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### Application Proof of



## Keep Inc.

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

(the “Company”)

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**Keep Inc.**

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Number of [REDACTED] under the [REDACTED] : [REDACTED] (subject to [REDACTED])

Number of [REDACTED] : [REDACTED] (subject to [REDACTED])

Number of [REDACTED] : [REDACTED] (subject to [REDACTED])

[REDACTED] : [REDACTED]

Nominal value : US\$ [0.00005] per Share

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*Joint Sponsors* [REDACTED]

**Goldman Sachs** 高成

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## SUMMARY

*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document before you decide to [REDACTED] in the [REDACTED].*

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## OVERVIEW

### Who We Are

*Keep* is the largest online fitness platform in China in terms of MAUs, and number of workout sessions completed by users in 2022, according to the CIC Report. With innovation as our foundation, we are a fast-growing and result-oriented platform that provides users with a comprehensive fitness solution to help them achieve their fitness goals. We generated a majority of our revenue from the sales of our self-branded fitness products during the Track Record Period. We offer extensive and professional fitness content with AI-assisted personalized curriculums, encompassing interactive live streaming classes and recorded fitness courses, that dynamically adjust course content and workout intensity based on users’ athletic levels, fitness goals, daily workout patterns and diet. Our content is complemented by a variety of smart fitness devices, fitness gear, apparel and food, which enables us to seamlessly connect the physical and digital realms to create an immersive, integrated, one-stop fitness experience.

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

### Our Market Opportunity

China has a large yet under-developed and under-served fitness market, previously relying on a traditional model of offline gyms, which typically results in lower access and participation compared to online fitness, according to the CIC Report. The traditional fitness model sets high entry barriers for beginners, as offline gyms and fitness classes are often costly, have time and location limitations, deliver inconsistent quality and user experience, and are less accessible in lower-tier cities in China. We believe that both the size of the fitness population and the annual spending of the fitness population in China present significant growth potential. According to the CIC Report, China had the world’s largest fitness population of 374.0 million in 2022, which is expected to reach 463.5 million by 2027. At the same time, the average annual spending of the fitness population in 2022 was RMB2,518.3 per person in China, which was much lower than that of RMB16,425.2 in the United States, demonstrating significant growth potential, according to the CIC Report.

With our online fitness solution, we have effectively addressed major pain points in China’s fitness market and fundamentally redefined people’s relationship with fitness. Our platform not only enables people to exercise anytime and anywhere, but also creates a personalized, interactive and immersive fitness experience that enables people to train with greater efficiency at a lower cost. These value propositions make us popular among fitness population, and attract many newcomers to our community.



## SUMMARY

### Our Comprehensive Fitness Solution

We have developed a comprehensive fitness solution that covers users’ entire fitness life cycle, from planning fitness goals and accessing fitness courses, to choosing fitness gear and healthy food and tracking measurements such as weight and heart rate. Our offerings consist of online fitness content, smart fitness devices, and complementary fitness products, as illustrated below.



*Our offerings reinforce one another in a closed-loop business model*

**Online Fitness Content.** Our content mainly includes recorded courses and live streaming classes, both of which are developed in-house or created by third parties such as influencers and other fitness content providers. Leveraging AI algorithms, we also provide personalized fitness curriculums that dynamically adjust course content and workout intensity based on users’ athletic level, fitness goals, daily workout patterns and diet, thereby optimizing the training results for our users. We constantly refine our content based on user insights that enable us to create new courses with better efficiency and effect. We also offer our users the opportunity to engage with more customized premium content by subscribing to our membership services. Our platform has experienced a steady increase in our membership penetration rate, from 6.4% in 2020 to 9.5% in 2021, and further increased to 10.0% in 2022, demonstrating the success of our membership solution.

We require reputable certifications and recognitions in relevant fitness fields for our influencers. We had fitness influencers and third-party content providers of 248, 321 and 642 that published fitness content in 2020, 2021 and 2022, respectively. We recorded content related fees paid to fitness influencers and third-party content providers of RMB3.0 million, RMB9.0 million and RMB17.7 million in 2020, 2021 and 2022, respectively. We closely review and evaluate the fitness content produced by fitness influencers and licensed from third-party content providers to ensure its quality before publishing it on our platform. Our operating team supports the production of content by influencers and other content providers and our content development team monitors and screens the content submitted to our platform. We review and ensure that the content does not violate fitness principals and is safe for users to follow and practice. For more details related to how we require reputable certifications and recognitions and how we prevent inappropriate behaviors of influencers, see “Business—Professional Course Development,” and “Business—Interactive Live Streaming Classes.”

## SUMMARY

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**Smart Fitness Devices.** Enabled by an array of innovative features such as AI, automation and social interaction, our smart fitness devices, including smart bikes, wristbands, scales, and treadmills, increase the value of our platform to users by working synergistically with our online fitness content. These devices track and analyze fitness activities, so that our platform is able to automatically adjust workout difficulty level and content recommendations to improve the overall fitness experience. In addition, our smart fitness devices can connect with one another to capture fitness activities across multiple application scenarios, which results in more comprehensive user profiles that we may leverage to offer more relevant recommendations and dynamically adjust fitness curriculums to maximize results. For example:

- *Keep Bike.* Our *Keep Bike* supports dynamic and automatic adjustment of resistance levels in real time based on users’ athletic levels and course targets. When combined with live streaming classes, it simulates a group cycling environment with thematic lighting and music. According to the CIC Report, we were ranked the first in smart bikes as of December 31, 2022 in China in terms of the accumulative GMV of bikes sold.
- *Keep Wristband.* Our *Keep Wristband* monitors various fitness measurements such as heart rate, sleep, and blood oxygen level. Through analyzing these information, our platform can adjust AI-assisted personalized curriculums. Our *Keep Wristband* also enables users to interact with instructors and among themselves during live streaming classes.
- *Keep Smart Skipping Rope.* Our *Keep Smart Skipping Rope* is linked to the *Keep* app to record the number of jumps, heart rate and calories burned. Users can track progress to build workout routines and improve fitness performance.

**Complementary Fitness Products.** Leveraging the insights accumulated through growing user base and positive feedback loop, we identified users’ unmet needs in different scenarios. To that end, we offer a wide range of fitness products under the *Keep* brand that are designed with quality and style, thereby complementing our online fitness content and smart fitness devices, elevating the overall fitness experience for our users, and promoting our brand and spirit. Our fitness products include yoga mats, dumbbells, gym wear, protective gear, and other fitness accessories. According to the CIC Report, we are China’s largest yoga mat brand in terms of GMV in 2022, with a 18.3% market share. We also offer a broad range of fitness food products, such as meal replacements, fitness snacks, and nutrition supplements, providing an integrated solution combining workout and diet to users. Based on users’ fitness goals, our platform is able to recommend customized diet plans, with detailed information such as suggested total calorie intake, macronutrient analysis and other health tips.

Our three business lines complement one another to create a synergistic business model that covers users’ entire fitness lifecycle. Our online fitness content brings traffic to our self-branded products, as users tend to purchase smart fitness devices and complementary fitness products, such as fitness gear, apparel and food, to enhance their performance and experience during workouts. At the same time, our self-branded products redirect traffic to our online fitness content. Our fitness product customer subscribing rate was 41.2%, 51.8% and 45.1% in 2020, 2021 and 2022, respectively. In addition, technology empowers the integration of different segments, enables the efficient and reliable operation of our platform, and ultimately drives the effectiveness of our business model. As a result, we have become the one-stop destination providing a comprehensive fitness solution for fitness population in China. In June 2022, we strategically ceased the operation of two international mobile apps, *Keep Trainer* and *Keep Yoga*, as a part of our business strategy to streamline and consolidate our offerings to provide better user experience as our *Keep* app offers similar content and features previously offered by *Keep Trainer* and *Keep Yoga*. We currently do not have concrete and detailed expansion plan regarding our business and operations overseas.

## SUMMARY

### Key Operating Data

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

	For the Three Months Ended											
	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,	December 31,
	2020				2021				2022			
	(in thousands, except for revenue)											
Average MAUs <sup>(1)</sup>	27,103	33,251	32,750	25,833	31,032	35,709	41,751	28,939	34,275	41,080	38,558	31,638
Average monthly subscribing members	1,473	1,981	2,149	2,035	2,539	3,235	4,154	3,193	3,470	3,860	3,885	3,269
Average monthly fitness product customers	236	353	329	251	280	430	423	397	454	580	642	524
Average quarterly revenue per MAU (in RMB)	7.4	9.2	9.5	11.1	9.8	11.5	10.7	15.9	12.2	14.5	16.1	18.4

Note:

(1) We recorded lower average MAUs for the fourth quarter of each year as people generally have lower willingness to work out during winter seasons.

	Year Ended December 31,		
	2020	2021	2022
Average MAUs (in thousands)	29,734	34,358	36,388
Average monthly subscribing members (in thousands)	1,910	3,280	3,621
Average monthly fitness product customers (in thousands)	292	383	550
Membership penetration rate	6.4%	9.5%	10.0%
Revenue per MAU (in RMB)	37.2	47.1	60.8

For further information, see “Business—Seasonality” and “Financial Information”.

### Our Monetization and Results

We have a diverse set of monetization channels including membership and online paid content, self-branded products, and advertising and other services, which are complementary to one another. Our membership allows subscribing members to access premium services such as exclusive fitness courses, live streaming classes, AI-assisted personalized fitness curriculums, and discounts on our self-branded products. We also offer an extensive range of self-branded products including smart fitness devices, fitness gear, apparel and food, which are available in our own online store and on third-party e-commerce platforms. In addition, with China’s largest online fitness user base, we have attracted brands and merchants to our advertising services.

Driven by our comprehensive suite of offerings and the ability to create a personalized and integrated solution characterized by professional fitness content and fitness products that are customized for individuals’ athletic levels, we have achieved continued growth during the Track Record Period. We generated a majority of our revenue from the sales of self-branded fitness products and invested significantly in the research and development of platform design and fitness content during the Track Record Period. We experienced losses during the Track Record Period as we prioritized strategic path formulation and business model optimization. Our loss for the year increased from RMB2.2 billion in 2020 to RMB2.9 billion in 2021 as we strategically increased spending in traffic acquisition and branding to further acquire, activate and retain users, such as attracting new users through advertisements on various third-party apps. We recorded loss for the year of RMB104.6 million in 2022 compared to loss for the period of RMB2.9 billion in 2021. The change was primarily a result of the decrease in the fair value changes of preferred shares. We recorded adjusted net loss (non-IFRS measure) of RMB106.4 million in 2020, RMB826.5 million in 2021 and RMB666.9 million in 2022.

## SUMMARY

The following table breaks down our revenue, Cost of revenues and gross profit by amounts and as percentages of our total revenue for the periods presented:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Self-branded fitness products</b>						
Revenue	636,709	57.5	872,452	53.9	1,136,971	51.4
Cost of revenues	(405,806)	(36.7)	(629,147)	(38.8)	(816,883)	(36.9)
Gross profit	230,903	20.8	243,305	15.1	320,088	14.5
<b>Membership and online paid content</b>						
Revenue	338,024	30.5	557,581	34.4	894,167	40.4
Cost of revenues	(119,135)	(10.8)	(233,098)	(14.4)	(409,082)	(18.5)
Gross profit	218,889	19.7	324,483	20.0	485,085	21.9
<b>Advertising and others</b>						
Revenue	132,044	12.0	189,505	11.7	180,413	8.2
Cost of revenues	(82,409)	(7.4)	(80,665)	(5.0)	(85,206)	(3.9)
Gross profit	49,635	4.6	108,840	6.7	95,207	4.3
<b>Total</b>						
Revenue	1,106,777	100.0	1,619,538	100.0	2,211,551	100.0
Cost of revenues	(607,350)	(54.9)	(942,910)	(58.2)	(1,311,171)	(59.3)
Gross profit	499,427	45.1	676,628	41.8	900,380	40.7

The following table breaks down our revenue by types of services or products for the periods presented:

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

## BUSINESS SUSTAINABILITY

We are founded in 2014 to provide a comprehensive, accessible and affordable online fitness solution and redefine people’s relationship with fitness. We commenced our monetization strategies in 2018. We were at earlier stage of development and thus was able to achieve continued growth. Prior to that, we devoted resources to build a massive and ever-growing content library and improve our technology capabilities to optimize user experience. During the Track Record Period, we have incurred net losses as we have been in a high-growth stage and strategically focused on growing our user base via investing in our brand as well as high quality fitness content and product offerings to pave the way for long term profitability.

We constantly develop and launch new products and services to cover people’s entire fitness lifecycle, including membership services, smart fitness devices and complementary fitness products. By thoughtfully weaving our offerings together, we have developed an integrated business model with strong synergies across different segments. During the Track Record Period, we witnessed strong and robust growth in our business operation and

## **SUMMARY**

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financial condition. In 2020, 2021 and 2022, our platform recorded average MAUs, which included both paying and non-paying users, of 29.7 million, 34.4 million and 36.4 million, respectively. In 2022, our MAUs collectively recorded approximately 2.1 billion workout sessions on our platform. Our revenue grew by 46.3% from RMB1.1 billion in 2020 to RMB1.6 billion in 2021 and further increased by 36.6% from RMB1.6 billion in 2021 to RMB2.2 billion in 2022, mainly attributable to the increased revenue from self-branded fitness products and membership and online paid content. Our revenue from self-branded fitness products increased during the Track Record Period due to an increase in our fitness product customers and increased revenue generated from non-DTC channels. Our revenue from membership and online paid content increased during the Track Record Period as a result of an increase in our average monthly subscribing members and growing membership penetration rate. Our revenue per MAU, defined as the total revenue of a given period divided by the average MAUs of that period, was RMB37.2, RMB47.1 and RMB60.8 in 2020, 2021 and 2022, respectively. Our gross profit grew by 35.5% from RMB499.4 million in 2020 to RMB676.6 million in 2021 and further increased by 33.1% from RMB676.6 million in 2021 to RMB900.4 million in 2022. We recorded gross margins of 45.1%, 41.8% and 40.7% in 2020, 2021 and 2022, respectively. As our confidence in long-term profitability strengthened, we strategically increased our spending in traffic acquisition and branding to further acquire, activate and retain users in 2021. As a result, our adjusted net loss (non-IFRS measure) increased from RMB106.4 million in 2020 to RMB826.5 million in 2021. Our adjusted net loss (non-IFRS measure) narrowed from RMB826.5 million in 2021 to RMB666.9 million in 2022. We expect to continue incurring net loss and net operating cash outflow in the near future as we continue to invest in user growth and vertical skills to capture the substantial opportunities in the industry and strengthen competitive moats.

To grow our revenue and achieve profitability, we plan to further (i) grow our user base and deepen our user engagement; (ii) enhance our monetization capabilities leveraging multiple growth levers; and (iii) improve our gross margin and operating leverage.

### **Grow User Base and Deepen User Engagement**

Driven by our focus on mass population and compelling content offerings, we have built an extensive user base on our platform. We plan to further expand our addressable market by appealing to users across different ages, areas of interest, and locations by strategically launching more offerings at different price levels. In addition, we have been continuously diversifying our content offerings to include content captivating to the mass population. For example, we started to offer extensive content in martial arts and dancing in 2021 and ball game content in 2022. We will also introduce a wider variety of content and product offerings at different price levels to cater to the diversified needs of the mass population. For example, for each type of the smart fitness devices, we have rolled out multiple models at different price points. In the meantime, we will continue to refine our content and user interface to make it easier for users to follow fitness instructions. Leveraging our deep insights on users' preferences and market trends, we will also dynamically shape our content development strategy and produce more diversified content that can attract targeted user groups. We also plan to further improve user engagement and experience by making our fitness solution more personalized and interactive, such as introducing new gamified features to our online fitness content through integration with smart fitness devices and enriching the library of live-streaming classes and AI-assisted curriculums.

As we continuously enhance user engagement and stickiness, we believe users' general willingness to subscribe to memberships and purchase our self-branded products will grow over time, resulting in improved monetization potential. Our average monthly membership retention rate was 73.3%, 71.7% and 65.3% in 2020, 2021 and 2022, respectively. In 2020, 2021 and 2022, our monthly average workout sessions per MAU was 5.0, 4.1 and 4.8, respectively, and our monthly average workout sessions per subscribing member was 10.9, 7.2 and 7.8, respectively.



## SUMMARY

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### Enhance Monetization Capabilities Leveraging Multiple Growth Levers

We have developed a diversified monetization model and currently generate revenue primarily from (i) membership and online paid content, (ii) self-branded fitness products, and (iii) advertising and others, which reinforce one another.

