesting conditions are not satisfied, or the exercise price are not paid, the holders of the share options will not be entitled to the share or voting and economic rights over the shares issued to Calorie Fortune Limited, Bulldog Group Limited and Calorie Partner Limited. Thus, the Company still consider the above issued shares as share options from accounting perspective. There is no incremental fair value change immediately before and after the modification of the aforementioned share options. Consequently, no modification accounting is applied.

Movements in the number of share options granted and their related weighted average exercise prices (taking into account the effect of share split as described above) are as follows (all share options are presented as after share split):

	Number of share options	Weighted average exercise price per share option(USD)
Outstanding as at January 1, 2019	29,327,820	0.61
Granted during the year	7,746,000	1.98
Forfeited during the year	(5,681,000)	1.16
Outstanding as at December 31, 2019	31,392,820	0.85
Exercisable as at December 31, 2019	8,790,000	0.14
Outstanding as at January 1, 2020	31,392,820	0.85
Granted during the year	820,000	1.96
Forfeited during the year	(3,458,500)	1.61
Modified from option to restricted shares	(4,483,820)	0.13
Outstanding as at December 31, 2020	24,270,500	0.91
Exercisable as at December 31, 2020	8,810,000	0.14
Outstanding as at January 1, 2021	24,270,500	0.91
Granted during the year (Note a)	15,564,500	1.75
Forfeited during the year	(1,222,500)	2.12
Outstanding as at December 31, 2021	38,612,500	1.21
Exercisable as at December 31, 2021	10,050,000	0.19
Outstanding as at January 1, 2022	38,612,500	1.21
Granted during the year	4,707,500	2.65
Forfeited during the year	(3,165,175)	2.30
Outstanding as at December 31, 2022	40,154,825	1.29
Exercisable as at December 31, 2022	10,050,000	0.19

Note a: In April 2021, 10,000 options were granted to one management from the Company but not involved any trust companies.

The weighted-average remaining contract life for outstanding share options was 7.73 years, 6.67 years, 7.10 years and 6.32 years as at December 31, 2019, 2020, 2021 and 2022, respectively.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

29 Share-based compensation (continued)

(b) Share options (continued)

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

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value per share (USD)	1.14-1.38	1.45-2.75	3.82~4.97	3.78~4.09
Risk-free interest rates	1.82%~2.31%	0.47%~0.65%	1.51%~1.74%	2.32%~3.84%
Dividend yield	0%	0%	0%	0%
Expected volatility	45.7%-48.6%	52.1%-53.4%	50.4%~53.6%	53.2%~54.3%
Expected terms	10 years	10 years	10 years	10 years

The weighted-average fair value of granted share options was USD0.44, USD1.05, USD3.19 and USD2.37 per share for the years ended December 31, 2019, 2020, 2021 and 2022, respectively.

(c) Share-based compensation expenses

The share-based compensation expenses have been charged to the consolidated income statements for the years ended December 31, 2019, 2020, 2021 and 2022 as follows:

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	6,726	15,600	88,307	68,230
Research and development expenses	3,533	3,446	28,106	21,279
Selling and marketing expenses	1,231	1,552	11,953	11,091
Cost of revenues	802	1,825	7,139	1,691
Fulfillment expenses	—	—	—	322
Total	**12,292**	**22,423**	**135,505**	**102,613**

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Share-based compensation expenses				
Related to founder's restricted shares	—	8,735	1,669	—
Related to share options	12,292	13,688	133,836	102,613
Total	**12,292**	**22,423**	**135,505**	**102,613**

30 Accounts payables

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

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 3 months	**46,305**	**58,534**	**141,007**	**154,095**

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

30 Accounts payables (continued)

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

31 Accrued expenses and other current liabilities

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

(a) Accrued expenses

Group

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
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**

Company

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued professional service fees and unpaid issuance cost	**10,613**	**2,890**	**10,492**	**16,426**

Accrued expenses are denominated in the following currencies:

Group

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	77,837	124,626	175,907	228,111
USD	10,613	2,890	10,492	16,426
Total	**88,450**	**127,516**	**186,399**	**244,537**