- *Membership and Online Paid Content.* Our subscribing members increased by 71.8% from 1.9 million in 2020 to 3.3 million in 2021 and further increased by 10.4% to 3.6 million in 2022. Our MAUs to members conversion ratio, or the membership penetration rate, increased from 6.4% in 2020 to 9.5% in 2021 and further increased to 10.0% in 2022. Our revenue from membership and online paid content increased from RMB338.0 million in 2020 to RMB557.6 million in 2021, and further increased to RMB894.2 million in 2022. We recorded membership and online content income per subscribing member of RMB177.0, RMB170.0 and RMB246.9 in 2020, 2021 and 2022, respectively. For membership and online paid content, we plan to (i) expand into more fitness categories, such as dancing, martial art, jump rope workout and outdoor activities to further diversify our expansive offerings; (ii) introduce more PUGC content on our platform to increase user engagement and stickiness, by establishing partnerships with more fitness content providers and strengthening the relationships with existing partners; (iii) introduce new features in our online courses, such as features that improve the connectivity between our content offerings and smart fitness devices and features that enhance the interactivity between users and content; and (iv) bring more creative formats to enhance paying user penetration amid the latest macro and industry trends, such as virtual sports events.
- *Self-branded Fitness Products.* The sales of our self-branded fitness products grew significantly over the Track Record Period from RMB636.7 million in 2020 to RMB872.5 million in 2021, and further increased to RMB1.1 billion in 2022. Our average monthly fitness product customers increased from 292 thousand in 2020 to 383 thousand in 2021, and further increased to 550 thousand in 2022. For self-branded fitness products, we will continuously improve our self-branded fitness products based on user feedback and industry developments. For example, we will upgrade our products and introduce more models to cater to different user preferences and use case scenarios. We will also research and develop new fitness products and enrich our product portfolio leveraging our deep industry insights and understanding of fitness demand, including new categories of smart fitness devices and complementary fitness products. In addition, we plan to further diversify our distribution channels to maximize touch points to reach our target end users, and boost revenue generated from non-DTC channels. We will continue to assess and expand sales and distribution channels based on our business objectives, product offerings and channel efficiency.
- *Advertising and Others.* During the Track Record Period, we generated revenue of RMB132.0 million, RMB189.5 million, and RMB180.4 million from advertising and other services in 2020, 2021 and 2022, respectively. We recorded revenue from advertising income per advertiser of RMB3.1 million, RMB2.0 million and RMB2.1 million in 2020, 2021 and 2022, respectively. For advertising and others, we plan to introduce new format of offline fitness classes and enhance our advertising customer base, for example, through increasing the penetration rate of advertisements in health-related industries and industries promoting low-carbon society. Leveraging our vertical integration capabilities and deep insights accumulated from our large user base, we believe we will be able to further enhance our current monetization avenues and create new monetization channels to maximize touch points to reach our target end users, and boost revenue generated from non-DTC channels. We will continue to assess and expand sales and distribution channels based on our business objectives, product offerings and channel efficiency.

### Improve Gross Margin and Operating Leverage

We believe our gross margins demonstrate the effectiveness of our innovative business model and lay a solid foundation for future profitability. We expect to experience an increase in gross margin as we intend to

## SUMMARY

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efficiently manage costs and expenses as a percentage of total revenue and further benefit from operating leverage.

- *Selling and marketing expenses.* During the Track Record Period, selling and marketing expenses accounted for the largest portion of our operating expenses. Our selling and marketing expenses as a percentage of our total revenue were 27.3% in 2020. In early 2021, we strategically decided to increase spending in user acquisition and branding to increase mindshare, enhance brand awareness, further expand user base and solidify our market leading position. As a result, our selling and marketing expenses as a percentage of total revenue reached 59.0%. Our selling and marketing expenses as a percentage of our total revenue decreased from 59.0% in 2021 to 29.2% in 2022. Despite the decrease in selling and marketing expenses as percentages of total revenue, our average MAUs increased by 5.9% year-over-year to 36.4 million in 2022. In addition, membership penetration rate reached 10.0% in 2022. This trend demonstrates our improved marketing efficiency. Going forward, we expect to continuously evaluate and monitor the effectiveness and efficiency of our promotional campaigns and marketing spending. We expect selling and marketing expenses as a percentage of revenue to decrease in the future as we achieve greater sales and marketing efficiency.
- *Administrative expenses.* Our administrative expenses as a percentage of revenue increased from 6.2% in 2020 to 13.6% in 2021 and decreased to 11.1% in 2022. We expect administrative expenses as a percentage of revenue to decrease in the future as we achieve greater economies of scale.
- *Research and development expenses.* Our research and development expenses as a percentage of revenue was 15.2%, 22.0% and 24.3% in 2020, 2021, and 2022, respectively. Going forward, we expect to continue to invest in research and development to improve our technology infrastructure and innovate our offerings. We also plan to further improve our research and development efficiency. We expect research and development expenses as a percentage of revenue to decrease in the future due to the return from our upfront research and development investments and the improved operating leverage.
- *Fulfillment expenses.* Our fulfillment expenses accounted for 8.3%, 7.9%, and 9.1% of total revenue in 2020, 2021 and 2022, respectively. Our fulfillment expenses as a percentage of total revenue decreased in 2021 as we optimized our supply chain management capabilities and efficiency. The slight increase in fulfillment expenses as a percentage of total revenue in 2022 was primarily due to the growth in the sales volume of our self-branded fitness products and the increase in our virtual sports events service. We expect fulfillment expenses as a percentage of revenue to decrease in the long run as we achieve greater economies of scale due to the higher sales volume of our fitness products.

In addition, we expect to enjoy greater economies of scale on our platform as we continue to improve our one-stop, integrate fitness solution to unlock synergies across segments and increase flexibility in managing expenses. We have established an integrated business model. Our integrated business model is not a simple combination of different segments. Leveraging our integrated business model and cross-selling opportunities, we have achieved continued and balanced revenue growth.

In summary, we experienced losses during the Track Record Period as we prioritized strategic path formulation and business model optimization over immediate breakeven. As we continue to scale up our business, invest in marketing and branding to grow user base, expand content and product offerings to enhance monetization capabilities, as well as optimize cost structure and improve operating leverage, we expect to grow revenue and narrow our adjusted net loss (non-IFRS measure). Upon the successful implementation of the aforementioned measures, our Directors believe that we are effectively paving the way for long-term sustainable profitability. Based on the independent due diligence conducted, nothing material has come to the attention of the Joint Sponsors that would cast doubt on the Company’s conclusion in respect of the sustainability of the Company’s business.

## SUMMARY

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### Working Capital Sufficiency

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, short-term time deposits, financial assets at fair value through profit or loss, and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. We also proactively review and adjust our cash management policy and working capital needs according to general economic conditions and our short-term business plans. In addition, in view of our net cash outflows, net liabilities position and net losses during the Track Record Period, we plan to ensure our working capital sufficiency by taking advantage of above-mentioned measures to narrow down our net loss and improve our profitability. Further, as evidenced by our historical equity financing activities, we are able to obtain investment from well-known institutions. This also signifies the confidence of prominent investors in our Company. We currently do not have plans to issue new shares to [REDACTED] shortly after the Listing and in the near future. We believe that potential external financing sources, including those to which we will gain access after the [REDACTED], will provide additional funding to fuel our business operation and expansion until we achieve positive profitability. Taking into account the above, and based on the written confirmation from the Company in respect of working capital sufficiency, review of the accountants’ report, the financial due diligence conducted on the historical financial information of the Group during the Track Record Period and the discussion with the Directors, nothing material has come to the attention of the Joint Sponsors that would cast doubt on the Company’s conclusion that the Company has sufficient working capital to meet its present needs, that is for the next twelve months from the date of this document. See “Business—Business Sustainability.”

### OUR STRENGTHS

We believe the following strengths have contributed to our success:

- largest and innovative platform for online fitness;
- extensive, professional, personalized and dynamic content offerings;
- superior user experience underpinned by our smart, interactive and immersive fitness solution;
- next generation brand supported by a vibrant community;
- proprietary platform driven by insights and technology;
- diversified monetization model driven by multiple growth levers; and
- experienced management team.

### OUR BUSINESS STRATEGIES

We plan to achieve our purpose to make the world move through the following key business strategies:

- keep on expanding our addressable market and user base;
- keep on innovating and diversifying our content;
- keep on creating an open platform for greater engagement among platform participants;
- keep on investing in technology capabilities;
- keep on increasing our brand value; and
- keep on enhancing our monetization capabilities.

### COMPETITIVE LANDSCAPE

Key constituents in China’s online fitness market include fitness apps, video apps, livestreaming apps, fitness vloggers, smart fitness device brands and manufacturers, and fitness product brands. Online fitness



## **SUMMARY**

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platforms may compete with other market players such as video apps and live streaming apps for advertising revenue and fitness product brands and smart fitness device brands and manufacturers for product sales. Benefiting from the ability to integrate online contents with offline experience and develop an active fitness community, online fitness platforms enjoy a favorable competitive advantage over other types of players in the online fitness industry.

Our recorded courses are more advantageous to fitness users compared to influencer videos on free video platforms, which are typically generated at will as a type of “content creation” by individual users who may not possess professional knowledge and training. The content on free video platforms is generally not organized in a systematic way and lacks the quality and consistency in terms of content development and presentation. Meanwhile, our fitness content caters into users’ strong exercise intent for an interactive and focused workout session, and we aim to encourage users to actually participate in and complete workout sessions rather than browsing fitness videos casually.

### **OUR CUSTOMERS AND SUPPLIERS**

Our customers include users who purchase our fitness content and products and participate in our *Keep* offline fitness classes, advertisers who post advertisements of their content, products and services on our online platform and wholesale channels that we use for selling our self-branded fitness products. Sales to our five largest customers in each year during the Track Record Period accounted for 12.0%, 16.2% and 11.2% of our total sales in each year ended December 31, 2020, 2021 and 2022, respectively, and sales to our largest customer accounted for 5.8%, 10.1% and 6.4% of our total sales in each year ended December 31, 2020, 2021 and 2022, respectively. The top five customers are primarily wholesale channels that purchased our self-branded products and advertising companies who purchased our online advertising service, while our largest customer in each year during the Track Record Period was wholesale channel that purchased our self-branded products. See “Business—Customers” for more details. For specific types of advertisements such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals, and veterinary pharmaceutical, we implement internal procedure to check or verify that the advertisers have fulfilled requisite government requirements, including the advertiser’s operating qualifications, proof of quality inspection of the advertised products and services, and, with respect to certain industries, government approvals of the content of the advertisement and filings with the local authorities. See “Risk Factors—Risks Related to Our Business and Industry—Advertisements in our app may subject us to penalties and other administrative actions”.

Our suppliers primarily consist of raw materials, components and finished goods suppliers, advertising and marketing service providers, warehousing, packaging and delivery suppliers, third-party application stores and other payment channels, third-party platform suppliers, data storage, server hosting, and bandwidth providers and fitness content providers. Purchases from our five largest suppliers in each year during the Track Record Period accounted for 21.7%, 16.0% and 15.8% of our total purchases in each year ended December 31, 2020, 2021 and 2022, respectively, and purchases from our largest supplier accounted for 5.5%, 4.9% and 3.8% of our total purchases in each year ended December 31, 2020, 2021 and 2022, respectively. See “Business—Suppliers” for more details.

### **RISK FACTORS**

There are certain risks involved in our business and industries, our corporate structure, our business operations in China, [REDACTED] in our Shares, the Listing and the [REDACTED], many of which are beyond our control. For example, these risks include, among others, the following risks related to our business:

- We have a limited operating history under our evolving platform business model, and our historical growth and performance may not be indicative of our future growth and financial results.
- If we are unable to carry out our business strategies and manage our growth effectively, our brand, company culture, and financial performance may suffer.

## **SUMMARY**

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- If we are unable to attract and retain users on our platform, or if user engagement and/or user spending decline, our business and results of operations may be materially and adversely affected.
- If we are unable to adapt the fitness content and related products and services offered on our platform to changes in user preferences and evolving industry trends in a timely manner, the demand for our fitness content and related products and services may decline, which could have an adverse effect on our business and rate of growth.
- The fitness industry in China is still in the early stages of growth and if it does not continue to grow, grows more slowly than we expect, or fails to reach the scale that we expect, our business, financial condition, and operating results may be adversely affected.
- Maintaining and enhancing our brand and corporate reputation is critical to our success. Negative publicity about us, our employees and third parties associated with our platform, including our fitness instructors and our content providers, may materially and adversely affect our brand, reputation, business and growth prospects.
- We cannot guarantee that our monetization strategies will be successfully implemented or generate sustainable revenue and profit.
- We incurred net losses and had net cash outflow in the past, and we may continue to incur losses and have net cash outflow in the future.
- Our business generates, processes, collects and stores a large amount of data, and the unauthorized access, improper use or disclosure of such data could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential users from using our services.
- Misbehavior or unsatisfactory performance of the fitness influencers we collaborated with could harm our reputation and potentially our operation results and financial performance.
- We operate in a fast-evolving industry and may not be able to compete effectively.

## **CONTRACTUAL ARRANGEMENTS**

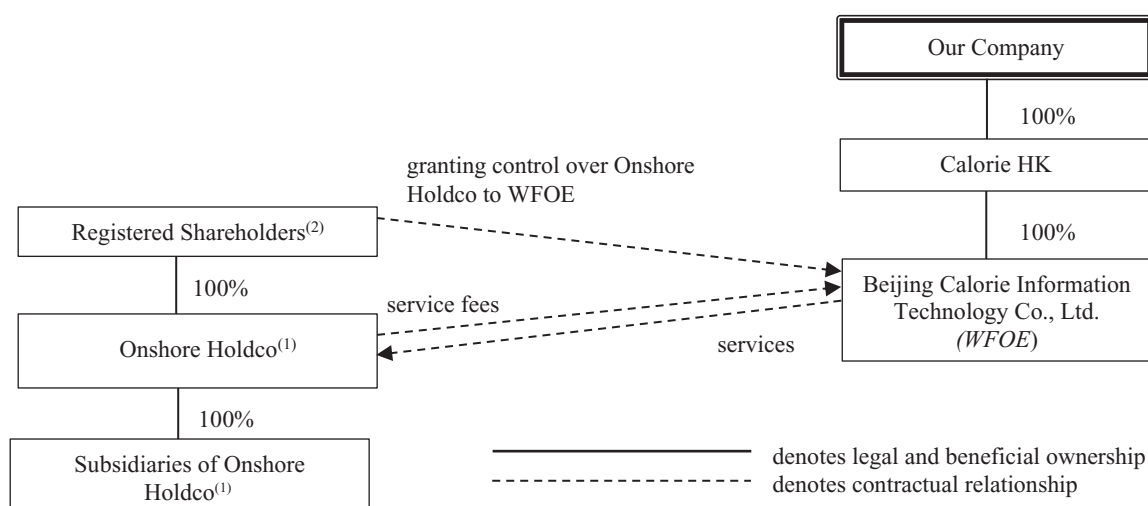
Due to foreign investment restrictions under PRC Laws, our Company is unable to own or hold any direct equity interest in our Consolidated Affiliated Entities conducting our businesses. This is because our Group operates, within China, (a) businesses that are prohibited from any foreign investment; and (b) businesses that are subject to foreign investments restrictions, but because these restricted businesses form part of, and cannot be separated from, the entities/platforms that operate prohibited businesses and/or the operation of prohibited businesses themselves, the Company must keep these business operations under its variable interest entity structure and cannot hold *any* equity interest in the entities operating these businesses under current applicable PRC laws. Accordingly, due to these foreign investment prohibitions and restrictions, we control these entities (and their business operations) through Contractual Arrangements, through which we are able to derive substantially all economic benefits enjoyed by the Registered Shareholders from our Consolidated Affiliated Entities. See “Contractual Arrangements” for details. See also “Risk Factors—Risks Related to Our Corporate Structure”.

## SUMMARY

The following table summarizes the prohibited and restricted businesses operated by our Group:

	<b>Prohibited/restricted category</b>	<b>Our business activities</b>
Foreign investment prohibited	Transmission of audio-visual programs	Recorded fitness video courses business Live streaming business
	Internet culture business	Recorded fitness video courses business Live streaming business <i>Keeper</i> community
	Radio and television program production	Recorded fitness video courses business
	Value-added telecommunication services	Operation of the <i>Keep</i> app is a restricted business
Foreign investment restricted		

The following simplified diagram illustrates the key aspects of the Contractual Arrangements:



*Notes:*

(1) These constitute our Consolidated Affiliated Entities.

(2) The Registered Shareholders are four individuals. Mr. Wang Ning, Mr. Peng Wei, Mr. Wen Chunpeng and Mr. Liu Dong, who each holds 85.4%, 8.1%, 4.8% and 1.7% equity interest in Onshore Holdco, respectively. Mr. Wang is our founder and serves as the chairman of our Board and executive officer of our Company. Mr. Peng and Mr. Liu are our co-founders, Directors and part of senior management of our Company. Mr. Wen is our co-founder, an employee and a director of certain subsidiaries that operate our *Keepland* business.

## VOTING PROXY AGREEMENTS

Mr. Wang (through his controlled corporation Persistent Courage Holdings Limited), as proxyholder on the one hand, and Metropolis Olympia Holdings Limited (ultimately beneficially owned by Mr. Peng Wei), Bulldog Group Ltd (ultimately beneficially owned by Mr. Liu Dong) and Impressive Appearance Holdings Limited (ultimately beneficially owned by Mr. Wen Chunpeng) (as proxy granters on the other hand), entered into the Voting Proxy Agreements dated June 14, 2022, pursuant to which the proxy granters granted voting proxies in favor of the proxyholder, to vote all of the Shares held by the proxy granters (or their controlled affiliates) upon Listing and from time to time thereafter, in accordance with the instructions of the proxyholder on matters within the proxy scope (being all matters put forth at a general meeting or for a vote by members, except for matters on which the proxyholder and its associates are required to abstain from voting under the Listing Rules and applicable laws and regulations). Immediately upon Listing (assuming the Presumptions), the aggregate subject shares under the Voting Proxy Agreements constitutes [REDACTED] of our Company’s total voting rights. See “History, reorganization and corporate structure—Voting Proxy Agreements” for further details.