(b) Other current liabilities

Group

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Tax payables	6,814	15,351	37,908	32,486
Deposits	1,662	4,461	5,459	11,643
Payable to joint strategic partners	130	6,984	7,884	7,467
Payable to shareholder for share repurchase (Note 37)	—	—	2,163	—
Others	4,513	3,758	10,504	13,705
Total	**13,119**	**30,554**	**63,918**	**65,301**

Company

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to subsidiaries	—	—	—	3,621
Payable to shareholder for share repurchase (Note 37)	—	—	2,163	—
Total	**—**	**—**	**2,163**	**3,621**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

31 Accrued expenses and other current liabilities (continued)

(b) Other current liabilities (continued)

Other current liabilities are denominated in the following currencies:

Group	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	13,115	30,554	61,754	65,196
USD	4	—	2,164	105
Total	**13,119**	**30,554**	**63,918**	**65,301**

32 Contract liabilities

The breakdown of contract liabilities are as follows:

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities from membership and online paid content service	29,745	70,485	76,017	72,933
Contract liabilities from advertising and others service	8,148	7,918	10,195	6,922
Contract liabilities from self-branded fitness products sales	1,025	1,824	747	4,249
Total	**38,918**	**80,227**	**86,959**	**84,104**

The above-mentioned contract liabilities represented the contract liabilities in connection with the advances for the purchase of self-branded fitness products and advanced cash receipt for services including membership and online paid content customers and advertising and others. Revenue recognised from the contract liabilities balance as at January 1, 2019, 2020, 2021 and 2022 in each year of 2019, 2020, 2021 and 2022 was RMB9,947,000, RMB38,918,000, RMB80,227,000 and RMB86,959,000, respectively.

33 Borrowings

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loan—secured	—	—	87,584	61,521
Bank loan—unsecured	—	—	—	13,003
Total	**—**	**—**	**87,584**	**74,524**

The term of bank borrowings as of December 31, 2021 and 2022 are within one year. The weighted average interest rate for the outstanding borrowings, as at December 31, 2021 and 2022 was 4.2% and 3.3%, respectively.

For the secured bank loan: (i) The amount of RMB87,584,000 and RMB36,053,000 borrowings are secured by oversea deposits with the amount of USD14,930,000 and USD6,150,000 included in short-term time deposits, which are pledged to Bank of Jiang Su Co., Ltd, as at December 31, 2021 and 2022, respectively; (ii) The amount of RMB25,468,000 borrowings are secured by domestic deposits with the amount of RMB25,500,000 in the Bank of Ningbo Co., Ltd, as at December 31, 2022.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

34 Convertible redeemable preferred shares

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

The details of the issuance are set out in the table below (after taking into consideration of share split):

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

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

(a) Dividends rights

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

(b) Conversion feature

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

34 Convertible redeemable preferred shares (continued)

(b) Conversion feature (continued)

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

(c) Redemption feature

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

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

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

(d) Liquidation preferences

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

34 Convertible redeemable preferred shares (continued)

(d) Liquidation preferences (continued)

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

In March 2021, the Company entered into share repurchase agreement with one selling shareholder in connection with the sale and repurchase of 827,760 issued and outstanding series E preferred shares (after share split) held by the selling shareholder at an aggregate repurchase price of RMB 22 million, which was fully paid as at December 31, 2022. The difference between the fair value and repurchase consideration amount was recorded in fair value changes of convertible redeemable preferred shares in the consolidated income statements.

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

	RMB'000
At January 1, 2019	1,923,479
Issuance of Series E Preferred Shares	524,588
Change in fair value	328,264
Includes: change in fair value due to own credit risk	(28,039)
Currency translation differences	33,997
At December 31, 2019	**2,810,328**
Total unrealised losses and change in fair value for the year included in fair value changes of convertible redeemable preferred shares	**356,303**
At January 1, 2020	2,810,328
Issuance of Series E Preferred Shares	58,786
Issuance of Series F Preferred Shares	2,321,891
Change in fair value	2,028,840
Includes: change in fair value due to own credit risk	(86,103)
Currency translation differences	(301,282)
At December 31, 2020	**6,918,563**
Total unrealised losses and change in fair value for the year included in fair value changes of convertible redeemable preferred shares	**2,114,943**
At January 1, 2021	6,918,563
Issuance of Series F-1 Preferred Shares	446,166
Repurchase of Series E Preferred Shares	(21,967)
Change in fair value	2,043,447
Includes: change in fair value due to own credit risk	97,242
Currency translation differences	(184,706)
At December 31, 2021	**9,201,503**
Total unrealised losses and change in fair value for the year included in fair value changes of convertible redeemable preferred shares	**1,946,205**
At January 1, 2022	9,201,503
Change in fair value	(618,239)
Includes: change in fair value due to own credit risk	46,730
Currency translation differences	818,208
At December 31, 2022	**9,401,472**
Total unrealised income and change in fair value for the year included in fair value changes of convertible redeemable preferred shares	**(664,969)**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