## SUMMARY

### SINGLE LARGEST SHAREHOLDER

As at the date of this document, Mr. Wang controls more than 30% of the total voting rights of our Company as a result of his controlled corporations holding super-voting rights in our Company. Upon Listing, our Company will unwind our weighted voting rights structure and under the Articles of Association, which takes effect upon Listing, all issued Shares (including Shares held by Mr. Wang through his controlled corporations) will be entitled to one vote each at a general meeting of our Company. Accordingly, upon Listing, Mr. Wang (through his controlled corporations) will be interested in [REDACTED] of our issued Shares and voting rights, and will additionally be able to exercise the voting rights attached to [REDACTED] of our issued Shares held by certain proxy granters pursuant to the Voting Proxy Agreements. Based on the above, prior to and upon Listing, Mr. Wang will continue to be our Single Largest Shareholder. See “Relationship with our Single Largest Shareholder” for further details.

### PRE-[REDACTED] INVESTORS

We received multiple series of equity financing from our Pre-[REDACTED] Investors to support our expanding business operations from 2015 to 2021. Our broad and diverse base of Pre-[REDACTED] Investors consists of, among others, GGV Capital, SVF II Calorie, 5Y Capital, Morespark, JenCap, BAI GmbH and GS Capital. See “History, Reorganization, and Corporate Structure—Pre-[REDACTED] Investments” for details.

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, derived from the Accountant’s Report set out in Appendix I. The summary consolidated financial data set forth below should be read together with, the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

#### Selected Consolidated Income Statements Items

The following table sets forth our consolidated income statements with line items in absolute amounts and as percentages of our revenue for the periods indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Revenue</b> .....	<b>1,106,777</b>	<b>100.0</b>	<b>1,619,538</b>	<b>100.0</b>	<b>2,211,551</b>	<b>100.0</b>
Cost of revenues .....	(607,350)	(54.9)	(942,910)	(58.2)	(1,311,171)	(59.3)
<b>Gross profit</b> .....	<b>499,427</b>	<b>45.1</b>	<b>676,628</b>	<b>41.8</b>	<b>900,380</b>	<b>40.7</b>
Fulfillment expenses .....	(92,411)	(8.3)	(127,872)	(7.9)	(201,586)	(9.1)
Selling and marketing expenses .....	(301,693)	(27.3)	(956,220)	(59.0)	(646,177)	(29.2)
Administrative expenses .....	(68,977)	(6.2)	(218,276)	(13.6)	(245,614)	(11.1)
Research and development expenses .....	(167,920)	(15.2)	(355,582)	(22.0)	(536,877)	(24.3)
Other income .....	4,195	0.4	4,258	0.3	6,509	0.3
Other gains/(losses), net .....	(984)	(0.1)	8,981	0.6	(65,375)	(3.0)
<b>Operating loss</b> .....	<b>(128,363)</b>	<b>(11.6)</b>	<b>(968,083)</b>	<b>(59.8)</b>	<b>(788,740)</b>	<b>(35.7)</b>
Finance income .....	5,325	0.5	13,828	0.9	27,536	1.2
Finance expenses .....	(5,769)	(0.5)	(7,777)	(0.5)	(7,313)	(0.3)
Finance (expenses)/income, net .....	(444)	(0.0)	6,051	0.4	20,223	0.9
Fair value changes of convertible redeemable preferred shares ..	(2,114,943)	(191.1)	(1,946,205)	(120.2)	664,969	30.1
<b>Loss before income tax</b> .....	<b>(2,243,750)</b>	<b>(202.7)</b>	<b>(2,908,237)</b>	<b>(179.6)</b>	<b>(103,548)</b>	<b>(4.7)</b>

## SUMMARY

### Non-IFRS Measure: Adjusted Net Loss

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net loss as an additional financial measure, which is not required by, or presented in accordance with, IFRSs.

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

We define adjusted net loss as loss for the year, excluding share-based compensation expenses and fair value changes of convertible redeemable preferred shares. We exclude these items because they do not involve any cash outflow. We have made the following adjustments consistently during the Track Record Period complying with Guidance Letter HKEX-GL103-19 issued by the Stock Exchange:

- Share-based compensation expenses primarily represent the non-cash employee benefit expenses incurred in connection with our 2016 Plan and 2021 Plan. Such expenses in any specific period are not expected to result in future cash payments.
- Fair value changes of convertible redeemable preferred shares mainly represent changes in the fair value of the convertible redeemable preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further fair value changes of the convertible redeemable preferred shares after Listing as preferred shares liabilities will be redesignated and reclassified from liabilities to equity after automatically converting into ordinary shares upon Listing.

The following table reconciles our adjusted net loss for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the year:

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

Our fair value loss of convertible redeemable preferred shares led to the increases in our losses during the Track Record Period. Our convertible redeemable preferred shares will be redesignated and reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing. Changes in fair value of convertible redeemable preferred shares affected our performance significantly during the Track Record Period and may continue to have adverse effect on our results of operations when our valuation continues to increase until conversion into ordinary shares, after which we do not expect to recognize any further loss or gain on fair value changes from convertible redeemable preferred shares and will return to a net assets position.

Our loss for the year was RMB2.2 billion in 2020, RMB2.9 billion in 2021 and RMB104.6 million in 2022. We incurred net loss during the Track Record Period as a result of our investment in our brand, innovative, high quality fitness content and product offerings to grow our user base and pave the way for long term profitability.

## SUMMARY

### Selected Consolidated Balance Sheet Items

The following table sets forth selected information from our consolidated balance sheet as of the dates indicated:

	As at December 31,		
	2020	2021	2022
	(RMB in thousands)		
Total non-current assets	138,719	160,159	204,341
Total current assets	3,148,412	2,960,379	2,429,200
<b>Total assets</b>	<b>3,287,131</b>	<b>3,120,538</b>	<b>2,633,541</b>
Total non-current liabilities	6,998,620	9,274,323	9,476,589
Total current liabilities	330,179	606,866	667,115
<b>Total liabilities</b>	<b>7,328,799</b>	<b>9,881,189</b>	<b>10,143,704</b>
<b>Net current assets</b>	<b>2,818,233</b>	<b>2,353,513</b>	<b>1,762,085</b>
<b>Deficit in equity attributable to owners of the Company</b>	<b>(4,041,668)</b>	<b>(6,760,651)</b>	<b>(7,510,163)</b>
<b>Total deficit in equity</b>	<b>(4,041,668)</b>	<b>(6,760,651)</b>	<b>(7,510,163)</b>
<b>Total deficit in equity and liabilities</b>	<b>3,287,131</b>	<b>3,120,538</b>	<b>2,633,541</b>

We had net current assets positions as of December 31, 2020, 2021 and 2022. Our net current assets positions as of each of these dates were primarily attributable to our large balance of inventories, accounts receivables, prepayments and other current assets, financial assets at fair value through profit or loss, short-term time deposits and cash and cash equivalents, partially offset by our accounts payables, accrued expenses, contract liabilities and borrowings. Cash and cash equivalents account for a substantial portion of our current assets. As of December 31, 2022, we recorded net current assets of RMB1.8 billion.

Our net current assets decreased from RMB2.8 billion as of December 31, 2020 to RMB2.4 billion as of December 31, 2021, primarily due to (i) a decrease of RMB689.2 million in cash and cash equivalents, and (ii) a decrease of RMB173.4 million in financial assets at fair value through profit or loss, partially offset by an increase of RMB455.0 million in short-term time deposit. The decrease in cash and cash equivalent was primarily due to our increased selling and marketing spending in the first half of 2021 as we strategically invested in brand awareness and traffic acquisition to capture the substantial opportunities in the industry, and build a broader user base. For example, we collaborated with variety shows to enhance our brand awareness and increased our traffic acquisition spending in short video platforms. We redeemed certain wealth management products to short-term time deposit, resulting in the decrease of financial assets at fair value through profit or loss and an increase in short-term time deposit. Our net current assets decreased from RMB2.4 billion as of December 31, 2021 to RMB1.8 billion as of December 31, 2022, primarily due to (i) a decrease of RMB116.1 million in financial assets at fair value through profit or loss, (ii) a decrease of RMB386.2 million in short-term deposits and (iii) a decrease of RMB58.7 million in accounts receivables, partially offset by an increase of RMB58.1 million in accrued expenses. We redeemed certain wealth management products and short-term deposits to cash and cash equivalents, resulting in the decrease of financial assets at fair value through profit or loss and short-term deposits and an increase in cash and cash equivalents.

We recorded net liabilities of RMB4.0 billion, RMB6.8 billion and RMB7.5 billion, as of December 31, 2020, 2021 and 2022, respectively. The increase in net liabilities was primarily due to the increase in convertible redeemable preferred shares. The net losses we incurred during the Track Record Period were also contributed to our net liability positions. Our convertible redeemable preferred shares increased from RMB6.9 billion as of December 31, 2020 to RMB9.2 billion as of December 31, 2021 and RMB9.4 billion as of December 31, 2022, respectively. The increase in convertible redeemable preferred shares was primarily due to the issuance of convertible redeemable preferred shares during the Track Record Period and the increased valuation of our Company. See “History, Reorganization, and Corporate Structure” of this document and Note 34 to the Accountant’s Report in Appendix I to this document for details of the convertible redeemable preferred shares.



## SUMMARY

### Selected Consolidated Statements of Cash Flows Items

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

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

We recorded negative cash flows from operating activities during the Track Record Period due to losses incurred during our daily operations. In particular, we have incurred substantial selling and marketing expenses, including spending in traffic acquisition and branding to further acquire, activate and retain users. We also heavily invested in research and development activities to improve our technology infrastructure and innovate our offerings. In 2021, we experienced an increase in operating cash outflows primarily due to an increase in selling and marketing expenses in 2021 as we enhanced our marketing and promotion efforts to increase mindshare, enhance brand awareness, further expand user base and solidify our market leading position.

We expect to continue to incur net losses in the foreseeable future, including for the year ending December 31, 2023, due to our continued investments in user growth and vertical skills to capture the substantial opportunities in the industry and strengthen competitive moats.

## RECENT DEVELOPMENT

### Recent Regulatory Development

#### Anti-monopoly

On August 17, 2021, the SAMR issued the Provisions on Preventing Unfair Online Competition (Drafts for Public Comments) (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》), or the Draft Provisions on Preventing Unfair Online Competition which has not been formally adopted as of the Latest Practicable Date. On February 7, 2021, the Anti-Monopoly Commission of the State Council published Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》). On June 24, 2022, the SCNPC issued the latest amendment of Anti-Monopoly Law (《反壟斷法》), effective from August 1, 2022. See “Risk Factors—Risks Related to Doing Business in China—Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions” and “Regulations—Regulations Related to Anti-Monopoly” for details”.

As of the Latest Practicable Date, based on the facts that, (i) the markets that the Company operates in are rapidly evolving and increasingly competitive and constantly attracting new participants which mitigate the risk of the Company being deemed as a dominant position in the relevant markets, (ii) the Company had not engaged and did not plan to engage in any merger or acquisition transactions that may constitute concentration of operators and trigger merger control filing under PRC anti-monopoly regulations, and (iii) the Company would make a declaration to the relevant anti-monopoly enforcement agency in advance in accordance with the relevant

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## SUMMARY

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PRC laws and regulations in the event of a future merger or acquisition transaction that may be deemed as concentration of operators, and save for the uncertainties regarding the interpretation and implementation of such laws and regulations, our PRC Legal Adviser is of the view that, the anti-monopoly regulations will not have a material adverse effect on the Company’s operations. As of the Latest Practicable Date, the Company had not been subject to any investigations, regulatory fines or legal actions under the anti-monopoly regulations.

### Cybersecurity and Internet Data Security

Recently, the PRC governmental authorities have promulgated, among others, the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), or the CII Regulations, and the Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law. See “Regulations—Regulations Related to Internet Information Security and Privacy Protection” for details. As advised by our PRC legal adviser in respect of PRC data compliance law, the risk of us being identified as an operator of critical information infrastructure, or CIIO, is relatively low, on the basis that: (i) we have not been informed as a CIIO by any governmental authorities; and (ii) the nature of our business and the type of personal information we collected, subject to further interpretations, are of relatively low national security significance. Our PRC legal adviser in respect of PRC data compliance law is of the view that we are in compliance with the Personal Information Protection Law in all material aspects as of the date of this document. On November 14, 2021, the CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Data Security Regulations. As of the Latest Practicable Date, the Draft Data Security Regulations have not been formally adopted and therefore, substantial uncertainties with respect to our obligations regarding data security still exist. We have taken several measures to comply with the Draft Data Security Regulations though it has not been formally adopted and our PRC legal adviser in respect of PRC data compliance law is of the view that the Company would be able to comply with the Draft Data Security Regulations in all material respects assuming the Draft Data Security Regulations are implemented in their current forms. See “Regulations—Regulations Related to Internet Information Security and Privacy Protection” for details.

On December 28, 2021, the CAC together with other regulatory authorities jointly announced the Cybersecurity Review Measures (《網絡安全審查辦法》), or the Cybersecurity Review Measures, effective from February 15, 2022, which further restates and expands the applicable scope of the cybersecurity review. See “Regulations—Regulations Related to Internet Information Security and Privacy Protection” and “Risk Factors—Risks Related to Our Business and Industry—Our business generates, processes, collects and stores a large amount of data, and the unauthorized access, improper use or disclosure of such data could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential users from using our services” for details.

Our PRC legal adviser in respect of PRC data compliance law is of the view that: (i) the risk of us being required to undertake cybersecurity review under the Cybersecurity Review Measures as a network platform operator who masters personal information of over one million users is relatively low because listing in Hong Kong does not fall within the scope of “listing abroad” (國外上市) pursuant to the Cybersecurity Review Measures; and (ii) subject to further interpretation, the risk of us being considered as affecting or may affect national security and thus being required to undertake cybersecurity review for the Listing under the Draft Data Security Regulations is also relatively low, because the type and nature of the personal information we gathered is substantially related to the fitness of *Keep*’s users or fitness market, which is of relatively low national security significance.

Our PRC legal adviser in respect of PRC data compliance law and Directors are of the view that: (i) we are in compliance with the existing PRC laws and regulations in respect of data compliance, including the Personal Information Protection Law and the cybersecurity and data protection laws and regulations in all



## SUMMARY

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material aspects; (ii) the risk of us being required to undertake cybersecurity review under the Cybersecurity Review Measures is relatively low; and (iii) we would be able to comply with the Draft Data Security Regulations (if implemented in its current forms) in all material respects. Our Directors are of the view that the existing laws and regulations in respect of data compliance will not have material adverse impacts on our business operations and financial performance, and will not affect our compliance with applicable laws and regulations in any material aspects as of the date of this document. As there might be newly issued explanations or implementation rules, we will actively monitor future regulatory and policy changes to ensure strict compliance with all applicable laws and regulations. Based on the foregoing, having taken into account the view and analysis of the Directors and the Company’s PRC legal adviser in respect of PRC data compliance law on the aforementioned recent regulatory developments as well as the due diligence conducted, and having discussed with the Company’s PRC legal adviser in respect of PRC data compliance law in relation to the compliance status of the Company with the existing laws and regulations in respect of data compliance, including Personal Information Protection Law and cybersecurity and data protection laws and regulations, nothing material has come to the attention of the Joint Sponsors as non-legal expert which would cause them to cast doubt on the reasonableness of the Directors’ view on the impact of the Draft Data Security Regulations on the Company.

### Overseas Listing

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and five related guidelines, which will become effective on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either through direct or indirect means, are required to go through the filing procedure with the CSRC and report relevant information.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that (i) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas securities offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may arrange the timing for submitting their filing applications with the CSRC in a reasonable manner, and must complete the filing before the completion of their overseas securities offering and listing; (ii) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as companies that passed the Stock Exchange listing hearing), but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements.

Based on the foregoing, our PRC Legal Adviser is of the view that we will not be required to complete the filing procedures with the CSRC for the Listing, if we are not required to conduct [REDACTED] with the Stock Exchange and we can complete the Listing on or before [REDACTED]. See “Risk Factors—We may be required to obtain prior approval or subject to filings or other requirements from the CSRC or other PRC regulatory authorities for the Listing.”

### IMPACT OF COVID-19 ON OUR OPERATIONS

Our business and operations have been affected adversely by the COVID-19 pandemic. For example, the operation of *Keepland* fitness centers and the operation of our contract manufacturers and logistics partners for the first quarter of 2020. Recently, there has been an increasing number of COVID-19 cases, including the

## SUMMARY

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COVID-19 Delta and Omicron variant cases, in multiple cities in China. The local authorities have reinstated certain measures to contain the COVID-19 outbreak, including travel restrictions and stay-at-home orders, and we had to adjust various aspects of our operations. As a result of the resurgence related to the Omicron variants since late March 2022 in multiple regions in China, six of our fitness food suppliers suspended operations from April or May to June 2022, which negatively impacted the supply of 18 of our SKUs. We also delayed the issuance of several new fitness products. In addition, we experienced logistics disruptions, especially in Shanghai, in the first half of 2022. We had about 59 thousand backlog orders in Shanghai after the resumption of logistics services in June 2022. The impact of the lockdown on supply chain and logistics services, however, was limited as the fitness products in stock helped us cope with the supply chains disruption in the second quarter of 2022. For the advertising and others business segment, all of the *Keepland* fitness centers located in Beijing suspended operation in May 2022 as a result of the COVID-19 pandemic. Many third-party offline gyms we collaborated with in connection with the *Keep* selected fitness classes also experienced temporary shutdown in 2022 due to temporary measures taken in response of the COVID-19 resurgence. All of the third-party offline gyms we collaborated with had resumed normal operation as of the Latest Practicable Date. The decline in economic activities during COVID-19 resurgence also caused our advertising customers to tighten their advertising budget. This, together with the slower growth of the internet advertising market, had a negative impact on our advertising revenue.

The COVID-19 pandemic also led to an increase in people’s willingness to work out at home and an increase in online traffic to our platform. We recorded higher average MAUs, average monthly subscribing members and average monthly fitness product customers in the first and second quarter of 2020 as a result of the COVID-19 pandemic. In addition, more users tend to follow our fitness content and complete workout sessions in 2020 as a result of the outbreak of COVID-19 pandemic. As the outbreak of COVID-19 increased users’ willingness to workout at home, we also witnessed a higher average monthly membership retention rate in 2020. Please refer to “Business—Our users - ‘Keepers’.” In addition, we reduced our branding and marketing promotion expenses and other related expenses in 2020 due to the increased engagement of our users as a result of the COVID-19 pandemic. We believe the COVID-19 pandemic only accelerated the process of bringing in users who would sooner or later become our users rather than creating a temporary user inflow. We believe our MAUs will continue to grow as we continue to upgrade our fitness content, expand and deepen the services provided to subscribing members, and further invest in marketing and user acquisition.

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

The overall impact of the COVID-19 pandemic on our business operation and financial performance up till the Latest Practicable Date had been immaterial. See “Financial Information—Impact of COVID-19 on our operations and financial performance,” “Risk Factors—Risks Related to Our Business and Industry—The COVID-19 outbreak may materially and adversely affect our business, operating results and financial condition,” and “Risk Factors—Risks Related to Our Business and Industry—The COVID-19 pandemic has increased people’s willingness to work out at home. If we are unable to rely on such trend in the future, our business could be adversely affected.”

### NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this Document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022, being the latest period reported on in the Accountant’s Report, and there has been no event since December 31, 2022 that would materially affect the information shown in the Accountant’s Report set out in Appendix I.

## **SUMMARY**

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**[REDACTED]**

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

Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be declared or paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. **[REDACTED]** should not purchase our shares with the expectation of receiving cash dividends. We did not declare or pay any dividends on our shares during the Track Record Period and we do not anticipate paying any cash dividends in the foreseeable future.

**[REDACTED]**

## SUMMARY

[REDACTED]

	<u>Based on an [REDACTED]</u>	<u>Based on an [REDACTED]</u>
Market capitalization of our Shares <sup>(1)</sup> . . . . .	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(2)</sup> . . . . .	[REDACTED]	[REDACTED]

*Notes:*

- (1) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED].
- (2) The unaudited pro forma adjusted net tangible assets per Share as of December 31, 2022 is calculated after making the adjustments referred to in Appendix II and on the basis that [REDACTED] Shares are in issue assuming that the [REDACTED] and the conversion of the Series Preferred Shares had been completed on December 31, 2022, without taking into account any allotment and issuance of Shares upon exercise of the [REDACTED] or any Shares which may be issued or repurchased by the Company.

[REDACTED]

Based on the [REDACTED] per share, the total estimated [REDACTED] in relation to the [REDACTED] is approximately [REDACTED], assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the Share Incentive Plans, among which (a) [REDACTED]-related expenses, including [REDACTED] and other expenses, are expected to be approximately [REDACTED] and (b) [REDACTED]-related expenses are expected to be approximately [REDACTED], comprising (1) fees and expenses of legal advisers and the Reporting Accountant of approximately [REDACTED] and (2) other fees and expenses of approximately [REDACTED], representing approximately [REDACTED] of the [REDACTED] from the [REDACTED] (assuming the [REDACTED] and no exercise of the [REDACTED]), of which approximately [REDACTED] is directly attributable to the [REDACTED] and will be deducted from equity, and approximately [REDACTED] is expected to be expensed upon the Listing.

[REDACTED]

We estimate that we will receive [REDACTED] of approximately [REDACTED] after deducting the estimated [REDACTED] fees and the estimated [REDACTED] by us in the [REDACTED], and assuming an [REDACTED] per Share (being the [REDACTED] range of between [REDACTED] per Share) and assuming the [REDACTED] is not exercised, or [REDACTED] is exercised in full. We intend to use the [REDACTED] we will receive from this [REDACTED] for the following purposes:

- (a) Approximately [REDACTED], or approximately [REDACTED], assuming the [REDACTED] is not exercised, is expected to be used over the next three years for research and development to advance our technological capabilities and drive product innovation.
- (b) Approximately [REDACTED], or approximately [REDACTED], assuming the [REDACTED] is not exercised, is expected to be used over the next three years for the development and diversification of our fitness content.
- (c) Approximately [REDACTED], or approximately [REDACTED], assuming the [REDACTED] is not exercised, is expected to be used over the next three years for the investment in branding and promotion.
- (d) Approximately [REDACTED], or approximately [REDACTED], assuming the [REDACTED] is not exercised, is expected to be used for general corporate purposes and working capital needs.

See “Future Plans and [REDACTED]” for further details.

## DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in “Glossary of technical terms”.

“2016 Plan”	the Amended and Restated 2016 Employee’s Stock Option Plan adopted in June 2021, the principal terms of which are set out in “Statutory and general information—Pre-[REDACTED] Share Incentive Plans” in Appendix IV
“2021 Plan”	the Amended and Restated 2021 Employee’s Stock Option Plan adopted in June 2021, the principal terms of which are set out in “Statutory and general information—Pre-[REDACTED] Share Incentive Plans” in Appendix IV
[“2023 Plan” or “Post-[REDACTED] Share Incentive Plan”]	[the post-[REDACTED] share incentive plan adopted by our Company immediately before Listing, the principal terms of which are set out in “Statutory and general information—Post-[REDACTED] Share Incentive Plan” in Appendix IV]
“5Y Capital”	collectively, Morningside China TMT Fund IV, L.P., Morningside China TMT Fund IV Co-Investment, L.P., Morningside China TMT Special Opportunity Fund II, L.P., Evolution Special Opportunity Fund I, L.P., and Evolution Fund I Co-investment, L.P., each of which is one of the Pre-[REDACTED] Investors of our Company; further details of their shareholding and relationship are set out in “Substantial Shareholders”
“Accountant’s Report”	the accountant report of the Company, the text of which is set out in Appendix I of this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council (會計及財務匯報局)
“Amended Chapter 17”	amended Chapter 17 of the Listing Rules that took effect on January 1, 2023
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on [●], 2023 with effect from the Listing Date, a summary of which is set out in “Summary of the constitution of our Company and Cayman Islands company law” in Appendix III
“associate(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“BAI GmbH”	BAI GmbH, one of the Pre-[REDACTED] Investors of our Company
“Beijing Sports”	Beijing Calorie Sports Co., Ltd. (北京卡路里體育有限公司), a limited liability company established under the laws of the PRC on November 7, 2017 and a Consolidated Affiliated Entity of our Company
“Board”	the board of Directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAC”	the Cyberspace Administration of the PRC (中華人民共和國國家互聯網信息辦公室)
“Cayman Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Calorie HK”	Calorie Technology HK Company Limited (卡路里科技香港有限公司), a limited liability company incorporated under the laws of Hong Kong on May 7, 2015 and a wholly-owned subsidiary of our Company
“Calorie Technology”, “Onshore Holdco”	Beijing Calorie Technology Co., Ltd. (北京卡路里科技有限公司), a limited liability company established under the laws of the PRC on September 26, 2014 and a Consolidated Affiliated Entity of our Company

[REDACTED]

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## DEFINITIONS

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[REDACTED]

“China” or “PRC”	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“CIC”	China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a market research and consulting company, an Independent Third Party
“CIC Report”	the report prepared by CIC
“CIC Survey”	The survey prepared by CIC. The survey was conducted in March 2023 with 1,000 randomly sampled individuals from the fitness population in China, which refers to people who engage in fitness activities more than twice per week, and the survey included comparison among <i>Keep</i> app and 16 other fitness apps in China
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “the Company”, “we”, “us”, “our”, or “ <i>Keep</i> ”	Keep Inc., an exempted company with limited liability incorporated in the Cayman Islands on April 21, 2015, its subsidiaries and its Consolidated Affiliated Entities



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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entities”	Calorie Technology and its subsidiaries and affiliated entities, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements or other contractual arrangements entered into from time to time that achieve materially the same effect and have materially the same substance as the Contractual Arrangements
“Contractual Arrangement(s)”	the series of contractual arrangements entered into between, among others, the WFOE, the Onshore Holdco and the Registered Shareholders, as detailed in “Contractual Arrangements”
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of our Company
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“GAAP”	generally accepted accounting principles
“GGV Capital”	collectively, GGV Capital Select L.P., GGV Capital V L.P., GGV Capital V Entrepreneurs Fund L.P. and GGV VII Investments Pte. Ltd., each of which is one of the Pre-[REDACTED] Investors of our Company; further details of their shareholding and relationship are set out in “Substantial Shareholders”
	[REDACTED]
“Governmental Authority”	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational

[REDACTED]



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## DEFINITIONS

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<b>“Group”, “our Group”, “the Group”, “we”, “us”, or “our”</b>	the Company, its subsidiaries and the Consolidated Affiliated Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and Consolidated Affiliated Entities, such subsidiaries and Consolidated Affiliated Entities as if they were subsidiaries and Consolidated Affiliated Entities of our Company at the relevant time
<b>“GS Capital”</b>	Goldman Sachs Capital Holdings II Pte. Ltd., one of the Pre-[REDACTED] Investors of our Company
<b>“HK” or “Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“HK\$”, “HK dollars” or “Hong Kong dollars”</b>	Hong Kong dollars, the lawful currency of Hong Kong
	[REDACTED]
<b>“Hong Kong Takeovers Code” or “Takeovers Code”</b>	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
	[REDACTED]

## DEFINITIONS

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[REDACTED]

“ICP License”

the value-added telecommunications business operating license (增值電信業務經營許可證) for internet information service

“IFRS”

International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

“Independent Third Party(ies)”

any entity or person, to the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules

[REDACTED]

“JenCap”

collectively, JenCap Squad and JenCap Squad I L.P., each of which is one of the Pre-[REDACTED] Investors of our Company; further details of their shareholding and relationship are set out in “Substantial Shareholders”

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## DEFINITIONS

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[REDACTED]

“Joint Sponsors” and “[REDACTED]”	the joint sponsors and [REDACTED] of the Listing as named in “Directors and parties involved in the [REDACTED]”
“Latest Practicable Date”	[March 21, 2023], being the Latest Practicable Date for ascertaining certain information in this document before its publication
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about [REDACTED], on which the Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“MCT”	Ministry of Culture and Tourism of the PRC (中華人民共和國文化和旅遊部)
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on [●], with effect from the Listing Date, as amended from time to time, a summary of which is set out in “Summary of the constitution of our Company and Cayman Islands company law” in Appendix III

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## DEFINITIONS

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“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry of the PRC (中華人民共和國信息產業部))
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
“Morespark”	Morespark Limited, one of the Pre-[REDACTED] Investors of our Company
“Mr. Wang” or “Single Largest Shareholder”	Mr. Wang Ning (王寧), our founder, chairman of the board of Directors, chief executive officer and a substantial shareholder of our Company; prior to the Listing and as at the date of this document, Mr. Wang (through his controlled corporations) controlled more than 30% of the total voting rights in our Company, and upon Listing, Mr. Wang will continue to remain our Company’s single largest ultimate shareholder
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NHC”	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“NRTA”	National Radio and Television Administration of the PRC (國家廣播電視總局)

[REDACTED]

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## DEFINITIONS

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**[REDACTED]**

“PBOC”	People’s Bank of China (中國人民銀行)
“PRC Legal Adviser”	Commerce & Finance Law Offices, our legal adviser on PRC laws
“Preferred Shares”	the Series A Preferred Shares, the Series B Preferred Shares, the Series C Preferred Shares, the Series C-1 Preferred Shares, the Series D Preferred Shares, the Series E Preferred Shares, the Series F Preferred Shares and the Series F-1 Preferred Shares
“Pre-[REDACTED] Investment(s)”	the investment(s) in our Company undertaken by the Pre-[REDACTED] Investors prior to this [REDACTED], the details of which are set out in “History, reorganization, and corporate structure”
“Pre-[REDACTED] Investor(s)”	the investors in our Company prior to our Listing, as set out in “History, reorganization, and corporate structure”
“Pre-[REDACTED] Share Incentive Plans”	collectively, the 2016 Plan and the 2021 Plan
“Presumptions”	assuming no new Shares are issued under the [REDACTED] and the Share Incentive Plans, each preferred share of the Company is converted to Shares of the Company on a 1:1 basis immediately prior to Listing, our Company’s weighted voting rights will be unwound upon Listing such that each issued Share (including any with super-voting rights prior to Listing) would equally entitle its holder to one vote at a general meeting of our Company, and no other changes are made to the issued share capital of the Company between the Latest Practicable Date and Listing

**[REDACTED]**

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## DEFINITIONS

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[REDACTED]

“Registered Shareholders”	the registered shareholders of the Onshore Holdco from time to time; the current registered shareholders are identified in “Contractual Arrangements”
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“RSUs”	Restricted Share Units
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
“Series A Preferred Share(s)”	the series A convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00005 each
“Series B Preferred Share(s)”	the series B convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00005 each
“Series C Preferred Share(s)”	the series C convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00005 each
“Series C-1 Preferred Share(s)”	the series C-1 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00005 each
“Series D Preferred Share(s)”	the series D convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00005 each

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## DEFINITIONS

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“Series E Preferred Share(s)”	the series E convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00005 each
“Series F Preferred Share(s)”	the series F convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00005 each
“Series F-1 Preferred Share(s)”	the series F-1 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00005 each
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Calorie”	Shanghai Calorie Sports Co., Ltd. (上海卡路里體育有限公司), a limited liability company established under the laws of the PRC on November 28, 2018 and a Consolidated Affiliated Entity of our Company
“Share(s)”	the shares in the share capital of our Company with a par value of US\$0.00005 each, as the context so requires
“Shareholder(s)”	holder(s) of our Share(s)
["Share Incentive Plans"]	[the 2016 Plan, 2021 Plan and 2023 Plan]
“Shenzhen Calorie”	Shenzhen Calorie Technology Co., Ltd. (深圳卡路里科技有限公司), a limited liability company established under the laws of the PRC on August 29, 2017 and a Consolidated Affiliated Entity of our Company
“Sports Management BJ”	Calorie Sports Management (Beijing) Co., Ltd. (卡路里體育管理(北京)有限公司), a limited liability company established under the laws of the PRC on June 29, 2018 and a Consolidated Affiliated Entity of our Company

[REDACTED]

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## DEFINITIONS

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“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“SVF II Calorie”	SVF II Calorie Subco (DE) LLC, one of the Pre-[REDACTED] Investors of our Company
“Track Record Period”	the years ended December 31, 2020, 2021 and 2022
“U.S.,” “US” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdictions
“U.S. dollars,” “US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
	[REDACTED]
“VAT”	value-added tax
“Voting Proxy Agreements”	the voting proxy agreements dated June 14, 2022 entered into between Mr. Wang (through his controlled corporation Persistent Courage Holdings Limited), as proxyholder on the one hand, and Metropolis Olympia Holdings Limited (Mr. Peng Wei), Bulldog Group Ltd (ultimately beneficially owned by Mr. Liu Dong) and Impressive Appearance Holdings Limited (ultimately beneficially owned by Mr. Wen Chunpeng), as proxy granters on the other hand, the details of which are set out in “History, reorganization and corporate structure—Voting Proxy Agreements”
“WFOE”	Beijing Calorie Information Technology Co., Ltd. (北京卡路里信息技術有限公司), a limited liability company established under the laws of the PRC on July 7, 2015 and a wholly-owned subsidiary of our Company



## DEFINITIONS

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[REDACTED]

“%”

per cent

## GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

“AI”	artificial intelligence
“big data”	large and diverse data sets able to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information assets under new processing model for greater decision-making power, insight and processing optimization capabilities
“CAGR”	compound annual growth rate
“fitness product customer subscribing rate”	the number of users that have purchased our self-branded fitness products on <i>Keep</i> platform in a given month and are subscribing members as at the last day of the month as percentage of the total number of users that have purchased our self-branded fitness products on <i>Keep</i> platform in the given month
“DTC channels”	direct-to-consumer channels, including our self-operated online stores on <i>Keep</i> platform, Tmall, and JD, among others, but excluding third-party wholesale channels, such as JD self-owned stores, and excluding a few direct-to-consumer channels where the Company does not have access to statistics on end fitness product customers
“fitness product customers”	customers who purchase our self-branded fitness products through DTC channels. A customer who makes payments across different DTC channels is counted as multiple fitness product customers
“fitness population”	people who engage in fitness activities more than twice per week
“gross merchandise volume” or “GMV”	the total sales for fitness products, excluding costs involved and returns of self-branded fitness products
“IP”	intellectual property
“membership penetration rate”	the average number of monthly subscribing members as a percentage of the average MAUs of a given period
“monthly active users” or “MAUs”	our users, including paying and non-paying users, who logged in their user accounts on our platform through our mobile app (including through smart TV and other smart devices) at least once in a given month. Same user account on different devices are treated as one user and each account as a distinctive user when calculating our MAUs

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## GLOSSARY OF TECHNICAL TERMS