34 Convertible redeemable preferred shares (continued)

(d) Liquidation preferences (continued)

The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the Preferred Shares. Key assumptions are set in Note 3.3.

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

35 Cash flow information

(a) Cash used in operations

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Loss before income tax	(735,045)	(2,243,750)	(2,908,237)	(103,548)
Adjustments for:				
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation of property and equipment	22,489	13,660	12,865	14,522
Share-based compensation expenses	12,292	22,423	135,505	102,613
Amortisation of intangible assets	448	668	2,107	2,451
Depreciation of right-of-use assets	57,491	31,256	36,718	40,008
Fair value (gains)/losses on financial assets or liabilities at fair value through profit or loss	—	(88)	(8,826)	66,107
Foreign exchange losses/(gains) on short-term time deposits	—	—	968	(11,295)
Provision for impairment of inventories	3,064	2,540	1,601	6,226
Net losses on disposal of property and equipment	1,484	985	27	65
Credit loss allowances on financial assets	592	1,287	1,258	7,293
Fair value changes of Preferred Shares	356,303	2,114,943	1,946,205	(664,969)
Issuance cost of Preferred Shares	12,540	1,988	224	—
Finance expenses/(income), net	6,208	444	(6,051)	(20,223)
Covid-19-related rent concessions from lessors	—	(1,586)	—	(840)
Gains on lease modifications	(8,400)	(247)	—	—
Changes in working capital:				
(Increase)/decrease in accounts receivables	(37,511)	(102,145)	(130,860)	51,399
Increase in prepayments and other current assets	(6,698)	(7,386)	(41,106)	(38,621)
(Increase)/decrease in inventories	(52,844)	(25,809)	(82,460)	24,800
Decrease/(increase) in other non-current assets	10,947	875	(8,653)	1,283
Increase in accounts payables	30,548	12,229	82,473	13,088
Increase in accrued expenses and other current liabilities	20,132	65,582	91,008	57,516
Increase/(decrease) in contract liabilities	28,971	41,309	6,732	(2,855)
Cash used in operations	**(276,989)**	**(70,822)**	**(868,502)**	**(454,980)**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

35 Cash flow information (continued)

(b) Non-cash investing and financing activities

Non-cash transactions are about the changes in prepayments and payables related to property and equipment addition, and receivable from Series E preferred shareholders Series F preferred shareholder and Series F-1 preferred shareholder. Excluding these, there were no other material non-cash investing and financing transactions for the years ended December 31, 2019, 2020, 2021 and 2022.

(c) Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities			
	Preferred Shares	Lease liabilities	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities from financing activities as at January 1, 2019	1,923,479	263,688	34,370	2,221,537
Cash flows	490,360	(47,151)	(34,370)	408,839
Fair value changes of Preferred Shares	356,303	—	—	356,303
Interest expenses	—	11,225	—	11,225
Fair value change on Preferred Shares due to own credit risk	(28,039)	—	—	(28,039)
Change in receivables from a preferred shareholder	34,228	—	—	34,228
Currency translation differences	33,997	—	—	33,997
Leases	—	(87,638)	—	(87,638)
Liabilities from financing activities as at December 31, 2019	**2,810,328**	**140,124**	**—**	**2,950,452**