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<b>“monthly membership retention rate”</b>	calculated by dividing the number of monthly subscribing members in a specified month that continue to be counted as monthly subscribing members in the following month by the total number of monthly subscribing members in the specified month
<b>“monthly subscribing members”</b>	the individuals who have subscribed to our monthly, quarterly or annual membership packages, excluding individuals with free trial membership, and had an active membership subscription as of the last day of a given month, whether or not the individuals cancel their future membership renewals
<b>“paying users”</b>	include subscribing members, non-subscribing users who pay for our content, fitness product customers, and other customers who purchase our products through non-DTC channels
<b>“professionally generated content” or “PGC”</b>	content developed and produced in-house, consisting of recorded structured courses, recorded video courses and curriculums, as well as live streaming classes
<b>“professional user-generated content” or “PUGC”</b>	content produced by fitness influencers or licensed from third parties, mainly consisting of recorded video courses and curriculums. Live streaming classes produced in-house but demonstrated by influencers are also classified as PUGC
<b>“SPU”</b>	acronym for minimum standard product unit, with a unique identifier for each product with distinct standardized characteristics. For example, each distinct product with different color is considered as the same SPU
<b>“subscribing members”</b>	users who have subscribed to our monthly, quarterly or annual membership packages. Subscribing members do not include (i) individuals who purchase our fitness courses or curriculums only on an a la carte basis, and (ii) individuals who have user accounts and free-trials on our platform but did not contribute revenue to the Group
<b>“users”</b>	the individuals who have user accounts on our platform
<b>“workout sessions”</b>	users’ workout sessions on our platform meeting certain length and completion status criteria: (a) for pre-recorded courses, at least 60% completion status; (b) for live streaming classes, at least two-minute in-class training time; (c) for running, walking or cycling sessions, over twenty seconds and 100 meters of each session recorded

## GLOSSARY OF TECHNICAL TERMS

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with our app, or over 400 meters of recorded walking sessions that users choose to upload to our platform. According to the CIC Report, “workout sessions” and the use of “workout sessions” to substantiate user stickiness are in line with the industry practice

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## FORWARD-LOOKING STATEMENTS

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Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as ‘will’, ‘expect’, ‘anticipate’, ‘estimate’, ‘believe’, ‘going forward’, ‘ought to’, ‘may’, ‘seek’, ‘should’, ‘intend’, ‘plan’, ‘projection’, ‘could’, ‘vision’, ‘goals’, ‘aim’, ‘aspire’, ‘objective’, ‘target’, ‘schedules’, and ‘outlook’) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to control costs and expenses;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- the actions and developments of our competitors;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- our proposed [REDACTED]; and
- all other risks and uncertainties described in “Risk factors”.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution [REDACTED] against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

## RISK FACTORS

*You should carefully consider all of the information set out in this document before making an [REDACTED] in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the [REDACTED]. You should pay particular attention to the fact that we are a company incorporated and registered in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.*

### RISKS RELATED TO OUR BUSINESS AND INDUSTRY

***We have a limited operating history under our evolving platform business model, and our historical growth and performance may not be indicative of our future growth and financial results.***

We have experienced continued growth in terms of revenue and user base since we launched our app in 2015. As we grow our user base, increase the level of user engagement, broaden our mix of services and products, renew our product and service portfolios and explore new monetization opportunities, we may incur increasing costs and fail to effectively manage our growth.

As we have a limited operating history and limited operating experience at our current scale of operations, it is difficult to assess our future prospects or forecast our future results of operations, in particular, we may not maintain our historic growth. You should consider our business and prospects in light of the risks and challenges we encounter or may encounter in this developing and rapidly evolving market, some of which are beyond our control. These risks and challenges include, among other things:

- our ability to attract and retain users and drive user engagement and spending with us;
- our ability to further create, source and deploy professional, comprehensive and engaging content, services and products for our users, especially AI-assisted personalized curriculums, proprietary structured courses and interactive live streaming classes;
- our ability to adapt to increasing competition and growth trends within our overall market or industries;
- our ability to expand into new geographic markets that are amenable to our business model;
- our ability to develop a reliable, scalable, secure, high-performance technology infrastructure that can efficiently handle increased usage, user interaction and an enlarged user base;
- our ability to develop or implement strategic initiatives to monetize our platform;
- an increase in competition and expenses as we expand our business;
- our ability to attract, cultivate and retain fitness influencers and instructors and maintain our relationship suppliers, contract manufacturers or logistics service providers;
- our ability to hire, retain and motivate talented employees and attract management talent that is compatible with our business expansion both domestically and internationally; and
- our ability to ensure our operations are carried out in full compliance with relevant laws and regulations and defend ourselves against litigation and/or claims relating to product liability, intellectual property, privacy, personal injury or other matters.

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## RISK FACTORS

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We cannot be sure that we will be successful in addressing these and other challenges we may face in the future, and our business may be adversely affected if we do not manage these risks successfully. In addition, we may not achieve sufficient revenue or maintain positive cash flows from operations or profitability in any given period, or at all.

***If we are unable to carry out our business strategies and manage our growth effectively, our brand, company culture, and financial performance may suffer.***

Our future growth, brand, company culture and financial performance depend upon our ability to successfully carry out our business strategy, which, in turn, is dependent upon a number of factors, including our ability to:

- continue to use innovation to drive sales, improve technological and operational efficiencies and improve profit margin;
- effectively manage the quality and efficiency of supply, manufacturing and logistics service providers and other third-party service providers’ performance;
- continue to broaden and diversify our marketing channels;
- pursue strategic investments and collaborations to complement our existing capabilities and expand our content, product and service portfolio and geographic reach; and
- leverage our high performance and innovation excellence team culture to drive margins.

Our future growth, brand, company culture and financial performance also depend on our ability to effectively manage our growth. Growing our business rapidly will place a strain on our management team, financial and information systems, supply chain and distribution capacity and other resources. To manage growth effectively, we must continue to enhance our operational, financial and management systems; maintain and improve our internal controls and disclosure controls and procedures; maintain and improve our information technology systems and procedures; and expand, train and manage our employee base. We may not be able to effectively manage this expansion in any one or more of these areas, and any failure to do so could significantly harm our business, financial condition and results of operations. Growing our business rapidly may make it difficult for us to adequately predict the expenditures we will need to make in the future. If we do not make the necessary overhead expenditures to accommodate our future growth, we may not be successful in executing our growth strategy, and our results of operations would suffer.

Additionally, we plan to expand our addressable market by appealing to users across different geographies. In particular, we intend to ramp up our efforts to expand our presence into lower-tier cities in China and explore overseas markets by offering more customized content. As we increase our penetration rate in lower-tier cities in China and expand our presence in international markets, we face new challenges in attracting and retaining users that we may not successfully address. As a result of these factors, we cannot be sure that our user levels will be adequate to maintain or permit the expansion of our operations. A decline in user levels could have an adverse effect on our business, financial condition, and operating results.

***If we are unable to attract and retain users on our platform, or if user engagement and/or user spending decline, our business and results of operations may be materially and adversely affected.***

We have experienced significant user growth since our inception. Our continued business and revenue growth and the further development of our brand image is dependent on our ability to



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## RISK FACTORS

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continuously attract and retain our users, and we cannot be sure that we will be successful in these efforts, or that user retention levels will not materially decline. For example, we launched more optimal mix of marketing channels and strategies, including advertisements on app stores and short-video platforms, fitness influencers’ marketing and other marketing campaigns on social media platforms, among others, to reach target user groups, increase paying user conversion. These strategies and user growth efforts may turn out to be ineffective, and we may not be able to acquire more users effectively or may experience a decline in our user base. In addition, we have incurred substantial selling and marketing expenses, including spending in traffic acquisition and branding to further acquire, activate and retain users. We recorded selling and marketing expenses of RMB301.7 million, RMB956.2 million, and RMB646.2 million in 2020, 2021, and 2022, respectively. In particular, we incurred traffic acquisition cost of RMB93.3 million, RMB335.3 million and RMB159.3 million in 2020, 2021 and 2022, respectively. The traffic acquisition cost is generally incurred to divert traffic to our mobile app, and help facilitate the acquisition of both subscribing members and a la carte content purchases. Our traffic acquisition spending per online paying user, the sum of our subscribing members and a la carte online content buyers with duplications eliminated, fluctuated during the Track Record Period. In 2021, we strategically increased our traffic acquisition spending to further acquire, activate and retain users, resulting in higher traffic acquisition cost per online paying user. We generally lower our traffic acquisition spending in the fourth quarter of each year as users are less willingness to exercise during the winter seasons. Our traffic acquisition spending may continue to fluctuate in the future due to seasonality and as we adjust our user acquisition strategy. If some of our efforts to increase user traffic are found to be ineffective, such efforts may not justify the associated costs. There are a number of factors that could lead to a decline in users or that could prevent us from increasing our users, including:

- a decline in the public’s interest in at-home fitness content, indoor cycling or running, smart fitness hardware, fitness gear and apparel, fitness food or other fitness disciplines that we invest most heavily in;
- our failure to introduce content, products, or services that users find engaging;
- our failure to maintain extensive and professional fitness content and an extensive fitness product portfolio;
- harm to our brand and reputation;
- pricing and perceived value of our content, product and service offerings;
- our inability to deliver quality content, products, and services;
- our users engaging with competitive content, products and services;
- technical or other problems preventing users from accessing our content and services in a rapid and reliable manner or otherwise affecting the user experience;
- unsatisfactory experiences with the delivery, installation, or service of our products; and
- deteriorating general economic conditions or a change in consumer spending preferences or buying trends.

In addition, the industry in which we operate is characterized by rapidly changing technologies. We depend on our technological capabilities and infrastructure to analyze our users’ preferences and needs and to generate valuable user insights. Active users of our content, products and services generate a large amount of data that lay the foundation for us to build our user profiles and deliver and

## RISK FACTORS

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develop more tailored content and better products and services. If we fail to respond to or adopt evolving technologies for our content, product and service development on a timely and cost-effective basis, or our new content, products, services or technologies are not accepted by our users, our business, financial performance and prospects could be materially and adversely affected.

By analyzing such user data with our big data analytics, AI and other relevant technologies, we aim to understand our users’ interests and needs for content in order to develop products that deliver relevant content catering to their interests and needs. Therefore, the effectiveness of our product development and monetization strategies is dependent on our ability to obtain and process data and to refine the algorithms used in processing such data. If we fail to maintain and expand the user base of our products to continually generate large amounts of user data, or if we fail to keep up with the rapid development and upgrade of big data analytics, AI and other relevant technologies on a timely and cost-effective basis, we may not be able to effectively grow and monetize our products, and our business and operating results may be materially and adversely affected.

***If we are unable to adapt the fitness content and related products and services offered on our platform to changes in user preferences and evolving industry trends in a timely manner, the demand for our fitness content and related products and services may decline, which could have an adverse effect on our business and rate of growth.***

Our success in maintaining and increasing our user base depends on our ability to identify and originate trends as well as to anticipate and react to changing user demands in a timely manner. Our content, products and services are subject to changing user preferences that cannot be predicted with certainty. If we are unable to introduce new or enhanced offerings in a timely manner, or our new or enhanced offerings are not accepted by our users, our competitors may introduce similar offerings faster than us, which could negatively affect our rate of growth.

Our new offerings may not receive user acceptance as preferences could shift rapidly to different types of fitness offerings or away from these types of offerings altogether, and our future success depends in part on our ability to anticipate and respond to these changes. Failure to anticipate and respond in a timely manner to changing user preferences could lead to, among other things, lower subscription rates, low user retention rates, lower sales, pricing pressure, lower gross margins, discounting of our existing fitness products, and excess inventory levels. Even if we are successful in anticipating user preferences, our ability to adequately react to and address them will partially depend upon our continued ability to develop and introduce innovative, high-quality offerings, especially our ability to continue to create a large volume of comprehensive and quality self-developed fitness content. Development of new or enhanced content, products and services may require significant time and financial investment, which could result in increased costs and a reduction in our profit margins.

Moreover, we must successfully manage introductions of new or enhanced content, products and services, which could adversely impact the sales of our existing content, products and services. For instance, users may decide to purchase new or enhanced content, products and services instead of our existing products and services, which could lead to excess product inventory, lower purchase rates for our existing content and discounting of our existing products and services.

## RISK FACTORS

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***The fitness industry in China is still in the early stages of growth and if it does not continue to grow, grows more slowly than we expect, or fails to reach the scale that we expect, our business, financial condition, and operating results may be adversely affected.***

The online fitness market is relatively new, rapidly growing, largely unproven, and it is uncertain whether it will sustain high levels of demand and achieve wide market acceptance. Our success depends substantially on the willingness of users to conduct at-home workouts and widely adopt our content, products and services. To be successful, we will have to cultivate users’ interests in at-home workouts, educate users about our content, products and services through significant investment, and provide quality content that is superior to the content and experiences provided by our competitors.

Although the online fitness market at large is under penetrated, the market is under-developed and the demand for and market acceptance of the online fitness and the at-home workout concept, new products and services in the market is uncertain. It is difficult to predict the future growth rates, if any, and the size of our market. We cannot assure you that our market will develop, that the public’s interest in online fitness will continue, or that our content, products and services will be widely adopted. If our market does not develop, develops more slowly than expected, or becomes saturated with competitors, or if our content, products and services do not achieve market acceptance, our business, financial condition, and operating results could be adversely affected.

There are no well-established and widely accepted online fitness platforms that provide an integrated fitness solution covering comprehensive fitness content, products and services. Since the launch of our mobile app in 2015, we have also been trying out different business strategies to explore the most effective business model for our operations. We believe that our business model is novel, and we have a limited operating history on which [REDACTED] can evaluate our business and prospects. There is no guarantee that our business model will continue to be successful or achieve wide acceptance as quickly or in a magnitude as we anticipated. We cannot learn from the experience of similar companies, and as a result we have to explore different business practices, formulate pricing strategies, set up procedures and standards by ourselves and learn from our own experience. Given that we have a very short operating history, we have very limited insight into trends and uncertainties that may emerge and affect our business. A potential [REDACTED] in our Shares should carefully consider the risks and difficulties frequently encountered by companies in an early stage of development, as well as the risks we face due to our participation in a new and rapidly evolving market, and our attempt to execute a new and untested business model. Our business model may not be successful, or we may not successfully overcome the risks associated with this business model.

***Maintaining and enhancing our brand and corporate reputation is critical to our success. Negative publicity about us, our employees and third parties associated with our platform, including our fitness instructors and our content providers, may materially and adversely affect our brand, reputation, business and growth prospects.***

We believe that our brand is important to attracting and retaining users and our success depends on our ability to maintain and enhance our brand image and reputation. Maintaining, promoting and growing our brands depend largely on the success of our marketing efforts, ability to provide consistent, high-quality content, products and services, and our ability to successfully secure, maintain, and defend our rights to use our brands and tradenames.

## RISK FACTORS

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Our brand could be harmed if we fail to achieve these objectives. Our brand value also depends on our ability to maintain a positive user perception of our corporate integrity, purpose and brand culture. Negative claims or publicity, regulatory investigations or administrative penalties, and litigation involving us, our culture and values, our content, products, services and experiences, consumer data, any of our key employees, or third parties associated with our platform, including fitness instructors, content providers, endorsers, sponsors or suppliers could seriously damage our reputation and brand image, regardless of whether such claims are accurate. In addition, our brand and corporate reputation could also be harmed by our inability to address user complaints. Failure to maintain and enhance our brand and corporate reputation could have an adverse effect on the size, engagement and loyalty of our user base and result in decreased revenue, which could have an adverse effect on our business, financial condition, and operating results.

***We cannot guarantee that our monetization strategies will be successfully implemented or generate sustainable revenue and profit.***

We are in the early stage of our business, and our monetization model is evolving. We provide our users with an online fitness solution and we monetize mainly through membership and online paid content, self-branded fitness products and advertising. We cannot assure you that we can successfully implement the existing monetization strategies to generate sustainable revenue, or that we will be able to develop new monetization strategies to grow our revenue. If our strategic initiatives do not enhance our ability to monetize or enable us to develop new monetization approaches, we may not be able to maintain or increase our revenue or recover any associated costs.

We monitor market developments and may adjust our monetization strategies accordingly from time to time, which may result in decreases of our overall revenue or revenue contributions from some monetization channels. In addition, we may have limited or no experience with the new revenue streams that we may introduce in the future. If these new revenue streams fail to engage our users or business partners, we may fail to retain or attract users or generate sufficient revenue to justify our investment, and our business and results of operations may suffer as a result.

***We incurred net losses and had net cash outflow in the past, and we may continue to incur losses and have net cash outflow in the future.***

We incurred net losses in the past. In 2020, 2021 and 2022, we had loss for the year of RMB2.2 billion, RMB2.9 billion and RMB104.6 million, respectively. We also had net cash outflow from operating activities of RMB70.8 million in 2020, RMB868.5 million in 2021 and RMB456.0 million in 2022. We cannot assure you that we will be able to generate profits or positive cash flow from operating activities in the future. Our ability to achieve profitability depends in large part on our ability to attract new users, scale our platform, further monetize our user base, convert non-paying users into paying users and retain paying users. We cannot assure you that our user base will continue to maintain the growth momentum. In addition, we intend to manage and control our costs and expenses as a proportion of our total revenue, but there can be no assurance that we will achieve this goal. In addition, our ability to achieve and sustain profitability is affected by various factors, some of which are beyond our control, such as changes in user preferences, macroeconomic and regulatory environments or competitive dynamics in the industry. Accordingly, you should not rely on our financial results of any prior period as an indication of our future performance.

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## RISK FACTORS

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*Our business generates, processes, collects and stores a large amount of data, and the unauthorized access, improper use or disclosure of such data could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential users from using our services.*

We process, including but not limited to collect, store, process, use, transfer, provide, disclose and delete, personal data from our users in order to better understand our users and their needs for the purpose of our content feeds recommendation. Concerns or claims about our practices with regard to the processing of personal information or other privacy-related matters, even if unfounded, could damage our reputation and results of operations. In the PRC, governmental authorities have enacted a series of laws and regulations to enhance the protection of privacy and data. The PRC Constitution, the PRC Criminal Law, the Civil Code of the PRC, the Cybersecurity Law of the PRC and relevant regulations require network operators, which may include us, to ensure the security and stability of the services provided via network and protect individual privacy and the security of personal data in general by requiring the consent of internet users prior to the processing of their personal data. Under the Cybersecurity Law, the owners and administrators of networks and network service providers are subject to various personal information security protection obligations, including restrictions on the collection and use of personal information of users, and they are required to take steps to prevent personal data from being divulged, stolen, or tampered with. See also “Regulations—Regulations Related to Internet Information Security and Privacy Protection”. Regulatory requirements regarding the protection of personal information are constantly evolving and can be subject to differing interpretations or significant changes, making the extent of our responsibilities in that regard uncertain. For example, on June 10, 2021, the Standing Committee of the National People’s Congress, or SCNPC, promulgated the Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》), or the Data Security Law, effective from September 1, 2021. The Data Security Law provides that data processing activities that affects or may affect national security shall be subject to a state security review procedure. On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Combatting Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), or the July 6 Opinion, which called for a heightened scrutiny over overseas-listed China-based companies of their compliance with the laws and regulations regarding data security, cross-border data flow and management of confidential information, and such laws and regulations are expected to undergo further changes, which may require increased information security responsibilities and stronger cross-border information management mechanism and process. We may need to adjust our business to comply with data security requirements and other laws and regulations from time to time.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. Although the Personal Information Protection Law raises the protection requirements for processing personal information, many specific requirements of the Personal Information Protection Law remain to be clarified by the CAC, other regulatory authorities, and courts in practice. We may be required to make further adjustments to our business practices to comply with the personal information protection laws and regulations. In particular, on August 22, 2019, the CAC issued the Rules on Cyber Protection of Children’s Personal Information (《兒童個人信息網絡保護規定》) effective on October 1, 2019. Internet operators who collect, store, use, transfer and disclose personal information of children under the age of 14 shall establish special rules and user agreements for the protection of children’s personal information,



## RISK FACTORS

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inform the children’s guardians in a noticeable and clear manner and obtain the consent of the children’s guardians. See also “Regulations – Regulations Related to Internet Information Security and Privacy Protection”.

On November 14, 2021, the CAC publicly solicited opinions on the Draft Data Security Regulations. According to the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cybersecurity review if its intended listing in Hong Kong affects or may affect national security. Furthermore, the Draft Data Security Regulations stipulate that data processors processing personal information of more than one million users shall be subject to the various requirements that apply to important data processors, including but not limited to: (a) important data processors shall specify the person in charge of data security and establish a data security management organization; (b) important data processors shall file with competent authorities within 15 working days after the identification of important data; (c) important data processors shall develop a data security training program for its employees; (d) important data processors shall carry out annual data security assessment and file such report with competent authorities annually. As of the Latest Practicable Date, the Draft Data Security Regulations had not been formally adopted. Substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation, especially the detailed interpretation of the standard for determining whether a listing in Hong Kong “affects or may affect national security”. We cannot assure you that relevant governmental authorities will not interpret the laws and regulations in ways that may negatively affect us. At this stage, we are unable to predict the possible consequences of these drafts, if any, and we are monitoring and assessing the rulemaking process closely. Any failure, or perceived failure to maintain the security of our user data or to comply with applicable PRC or foreign privacy, data security and personal information protection laws and obligations may result in civil or regulatory liability, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way, litigation, or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims.

On December 31, 2021, the CAC, together with other regulatory authorities, published Administrative Provisions on Algorithm Recommendation for Internet Information Services (《互聯網信息服務算法推薦管理規定》) (the “**Administrative Provisions on Algorithm Recommendation**”), effective on March 1, 2022. Pursuant to the Administrative Provisions on Algorithm Recommendation, users should be given an option to easily turn off algorithm recommendation services, and service providers shall, among others, establish and improve the management systems and technical measures for algorithm driven recommendation mechanism and regularly review, evaluate and verify the principle, models, data and application results of algorithms.

Pursuant to the National Security Law (《中華人民共和國國家安全法》) issued by SCNPC on July 1, 2015, the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact national security of China.

On December 28, 2021, the CAC together with other regulatory authorities officially announced the Cybersecurity Review Measures (《網絡安全審查辦法》), which is consistent with the Cybersecurity Review Measures (Revision Draft for Comment) announced by the CAC on July 10, 2021. Pursuant to the Cybersecurity Review Measures, the procurement of network products and services by critical information infrastructure operators and the data processing activities conducted by

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network platform operators which affects or may affect national security shall be subject to cybersecurity review. Network platform operators mastering personal information of more than one million users must apply to the Cybersecurity Review Office for cybersecurity review when listing abroad (國外上市).

On July 30, 2021, the State Council promulgated the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), or the CII Regulations, which became effective on September 1, 2021. Pursuant to the CII Regulations, critical information infrastructure refers to any important network facilities or information systems of an important industry or field specified. In addition, relevant administration departments of each critical industry and sector are responsible for formulating eligibility criteria and determining the critical information infrastructure in the respective industry or sector. The operators will be informed about the final determination as to whether they are categorized as critical information infrastructure operators, or CIIOs. As of the Latest Practicable Date, no detailed rules or interpretations have been issued and we have not been informed as a CIIO by any governmental authorities. Furthermore, the exact scope of CIIOs, under the current regulatory regime remains unclear, and the PRC governmental authorities may have discretion in the interpretation and enforcement of these laws and regulations. Therefore, it is uncertain whether we would be deemed as a CIIO under PRC law. If we are identified as CIIO, we will be subject to stricter requirements on business operations and cybersecurity compliance, and we may need to follow cybersecurity review procedure and apply with Cybersecurity Review Office before making certain purchases of network products and services, and if a cybersecurity review is applicable, we may be required to suspend providing any existing or new services to our users, and we may experience other disruptions of our operations.

In connection with the promulgation of laws and regulations related to cybersecurity and data protection, relevant authorities such as the MIIT and the CAC imposed various measures on mobile apps frequently in recent years, including issuing the order of rectification and temporary removal of apps from app stores for encroaching the rights and interests of users in violation of applicable laws and regulations. Improper collection of personal information, forced, frequent and excessive access, technical issues and improper use of personal information are the top reasons for rectification orders and suspension of apps. As of the Latest Practicable Date, we made efforts to comply with the aforementioned requirements, including any rectification requirements made by relevant authorities such as the MIIT and CAC at the national or provincial levels, to ensure that we will not be inquired by regulators regarding the aforementioned issues.

On July 7, 2022, the CAC promulgated the Measures of Security Assessment for Cross-Border Data Transfer (《數據出境安全評估辦法》) (the “**Cross-Border Data Transfer Measures**”), which came into effect on September 1, 2022. The Cross-Border Data Transfer Measures requires that four types of cross-border transfer of critical data or personal data generated or collected in China be subject to a security assessment. See Regulations—Regulations Related to Internet Information Security and Privacy Protection for details.

In addition, the PRC regulatory authorities have recently taken steps to strengthen the regulations on data protection and conducted several rounds of relevant inspections. For example, the CAC, issued a notice on June 11, 2021, or the CAC Notice, requiring 129 named apps, including our app, to rectify the non-compliance with the necessity principle in the collection of personal information



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and the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》), which came into effect on May 1, 2021, or the Necessary Personal Information Rules. Please refer to “Business—Risk Management and Internal Control—Data and Technology System Risk Management”. As laws and regulations in China on the protection of privacy and data are constantly evolving, complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

Regulatory requirements regarding the protection of data are constantly evolving and can be subject to significant changes of interpretations, making the extent of our responsibilities in that regard uncertain. Despite our efforts to comply with applicable laws, regulations and other obligations relating to privacy, data protection and information security, it is possible that our practices, offerings or platform could fail to meet all of the requirements imposed on us by such laws, regulations or obligations. Any failure on our part to comply with applicable laws or regulations or any other obligations relating to privacy, data protection or information security, or any compromise of security that results in unauthorized access, collection, transfer, use or release of personally identifiable information or other data, or the perception or allegation that any of the foregoing types of failure or compromise has occurred, could damage our reputation, discourage new and existing users from using our platform or result in investigations, fines, suspension of one or more of our apps, or other penalties by government authorities and private claims or litigation, any of which could materially adversely affect our business, financial condition and results of operations. In addition, the interpretation and application of the aforementioned laws and regulations are often uncertain and in flux. Our practice may become inconsistent with these laws and regulations. See also “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system and changes in laws and regulations in China could adversely affect us”.

In particular, if we fail to secure our users’ identity and protect their identity-specific data, including, but not limited to name, height, weight, bust/waist/hip measurements and other health and fitness data, our users may be vulnerable to insults, harassment, blackmail or physical injuries, and their family, property and other assets may also be put at risk. As a result, we may be held liable for these incidents, and our users may feel insecure and cease to use our online platform. Our reputation may be seriously harmed and we may be unable to retain and attract users, which would in turn have a material adverse effect on our business and results of operations. We have experienced a one-time leakage of non-sensitive and non-personally identifiable data before, and we were able to rectify without significant impact to the integrity of our user data. However, we cannot assure you that improper use or disclosure of data would not occur in the future despite our continuous efforts to upgrade our system and guard against any data breach or data leakage.

Our platform and internal systems depend on the ability of software and hardware developed and maintained internally and/or by third parties to store, retrieve, process and manage immense amounts of data, including personal information or other privacy-related matters. The software and hardware on which we rely may now or in the future contain, undetected programming errors, bugs, or vulnerabilities which may result in errors or compromise our ability to protect the data of our users and in turn adversely affect our business, financial condition and operation results. Any systems failure or compromise of security that results in the unauthorized access to or release of the data, photo or messaging history of our users could significantly limit the adoption of our services, as well as harm our reputation and brand, result in litigation against us, liquidation and other damages, regulatory investigations and penalties, and we could be subject to material liability. Additionally, we connect our

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platform with software development kit provided by third parties who may also process users’ data. The integrity of our user data also depends on their ability to secure and protect the data they process. The risk that these types of events could seriously harm our business is likely to increase as we expand the scope of services we offer and as we increase the size of our user base.

We may also become subject to laws and regulations affecting data protection, data privacy and/or information security in other jurisdictions by virtue of having users who reside in these jurisdictions, even if we do not have a physical presence there. Many jurisdictions have in the past adopted, and may in the future adopt, new laws and regulations, or amendments to existing laws and regulations, affecting data protection, data privacy and/or information security, such as the General Data Protection Regulation, or the GDPR, adopted by the European Union that became fully effective on May 25, 2018. The interpretation and application of these laws or regulations are often uncertain and in flux. We cannot guarantee you that our practice is consistent with these laws and regulations and our practice may become inconsistent with these laws and regulations, if so, we could be subject to fines and orders requiring that we change our practices, which could have an adverse effect on our business and results of operations. Complying with new data laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

***Misbehavior or unsatisfactory performance of the fitness influencers we collaborated with could harm our reputation and potentially our operation results and financial performance.***

We collaborate with fitness influencers to develop fitness content to further enrich our content offerings and attract users to our platform. Fitness influencers are critical to the quality of our offerings and our reputation. However, we cannot assure you that such review and evaluation are effective to ensure the content produced by the fitness influencers are appropriate and professional. Any alleged misbehavior or unsatisfactory performance of the fitness influencers, negative claims or publicity arising from the content the fitness influencers produced or otherwise, could seriously damage our reputation and brand image, regardless of whether such allegations or claims are accurate. In addition, our brand and corporate reputation could also be harmed by our inability to address such allegations or complaints. Failure to maintain and enhance our brand and corporate reputation could have an adverse effect on the size, engagement and loyalty of our user base and result in decreased revenue, which could have an adverse effect on our business, financial condition, and operating results.

***We recorded net liabilities as of December 31, 2020, 2021 and 2022.***

We recorded net liabilities of RMB4.0 billion, RMB6.8 billion and RMB7.5 billion, as of December 31, 2020, 2021 and 2022, respectively, primarily due to the significant amounts of convertible redeemable preferred shares recorded as liabilities. Net losses we incurred during the Track Record Period also contributed to our net liability positions.

Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing, after which we do not expect to recognize any further loss or gain on changes in fair value of convertible redeemable preferred shares and will return to a net assets position from a net liabilities position. However, there can be no assurance that we will not experience liquidity problems in the future.

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***We are subject to credit risk associated with our accounts receivables.***

Our accounts receivables primarily represent amounts due from customers and joint membership arrangements under which our membership subscriptions were sold in bundle with the membership package of our joint membership partners at both platforms. We generally allow a credit period of three months to our customers. We had gross accounts receivables of RMB183.0 million, RMB312.7 million and RMB258.6 million as of December 31, 2020, 2021 and 2022, respectively. We also recorded credit loss allowances of RMB2.2 million, RMB2.3 million and RMB6.9 million as of December 31, 2020, 2021 and 2022, respectively. We apply the IFRS 9 simplified approach to measure 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 historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of our customers to settle the receivables. Details of the loss allowance for accounts receivables are disclosed in Note 3.1 to the Accountant’s Report in Appendix I to this document. We cannot assure you that our customers and agents will not default on their obligation to us in the future, despite our efforts to conduct credit assessment on them. Such defaults may expose us to significant credit risk and result in material losses, which may adversely affect our results of operations, liquidity and financial position.

***We could be subject to claims related to health or safety arising from the use of our fitness content or products, consumption of our fitness food and exercising on our premises.***

As an inherent risk in the fitness market, we may face disputes or legal actions for injuries or other health or safety related issues suffered by our users or even death under extreme circumstances while exercising following our content or utilizing our fitness products due to improper usage or an individual’s health conditions, among other reasons. We may also face disputes or legal actions for injuries or other incidents that may happen to our users while they are on our premises. Such claims may result from, but are not limited to, us hiring or collaborating with unqualified fitness influencers and instructors; fitness influencers and instructors failing to provide proper instruction for the fitness courses and curriculums they teach or warnings for the use of equipment; offering fitness course and curriculum recommendations that are unsuitable for users’ athletic levels and unprofessional fitness course and curriculum design. See “Business—Our Environmental, Social and Governance (ESG) Initiatives—Identification, Assessment and Mitigation of our ESG Risks—Safety Issues related to Fitness Activities and Food Quality.” Such claims may also result from reasons beyond our control or even through the fault or negligence of our users. For example, users may have pre-existing medical conditions making them unsuitable to perform certain exercises following our content or utilizing our products or they may exercise in areas inappropriate for physical exertion. Disputes or legal actions of this nature, with or without merit, may be expensive and time-consuming, result in significant diversion of resources and management attention from our operations, and adversely affect our brand image and reputation.

We may also face disputes or legal actions for injuries or other health or safety related issues related to our sale of fitness food. Selling food for human consumption involves inherent legal and other risks, and there is increasing governmental scrutiny of and public awareness regarding food safety. Unexpected side effects, illness, injury or death related to allergens, food-borne illnesses or

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other food safety incidents (including food tampering or contamination) caused by products we sell, or involving suppliers that supply us with ingredients and other products, could expose us to product liability, negligence or other lawsuits. Any claims brought against us may exceed or be outside the scope of our existing or future insurance policy coverage or limits. Any judgment against us that is in excess of our policy limits or not covered by our insurance policies or not subject to insurance would have to be paid from our cash reserves, which would reduce our capital resources. In addition, the negative publicity arising from such incidents could have an adverse effect on the size, engagement and loyalty of our user base and the sale of our products. This would result in decreased revenue and have an adverse effect on our business, financial condition, and operating results.

***Our fitness products may carry design and manufacturing defects that could adversely affect our business and result in harm to our reputation.***

We offer products that can be affected by design and manufacturing defects. We may be exposed to potential personal injury liabilities and product liabilities as a result of misuse of our products, or defects associated with the design or manufacturing of the products. There can be no assurance that we will not experience material product liability losses in the future, or that we will be able to defend such claims at a contained level of cost. We cannot assure you that our insurance coverage will be sufficient or that we will be able to obtain sufficient coverage at an acceptable cost in the future. A successful claim brought against us in excess of our available insurance coverage may have a material adverse effect on our business.

In addition, due to the nature of our fitness apparel and some of our fitness devices, users may experience skin irritations or other biocompatibility issues not uncommon with clothing or other products that stay in contact with skin for extended periods of time. Should our users ever experience such problems, the sale of our products could be harmed and we may be subject to personal injury litigations and/or administrative penalties.

We also rely on the accuracy of sensors and our algorithms to ensure that our products can offer high measurement accuracy. Additionally, usages of our products in different physical environments or by different types of users may require delicate modification of our sensors and algorithms. There is, however, no assurance that the functionality of sensors from our suppliers or our algorithms can progress as much and as quickly as necessary to meet the demands of our users. Claims regarding the inaccuracy of measurements by our products may occur from time to time. Such claims may further prompt warranty claims, regulatory investigations and litigation. In that case, our business could be adversely affected and our brand may suffer from negative publicity, which may then result in loss of user confidence and reduction of sales in our products.

***We face uncertainties with respect to the enactment, interpretation and implementation of the Circular on Strengthening the Administration of the Online Show Live Streaming and E-commerce Live Streaming.***

In November 2020, the NRTA promulgated the Circular on Strengthening the Administration of the Online Show Live Streaming and E-commerce Live Streaming (《關於加強網絡秀場直播和電商直播管理的通知》), or Circular 78. According to Circular 78, platforms providing online show live streaming or e-commerce live streaming services shall, among other things, register their information and business operations by November 30, 2020 on the National Internet Audio-visual Platforms Information System (全國網絡視聽平台信息登記管理系統), ensure real-name registration for all live

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streaming hosts and virtual gifting users, prohibit users that are minors or without real-name registration from virtual gifting, and set a limit on the maximum amount of virtual gifting per time, per day, and per month.