	Liabilities from financing activities			
	Preferred Shares	Lease liabilities	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities from financing activities as at January 1, 2020	2,810,328	140,124	—	2,950,452
Cash flows	2,382,202	(33,292)	—	2,348,910
Fair value changes of Preferred Shares	2,114,943	—	—	2,114,943
Interest expenses	—	5,769	—	5,769
Fair value change on Preferred Shares due to own credit risk	(86,103)	—	—	(86,103)
Change in receivables from preferred shareholders	(1,525)	—	—	(1,525)
Currency translation differences	(301,282)	—	—	(301,282)
Leases	—	804	—	804
Liabilities from financing activities as at December 31, 2020	**6,918,563**	**113,405**	**—**	**7,031,968**

	Liabilities from financing activities			
	Preferred Shares	Lease liabilities	Borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities from financing activities as at January 1, 2021	6,918,563	113,405	—	7,031,968
Cash flows	459,131	(43,364)	85,291	501,058
Fair value changes of Preferred Shares	1,946,205	—	—	1,946,205
Interest expenses	—	5,484	2,293	7,777
Fair value change on Preferred Shares due to own credit risk	97,242	—	—	97,242
Payables to repurchase Preferred Shares	(2,229)	—	—	(2,229)
Change in receivables from a preferred shareholder	(32,703)	—	—	(32,703)
Currency translation differences	(184,706)	—	—	(184,706)
Leases	—	38,294	—	38,294
Liabilities from financing activities as at December 31, 2021	**9,201,503**	**113,819**	**87,584**	**9,402,906**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

35 Cash flow information (continued)

(c) Reconciliation of liabilities generated from financing activities (continued)

	Liabilities from financing activities			
	Preferred Shares	Lease liabilities	Borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities from financing activities as at January 1, 2022	9,201,503	113,819	87,584	9,402,906
Cash flows	(2,229)	(45,767)	(15,308)	(63,304)
Fair value changes of Preferred Shares	(664,969)	—	—	(664,969)
Interest expenses	—	4,657	2,248	6,905
Fair value change on Preferred Shares due to own credit risk	46,730	—	—	46,730
Payables to repurchase Preferred Shares	2,229	—	—	2,229
Currency translation differences	818,208	—	—	818,208
Leases	—	30,914	—	30,914
Liabilities from financing activities as at December 31, 2022	**9,401,472**	**103,623**	**74,524**	**9,579,619**

36 Commitments

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

37 Related party transactions

Parties are considered to be related if one party has the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following individuals are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Name	Relationship
Mr. Ning Wang	Director and management of the Group
Mr. Dong Liu	Director and management of the Group

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

37 Related party transactions (continued)

(b) Balances with related parties

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties (non-trade)	3,900	—	—	—
Amount due to a related party (non-trade)	—	—	2,163	—

In 2017, the Group provided an interest-free, unsecured loan amounting RMB3,000,000 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, the Group provided an interest-free, unsecured loan in the amount of RMB900,000 to one of the management with a term of five years. The loan was repaid during the year ended December 31, 2020.

In 2021, the Group provided an interest-free, unsecured loan in the amount of RMB3,000,000 to one of the management with a term of five years. The loan was repaid during the year ended December 31, 2021.

In March 2021, the Group repurchased series E preferred shares from one selling shareholder. The unpaid consideration to repurchase series E preferred shares was recorded in other current liabilities as at December 31, 2021, which is mentioned in Note 31(b). The consideration was fully paid as at December 31, 2022.

(c) Key management personnel compensation

	Year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Wages, Salaries and bonuses	3,695	6,621	7,742	8,501
Share-based compensation expenses	3,795	9,797	42,595	37,831
Other social security costs, housing benefits and other employee benefits	503	308	519	534
Total	**7,993**	**16,726**	**50,856**	**46,866**

38 Contingencies

On June 11, 2021, the Company received a notice publicly issued by the Cyberspace Administration of China, regarding the Company's non-compliance with the necessity principle in the collection of personal information and Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications, which came into effect on May 1, 2021. On the basis that the Company refined the scope of basic functions and services of the Company's mobile app and submitted a written report to show rectification the Company adopted as required under the notice in late June 2021, the Company determined that the loss contingency due to penalties and other legal consequences as of result of the above-mentioned non-compliance is not probable and determined that the estimate of the loss contingency is not reasonably estimable.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

39 Events occurring after the reporting period

There are no material subsequent events undertaken by the Company or by the Group after December 31, 2022.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2022. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2022.