As advised by our PRC Legal Adviser, there is currently no explicit provisions as to how and to what degree any limits on virtual gifting would be imposed on different platforms. See “Business—Interactive Live Streaming Classes” for details on the limitations of virtual gifting set by us. Any such limits ultimately imposed may negatively impact our revenue derived from virtual gifting and our results of operations.

As of the Latest Practicable Date, we had been registered in the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息登記管理系統). Circular 78 also sets forth requirements for certain live streaming businesses with respect to live streaming review personnel requirements, content tagging requirements, and other requirements. For more information on Circular 78, see “Regulations—Regulations Related to Online Live Streaming Services”.

We are still in the process of getting further guidance from regulatory authorities and evaluating the applicability and effect of the various requirements under Circular 78 on our business. Any further rulemaking under Circular 78 or other intensified regulation with respect to live streaming may increase our compliance burden in the live streaming business, and may have an adverse impact on our business and results of operations.

***We may be subject to warranty claims towards our fitness products, or we could experience greater returns than expected, either of which could have an adverse effect on our business, financial condition, and operating results.***

We provide warranty programs for our smart fitness devices. We generally offer one-year product warranties to users. Users can generally request free replacement or free repair of defective products if the product malfunctions within one year of purchase. We also abide by the seven-day return policy for our fitness products. Users can return the products within seven days of delivery subject to certain terms and conditions. Users are generally not allowed to return our products after the warranty period expires and may suffer a loss as a result of product defects. The occurrence of any material defects in our products could subject us to damages and warranty claims which could adversely affect our business and operating results. In addition, we could incur significant costs to correct any defects, warranty claims or other problems, including costs related to product recalls. Any negative publicity related to the perceived quality of our products could also affect our brand image and user demand, and adversely affect our operating results and financial condition.

***We may fail to attract, cultivate and retain popular fitness influencers and instructors on our platform, which may negatively affect our user retention and our business and results of operations.***

Our popular fitness influencers and instructors tend to have large followings and audience bases who regularly browse the fitness content they upload or attend their live streaming classes. Their charisma and the high-quality content that they create are primary contributors to user stickiness and are hard to replicate.

We enter into cooperation agreements or revenue sharing agreements with some of our fitness influencers or their talent agencies. Despite the agreements we enter into with fitness influencers and



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talent agencies, popular fitness influencers we collaborate with may still choose to breach the agreement or depart our platform when their contract period ends, and their departure may cause a corresponding decline in our user base. In addition, we enter into employment agreements with our in-house fitness instructors. However, they may breach or terminate the employment agreements or depart our platform after their employment periods end. Any deterioration in our in-house content production capability, inability to attract creative talents at reasonable costs or losses in personnel may materially and adversely affect our business and operating results.

We must continue to attract, cultivate and retain talented fitness influencers and instructors in order to maintain and increase the amount and quality of content on our platform. To attract and retain popular fitness influencers and instructors, we must devise better compensation schemes, improve our monetization capabilities, help popular fitness influencers and instructors reach a wider audience and maintain stable relationships with talent agencies. We cannot guarantee that our fitness influencers and instructors will not leave us even if we do our best to retain them.

***We rely on a limited number of third-party outsourcing partners, suppliers and logistics service providers for the production and delivery of certain products. A loss of any of these partners could negatively affect our business.***

We rely on a limited number of third-party outsourcing partners, suppliers and logistics service providers to manufacture and transport certain fitness products. In the event of interruption from any of these key parties, we may not be able to increase capacity from other sources or develop alternate or secondary sources without incurring material additional costs and substantial delays.

If we experience a significant increase in demand for our fitness products, or if we need to replace an existing third-party outsourcing partners, suppliers or logistics service provider, we may be unable to supplement or replace them on terms that are acceptable to us, which may undermine our ability to deliver our products to users in a timely manner. For example, it may take a significant amount of time to identify a manufacturer that has the capability and resources to build our products to our specifications in sufficient volume. Identifying suitable third-party outsourcing partners, suppliers, and logistics service providers is an extensive process that requires us to become satisfied with their quality control, technical capabilities, responsiveness, service, financial stability and regulatory compliance. Accordingly, a loss of any of our significant third-party outsourcing partners, suppliers or logistics service providers could have an adverse effect on our business, financial condition and operating results.

***We have limited control over our third-party outsourcing partners, suppliers, and logistics service providers, which may subject us to significant risks, including the potential inability to produce or obtain quality products on a timely basis or in sufficient quantity.***

The raw materials and components used in our products are sourced either directly by us or on our behalf by third-party outsourcing partners from a number of suppliers. We do not maintain our own manufacturing capabilities and rely on our outsourcing partners to produce our products. We also rely on our logistics service providers, including warehouse and delivery partners, to complete our deliveries to users. We have limited control over our outsourcing partners, suppliers and logistics service providers, including warehouse and delivery partners. If we are unable to select quality third-party outsourcing manufacturers and suppliers, or monitor, audit and manage different parties in the

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supply chain may expose us to risks of suppliers’ non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation. Risks we are subject to include:

- inability to satisfy demand for our fitness products;
- reduced control over delivery timing and product reliability;
- reduced ability to monitor the manufacturing process and components used in our fitness products;
- failure to stick to production standards, including production standards related to environmental protection;
- limited ability to develop comprehensive manufacturing specifications that take into account any materials shortages or substitutions;
- variance in the manufacturing capability;
- failure of a significant outsourcing partners, suppliers or logistics service provider to perform its obligations to us for technical, market, or other reasons;
- variance in the quality of services provided by our logistics service providers;
- difficulties in establishing additional outsourcing partners, suppliers or logistics service provider relationships if we experience difficulties with our existing outsourcing partners, suppliers or logistics service providers;
- shortages of materials or components and price increases;
- misappropriation of our intellectual property; and
- insufficient warranties and indemnities on components supplied to our outsourcing partners.

The occurrence of any of these risks, especially during seasons of peak demand, could cause us to experience a significant disruption in our ability to produce and deliver our products to our users. See also “Business—Our Environmental, Social and Governance (ESG) Initiatives—Identification, Assessment and Mitigation of our ESG Risks—Supply Chain Management.”

***Increases in component costs, long lead times, supply shortages, and supply changes could disrupt our supply chain and have an adverse effect on our business, financial condition, and operating results.***

All of the components and raw materials used to produce our products are sourced from third-party suppliers, and some of these components are sourced from a limited number of or a single supplier. Therefore, we are subject to risks of increases in component costs, long lead times, supply shortages, and supply changes given the limited sources of suppliers. In addition, some of our suppliers may have more established relationships with our competitors, and as a result of such relationships, such suppliers may choose to limit or terminate their relationship with us or prioritize our competitors’ orders in the case of supply shortages. We have in the past experienced and may in the future experience increase in component costs. For example, we experienced increase in component costs such as chips and longer lead time for components such as LCD (liquid-crystal display) in 2020, due to COVID-19’s adverse impact on the semiconductor and manufacturing sectors.



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We have cooperated with several additional chips and LCD suppliers and increased our chips and LCD inventory aiming to meet the needs of our production.

In the event of a component shortage or supply interruption from suppliers of key components, we will need to identify alternate sources of supply, which can be time-consuming, difficult and costly. We may not be able to source these components on terms that are acceptable to us, or at all, which may undermine our ability to meet our production requirements or to fill our orders in a timely manner. This could cause delays in shipment of our products, harm our relationships with our users, corporate clients or sales channels, and adversely affect our business, financial condition, and operating results.

***Our operating results could be adversely affected if we are unable to accurately forecast user demand for our products and adequately manage our inventory.***

To ensure adequate inventory supply, we must forecast user demand, inventory needs and expenses and place orders sufficiently in advance with our suppliers and contract manufacturers, based on our estimates of future demand for particular products and services. Failure to accurately forecast our needs may result in manufacturing delays or increased costs. Our ability to accurately forecast demand could be affected by many factors, including changes in user demand for our content, products and services, changes in demand for the content, products and services of our competitors, unanticipated changes in general market conditions, and the weakening of economic conditions or user confidence in future economic conditions. This risk may be exacerbated by the fact that we may not carry a significant amount of inventory and may not be able to satisfy short-term demand increases. If we fail to accurately forecast user demand, we may experience excess inventory levels or a shortage of products available for sale.

The carrying amount of our inventories was RMB117.9 million, RMB198.8 million and RMB167.7 million as of December 31, 2020, 2021 and 2022, respectively. Inventory levels in excess of store demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. If we fail to manage our inventory effectively, we may be subject to heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins and could impair the strength and premium nature of our brand. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operations and financial condition. Further, lower than forecasted demand could also result in excess manufacturing capacity or reduced manufacturing efficiencies, which could result in lower margins. Conversely, if we underestimate user demand, our suppliers and manufacturers may not be able to deliver products to meet our requirements or we may be subject to higher costs in order to secure the necessary production capacity. An inability to meet user demand and delays in the delivery of our products to our users could result in reputational harm and damaged user relationships and have an adverse effect on our business, financial condition, and operating results.

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***If we are unable to accurately set pricing levels for our self-branded fitness products, membership and online paid content and advertising, our business could be adversely affected.***

If we are unable to accurately set pricing levels for our self-branded fitness products, membership and online paid content and advertising, whether due to competitive pressure or otherwise, our gross margins could be significantly reduced. Further, our decisions around the development of new content, products and services are grounded in assumptions about eventual pricing levels. If there is price compression in the market after these decisions are made, it could have a negative effect on our business.

***We operate in a fast-evolving industry and may not be able to compete effectively.***

The online fitness industry in China is rapidly evolving and increasingly competitive. We face competition in every aspect of our business, including at-home fitness content and equipment, gyms, fitness clubs, in-studio fitness classes, and health and wellness apps. Moreover, we expect the competition in our market to intensify in the future as new and existing competitors, including well-established companies expand into our market and introduce new or enhanced content, products and services that compete with ours.

Our competitors may develop, or have already developed, content, products, services, or technologies that are similar to ours or that achieve greater acceptance, may produce more engaging and professional content, undertake more successful product development efforts, create more compelling employment opportunities, or marketing campaigns, or may adopt more aggressive pricing policies. Our competitors may develop or acquire, or have already developed or acquired, intellectual property rights that significantly limit or prevent our ability to compete effectively in the public marketplace. In addition, our competitors may have significantly greater resources than us, allowing them to identify and capitalize more efficiently upon opportunities in new markets and user preferences and trends, quickly transition and adapt their content, products and services, devote greater resources to marketing and advertising, or be better positioned to withstand substantial price competition. If we are not able to compete effectively against our competitors, they may acquire and engage users or generate revenue at the expense of our efforts, which could have an adverse effect on our business, financial condition, and operating results.

***The COVID-19 outbreak may materially and adversely affect our business, operating results and financial condition.***

The ongoing outbreak of COVID-19 has continued to spread across the world and has created unique global and industry-wide challenges. New COVID-19 variants have also emerged, potentially extending the period during which COVID-19 will negatively impact the global economy.

In an effort to contain the spread of COVID-19, China took precautionary measures that reduced economic activities, including temporary closure of corporate offices, retail outlets and manufacturing facilities and strict implementation of quarantine measures. These measures adversely impacted our general operation, including the operation of *Keepland* fitness centers and the operation of our contract manufacturers and logistics partners for the first quarter of 2020. As many of the precautionary measures have later been lifted or relaxed, we and our business partners gradually resumed normal operations since the second quarter of 2020. As a result of the resurgence related to the Omicron variants since late March 2022 in multiple regions in China, six of our fitness food suppliers suspended operations from April or May to June 2022, which negatively impacted the

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supply of 18 of our SKUs. We also delayed the issuance of several new fitness products. In addition, we experienced logistics disruptions, especially in Shanghai, in the first half of 2022. We had about 59 thousand backlog orders in Shanghai after the resumption of logistics services in June 2022. The impact of the lockdown on supply chain and logistics services, however, was limited as the fitness products in stock helped us cope with the supply chains disruption in the second quarter of 2022. For the advertising and others business segment, all of the *Keepland* fitness centers located in Beijing suspended operation in May 2022 as a result of the COVID-19 pandemic. Many third-party offline gyms we collaborated with in connection with the *Keep* selected fitness classes also experienced temporary shutdown in 2022 due to temporary measures taken in response of the COVID-19 resurgence. All of the third-party offline gyms we collaborated with had resumed normal operation as of the Latest Practicable Date. The decline in economic activities during COVID-19 resurgence has also caused our advertising customers to tighten their advertising budget. This, together with the slower growth of the internet advertising market, had a negative impact on our advertising revenue.

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

***The COVID-19 pandemic has increased people’s willingness to work out at home. If we are unable to rely on such trend in the future, our business could be adversely affected.***

The COVID-19 pandemic also led to an increase in people’s willingness to work out at home and an increase in online traffic to our platform. We recorded higher average MAUs, average monthly subscribing members and average monthly fitness product customers as a result of the COVID-19 pandemic. In addition, more users tend to follow our fitness content and complete workout sessions as a result of the outbreak of COVID-19 pandemic. As the outbreak of COVID-19 increased users’ willingness to workout at home, we also witnessed a higher average monthly membership retention rate. Please refer to “Business—Our users - ‘Keepers’.” We also reduced our branding and marketing promotion expenses and other related expenses in 2020 due to the increased engagement of our users as a result of the COVID-19 pandemic. There is, however, no guarantee that we can rely on such trend in the future. If we are unable to rely on such trend in the future, our business could be adversely affected.

***We generate a portion of our revenue from advertising. If we fail to attract more advertisers to our platform or if advertisers are less willing to advertise with us, our revenue may be adversely affected.***

Although we currently primarily rely on revenue generated from self-branded fitness products and membership and online paid content, we also generate a portion of our revenue from advertising. In 2020, 2021 and 2022, we generated revenue of RMB132.0 million, RMB189.5 million and RMB180.4 million from advertising and others, respectively, representing 12.0%, 11.7% and 8.2% of our total revenue for the same period. Our ability to generate and maintain our advertising revenue depends on a number of factors, including the maintenance and enhancement of our brand, the scale, engagement and loyalty of our users, the quality of our content, product and service offerings and the market competition on advertising prices. We cannot assure you that we will be able to retain existing

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advertisers or attract new ones. If we fail to retain and enhance our relationships with advertisers, our business, results of operations, and prospects may be adversely affected.

Furthermore, our core and long-term priority of optimizing user experience and satisfaction may limit our ability to generate revenue from advertising. For example, in order to provide our users with an uninterrupted user experience, we have limited the amount of advertising placement and aim to collaborate with advertisers that share our brand philosophy. Our commitment of putting our users first may not be in line with the interest of our advertisers, and may not result in the long-term benefits that we expect, in which case the success of our business and results of operations could be harmed.

### ***Advertisements in our app may subject us to penalties and other administrative actions.***

We monitor the advertising content to ensure compliance with applicable laws and regulations. In addition, where advertisers are required to obtain special government approvals or registrations for specific types of advertisements prior to delivering such advertisements on the internet, such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals, and veterinary pharmaceuticals, we take steps to check or verify that the advertisers have fulfilled requisite government requirements. Non-compliance with these laws and regulations may subject us to penalties, including imposition of fines, confiscation of our advertising income, orders to cease dissemination of the advertisements, and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising services or revoke our licenses, and we and responsible persons may incur criminal liability. During the Track Record Period, we were ordered by the competent authorities to stop publishing certain advertisements and imposed a fine of RMB30,000 by using dictions on the product sales page on both *Keep* mobile app and third-party platforms without identifying the source of data. Further, we were given an administrative punishment of warning, confiscation of illegal income of RMB596.48 and a fine of RMB1,192.96 by the competent authorities for selling fitness food with misleading ingredient descriptions.

We cannot assure you that all content contained in the advertisements shown on our platform is in compliance with applicable advertising laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, we may be subject to penalties and our reputation may be harmed, which may materially and adversely affect our business, financial condition, results of operations, and prospects.

### ***If we fail to offer high-quality user support and service, our business and reputation will suffer.***

Our users rely on our high-touch delivery and set up service to deliver and install certain smart fitness devices in a professional and efficient manner. Our users also rely on our support services to resolve any issues related to the use or consumption of our other fitness products. Providing a high-quality user experience is vital to our success in generating word-of-mouth referrals to drive sales and retain existing users. The importance of high-quality support will increase as we expand our business and introduce new content, products and services. If we do not help our users quickly resolve issues and provide effective ongoing support, our reputation may suffer and our ability to retain and attract users, or to sell additional content, products and services to existing users, could be harmed.

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***Computer and mobile malware, viruses, hacking and phishing attacks, spamming and improper or illegal use of our platform may affect user experience, which could reduce our ability to attract users and advertisers and materially and adversely affect our business, financial condition and results of operations.***

Computer and mobile malware, viruses, hacking and phishing attacks have become more prevalent in our industries, have occurred on our platform in the past, and may occur again in the future. We have experienced certain insignificant cyber-attack incidents in the past, and we have been able to rectify attacks without significant impact to our operations. However, it is difficult to determine what, if any, harm may result from a future interruption or attack, any failure to maintain performance, reliability, security and availability of our content, products, services and technical infrastructure to the satisfaction of our users may affect user experience, which could reduce our ability to attract users and advertisers and materially and adversely affect our business, financial condition and results of operations.

In addition, spammers may use our platform to send targeted and untargeted spam messages to users, which may affect user experience. In spamming activities, spammers typically create multiple user accounts for the purpose of sending spam messages. We may not be able to effectively eliminate all spam messages from our platform in a timely fashion. Our actions to combat spam may also require diversion of significant time and focus of our engineering team from improving our products. As a result, our users may use our products less or stop using them altogether, and result in continuing operational costs to us.

***We and our content providers have been and may be subject to intellectual property infringement claims or allegations, which may be expensive to defend and may disrupt our business.***

We and our content providers have been and may in the future be subject to intellectual property infringement claims or other allegations by third-party owners or right holders of technology patents, copyrights, trademarks, trade secrets and website content for our fitness products, services we provide or for information or content displayed on, retrieved from or linked to, recorded, stored or made accessible on our platform, or otherwise distributed to our users, including in connection with the images, music and videos displayed, played, recorded, stored or made accessible on our platform during our recorded classes, live streaming classes, other content presented in our mobile app or public accounts or advertisement display, which may materially and adversely affect our business, financial condition and operating results.

Companies in the internet-related industries are frequently involved in disputes or litigations based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties’ rights. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation and arbitration become more common methods for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims or other legal proceedings.

We allow users and content providers to upload text, pictures, video and other content to our platform and users to download, share, link to and otherwise access other content on our platform. Under relevant PRC laws and regulations, online service providers, which provide storage space for users to upload works or links to other services or content, could be held liable for copyright infringement under various circumstances, including situations where the online service provider



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knows or should reasonably have known that the relevant content uploaded or linked to on its platform infringes upon the copyright of others and the online service provider failed to take necessary actions to prevent such infringement. We have procedures implemented to reduce the likelihood that content might be used without proper licenses or third-party consents. However, these procedures may not be effective in preventing the unauthorized posting or distribution of copyrighted content and we may be considered failing to take necessary actions against such infringement. Therefore, we may face liability for copyright or trademark infringement, defamation, unfair competition, libel, negligence, and other claims based on the nature and content of the materials that are delivered, shared or otherwise accessed through our platform.

We may also be subject to intellectual property infringement claims or allegations related to other aspects of our business, including, but not limited to the functional features we provide to our users through our mobile apps and the design and manufacturing of our fitness products.

In addition, we cannot assure you that we will not become subject to copyright laws or legal proceedings initiated by third parties in other jurisdictions, such as the United States, as a result of the ability of users to access our content in the United States and other jurisdictions, the ownership of our Shares by [REDACTED] in the United States and other jurisdictions and the extraterritorial application of foreign law by foreign courts. In addition, as a publicly listed company, we may be exposed to increased risk of litigation. If a claim of infringement brought against us in the United States or other jurisdictions is successful, we may be required to, upon enforcement, (i) pay substantial statutory or other damages and fines, (ii) remove relevant content from our platform or (iii) enter into royalty or license agreements which may not be available on commercially reasonable terms or at all.

We expect that the occurrence of infringement claims is likely to grow as the market for fitness content, products and services grows. Accordingly, our exposure to damages resulting from infringement claims could increase and this could further exhaust our financial and management resources. Even if intellectual property claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and require significant expenditures. Any of the foregoing could prevent us from competing effectively and could have an adverse effect on our business, financial condition, and operating results.

***We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.***

We believe that our copyrights, trademarks and other intellectual property are essential to our success. See also “Business—Intellectual Property”. We have devoted considerable time and energy to the development and improvement of our online platform and our technology system infrastructure.

We rely on a combination of copyright and trademarks laws, trade secrets protection and other contractual restrictions for the protection of the intellectual property used in our business. Effective intellectual property protection may not be available or may not be sought, and contractual disputes may affect the use of the intellectual property governed by private contract. Although our contracts with users and some of our platform participants typically prohibit the unauthorized use of our brands, images and other intellectual property rights, there can be no assurance that they will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential

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information. Although we enter into confidentiality and intellectual property ownership agreements with our employees, and we also have in place various relevant internal rules and policies that require compliance from our employees, these agreements could be breached, the internal rules and policies could be violated, we may be involved in disputes in respect of these agreements and internal rules and policies for which we may not have adequate remedies, and our proprietary technology, know-how or other intellectual property could otherwise become known to third parties. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

While we actively take steps to protect our proprietary rights, such steps may not be adequate to prevent the infringement or misappropriation of our intellectual property. We cannot assure our registered trademarks have covered an adequate scope of our existing and future business operations and as of the Latest Practicable Date, we are in the process of registering certain trademarks that are necessary based on the current scope of our business. However, there can be no assurance that any of our trademark applications will ultimately proceed to registration or will result in registration with adequate scope for our business, particularly if such requested trademarks are found to conflict with the registered trademarks owned by third parties, including our competitors. Some of our pending applications or registrations may be successfully challenged or invalidated by others. If our trademark applications are not successful, we may have to use different marks for affected services, or seek to enter into arrangements with any third parties who may have prior registrations, applications or rights, which might not be available on commercially reasonable terms, if at all.

Implementation of intellectual property laws in China has historically been lacking, primarily because of ambiguities in the laws and difficulties in enforcement. Accordingly, intellectual property right protection in China may not be as effective as in other jurisdictions that have a more developed legal framework regulating intellectual property rights. Policing unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources, and could disrupt our business, as well as materially adversely affect our financial condition and results of operations.

***We are exposed to the impairment on prepayments and other current assets, which could adversely affect our results of operations and financial condition.***

As of December 31, 2020, 2021 and 2022, we had prepayments and other current assets of RMB77.7 million, RMB86.8 million and RMB129.0 million, respectively. Our prepayments and other current assets primarily consist of prepayments for deductible value added taxes, prepayments for promotion fees and deferred payment channel fees. If our suppliers fail to provide relevant products or services to us in a timely manner or at all, we may be exposed to prepayment default risk and impairment loss risk in relation to the prepayments, which may in turn materially and adversely affect our business and financial position. Although our management’s estimation and the related assumptions have been made in accordance with the information currently available to us, such estimation or assumptions may need to be adjusted if new information becomes known. In the event that the actual recovery is lower than expected, or that our past provision for impairment of prepayments and other current assets becomes insufficient in light of the new information, we may need to make more provision for impairment, which may in turn materially and adversely affect our business, financial condition and results of operations.



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***The daily use of our mobile app depends upon the effective operation under and compatibility with mobile operating systems, networks, and standards that we do not control.***

A significant and growing portion of our users access our platform through our mobile app *Keep* and there is no guarantee that popular mobile devices will continue to support our mobile app or that mobile device users will use our mobile app rather than competing products. We are dependent on the interoperability of our mobile app with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade the functionality of our digital offering or give preferential treatment to competitors could adversely affect our platform’s usage on mobile devices. Additionally, in order to deliver high-quality mobile content, it is important that our digital offering is designed effectively and works well with a range of mobile technologies, systems, networks, and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks, or standards. In the event that it is more difficult for our users to access and use our platform on their mobile devices or users find our mobile offerings do not effectively meet their needs, our competitors develop content, products and services that are perceived to operate more effectively on mobile devices, or if our users choose not to access or use our platform on their mobile devices or use mobile products that do not offer access to our platform, our user growth and user engagement could be adversely impacted.

***Our operations depend on the performance of the internet infrastructure and fixed telecommunications networks in China.***

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. Moreover, we primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China’s internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. Web traffic in China has experienced significant growth during the past few years. Effective bandwidth and server storage at internet data centers in large cities such as Beijing are scarce. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our platform. We cannot assure you that the internet infrastructure and the fixed telecommunications networks in China can support the demands associated with the continued growth in internet usage. If we cannot increase our capacity to deliver our online services, we may not be able to adapt to the increases in traffic we anticipate from our expanding user base, and the adoption of our services may be hindered, which could adversely impact our business and profitability.

In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, some users may be prevented from accessing the mobile internet and thus cause the growth of mobile internet users to decelerate. Such deceleration may adversely affect our ability to continue to expand our user base.

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***We use third-party services and technologies in connection with our business, and any disruption to the provision of these services and technologies could materially and adversely affect our business, financial condition and results of operations.***

We use third-party services and technologies in connection with our business. For example, we partially rely on third-party service and technology providers to host and stream our content and services. We are therefore vulnerable to service interruptions experienced by these providers and we may experience interruptions, delays, or outages in service availability in the future due to a variety of factors, including infrastructure changes, human, hardware or software errors, hosting disruptions, and capacity constraints. Outages and capacity constraints could arise from a number of causes such as technical failures, natural disasters, fraud, or security attacks. The level of service provided by these providers, or regular or prolonged interruptions in that service, could also affect the use of, and our users’ satisfaction with, our content, products and services and could harm our business and reputation. In addition, hosting costs will increase as user engagement grows, which could harm our business if we are unable to grow our revenue faster than the cost of using these services or the services of similar providers.

Furthermore, our providers have broad discretion to change and interpret the terms of service and other policies with respect to us, and those actions may be unfavorable to our business operations. Our providers may also take actions beyond our control that could seriously harm our business, including discontinuing or limiting our access to one or more services, increasing pricing terms, terminating or seeking to terminate our contractual relationship altogether, or altering how we are able to process data in a way that is unfavorable or costly to us. If our arrangements with our current providers were terminated, we could experience interruptions on our platform and in our ability to make our content available to users, as well as delays and additional expenses in arranging for alternative services and technologies.

Any of these factors could further reduce our revenue, subject us to liability, and cause our users to decline to renew their subscriptions, any of which could have an adverse effect on our business, financial condition, and operating results.

***The proper functioning of our technology platform is essential to our business. Any failure to maintain the satisfactory performance of our platform could materially and adversely affect our business and reputation.***

The proper functioning of our platform is essential to our business. The satisfactory performance, reliability and availability of our IT systems are critical to our success and our ability to provide content to attract and retain users.

Our technology or infrastructure may not function properly at all times. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems could result in the unavailability or slowdown of our platform and the attractiveness of content provided on our platform. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website or mobile app slowdown or unavailability or loss of data. Any of such occurrences could cause severe disruption to our daily operations. As a result, our reputation may be materially and adversely affected, our market share could decline and we could be subject to liability claims.

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***Some of our products and services contain open-source software, which may pose particular risk to our proprietary software, products and services in a manner that negatively affect our business.***

We use open-source software, including software development kit, in some of our products and services and will continue to use open-source software in the future. There is a risk that open-source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we may face claims from third parties claiming ownership of, or demanding release of, the open-source software or derivative works that we developed using such software. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully.

***We are subject to risks relating to third-party online payment platforms.***

Currently, we sell a significant portion of our products and services to our users through third-party online payment systems. In all these online payment transactions, secured transmission of confidential information such as paying users’ credit card numbers and personal information over public networks is essential to maintaining users’ trust and confidence on our platform.

We do not have control over the security measures of our third-party online payment vendors. Any security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential user information and could, among other things, damage our reputation and the perceived security of all of the online payment systems that we use. If a well-publicized internet or mobile network security breach were to occur, users may become reluctant to purchase our content, products and services even if the publicized breach did not involve payment systems or methods used by us. In addition, there may be billing software errors that would damage user confidence in these online payment systems. If any of the above were to occur and damage our reputation or the perceived security of the online payment systems we use, we may lose paying users and users may be discouraged from purchasing our products and services, which may have a material adverse effect on our business.

In addition, there are currently only a limited number of reputable third-party online payment systems in China and certain other countries where we operate. If any of these major payment systems decides to cease to provide services to us, or significantly increase the percentage they charge us for using their payment systems for our products and services, our results of operations may be materially and adversely affected.

***We may be subject to risks associated with the availability of our services in overseas markets.***

As certain versions of our mobile apps can be downloaded and used overseas, we may be subject to various local legal requirements and market conditions. Our international exposures and operational efforts may result in increased costs and are subject to various risks, including content control from local authorities, uncertain enforcement of intellectual property rights and infringements, the complexity of compliance with foreign laws and regulations and cultural differences. Compliance with applicable foreign laws and regulations related to matters that are central to our business, including those related to content restrictions, data privacy, anticorruption laws, anti-money laundry and minors protection, increases the costs and risk exposure of doing business in foreign jurisdictions.

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In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. Due to the complexity involved, we cannot assure you that we are in compliance with all local laws or regulations, including data privacy requirements, license requirements, or that our existing licenses will be successfully renewed or expanded to cover all of our areas of operations. As we enter into overseas markets, we cannot assure you that we are able to fully comply with the legal requirements of each foreign jurisdiction and successfully adapt our business models to local market conditions.

In addition, cultural differences may also impose additional challenges to our efforts in content control. Therefore, such different and possibly more stringent regulatory and cultural environments may increase the risk exposure to our daily operations in foreign jurisdictions. Our failure to comply with other foreign laws, regulations and rules could materially and adversely affect our business, results of operations, global reputation and global growth efforts. In addition, each of foreign jurisdictions may have different regulatory framework, implementation and enforcement for online audio platforms, which may substantially increase our compliance costs to obtain, maintain or renew requisite licenses and permits or fulfill any required administrative procedures.

In addition, foreign and international laws, regulations, standards, and other obligations, and changes in the interpretation of such laws, regulations, standards, and other obligations could result in increased regulation, increased costs of compliance and penalties for non-compliance, and limitations on data collection, use, disclosure, and transfer for us and our users. We cannot assure you that we are currently in compliance with these laws and regulations. And our practice may become inconsistent with these laws and regulations. If we are unable to manage these risks, we could become subject to penalties, including fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

***We depend upon third-party licenses for the use of certain content on our platform. An adverse change to, loss of, or claim that we do not hold necessary licenses may have an adverse effect on our business, operating results, and financial condition.***

We maintain a large fitness content library including PGC and PUGC fitness videos and other licensed content. We obtain licenses to display recorded fitness lessons generated by fitness instructors with whom we maintain a collaborative relationship. In addition, under typical agreements with fitness instructors we work with, we are the owner of the intellectual property arising out of live streaming activities on our platform. An adverse change to, loss of, or claim that we do not hold necessary licenses to these content may have an adverse effect on our business, operating results, and financial condition.

We use our licensed music for our PGC and PUGC which include recorded structured courses, recorded video courses and curriculums and live streaming classes. For PGC, which refers to recorded structured courses, recorded video courses and curriculums and live streaming classes that are developed and produced in-house, we enter into agreements to obtain licenses from rights holders to secure the right to use music in our content. For PUGC, which refers to recorded courses and pre-planned curriculums produced by our fitness influencers or licensed third parties, we require them to use licensed music for the content they provide through our cooperation agreements. We cannot guarantee that we currently hold, or will always hold, every necessary right to use all of the music that is used in our content, especially for music used in content provided by our fitness influencers or licensed third parties. We cannot assure you that we are not infringing or violating any third-party intellectual property rights, or that we will not do so in the future.

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***Contractual disputes with our content providers may harm our reputation and subject us to contractual liabilities and may be costly or time-consuming to resolve.***

We enter into contracts with some content providers on our platform either directly or through talent agencies, the terms of which are generally negotiated on a case-by-case basis. The contractual terms between us, our content providers and talent agencies may vary depending on factors such as the professionalism, popularity and the revenue-generating potential of the content providers. Some of our contracted content providers enjoy fixed base fees while others do not, and some of our content providers are bound by exclusivity clauses while others are not. From time to time, there may be contractual disputes between content providers, talent agencies and us or between us and other third parties relating to our content providers. Any such disputes may not only be costly and time-consuming to solve, but may also be detrimental to the quality of the content produced by our content providers, causing our content providers to leave our platform, decrease user engagement on our platform or otherwise adversely affect our business, financial condition and operation results.

***Our business depends substantially on the continuing efforts of our executive officers and other key employees. If we lose their services, our business operations and growth prospects may be materially and adversely affected.***

Our future success depends heavily on the continuing services of our executive officers and other key employees. In particular, we rely on the expertise, experience and vision of our founder, chairman of the board of Directors and chief executive officer, Mr. Wang Ning, as well as other members of our senior management team. If one or more of our executive officers or other key employees were unable or unwilling to continue their services with us or are otherwise subject to any legal or regulatory liabilities in their personal capacity or otherwise, we might not be able to replace them easily, in a timely manner, or at all. Competition for qualified talent is intense, there can be no assurance that we will be able to attract or retain qualified employees. As a result, our business may be materially and adversely affected, our financial condition and results of operations may be severely affected, and we may incur additional expenses to recruit, train and retain key personnel.

Moreover, if any of our executive officers or other key employees joins a competitor or forms a competing company, we may lose know-how, trade secrets, business partners, user base and market share. Each of our executive officers and key employees has entered into an employment agreement, a confidentiality and intellectual property ownership agreement and a non-compete agreement. However, these agreements may be deemed invalid or unenforceable under PRC laws and other applicable laws and regulations in other jurisdictions. If any dispute arises between our executive officers or key employees and us, there can be no assurance that we would be able to enforce these agreements in China and other jurisdictions, where these executive officers and key employees reside.

***We have in the past been subject to legal and regulatory proceedings and may continue to be subject to these proceedings from time to time in the ordinary course of our business.***

From time to time, we may be subject to claims, lawsuits, government investigations, and other proceedings involving products liability, competition and antitrust, intellectual property, privacy, consumer protection, securities, tax, labor and employment, commercial disputes, and other matters that could adversely affect our business operations and financial condition. Certain of these matters may include speculative claims for substantial or indeterminate amounts of damages and include claims for injunctive relief. Additionally, our litigation costs could be significant. We have been subject to regulatory fines related to product advertising and consumer protection regulations. Adverse



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outcomes with respect to litigation or legal proceedings may result in significant settlement costs or judgments, penalties and fines, or require us to modify our products or services, make content unavailable, or require us to stop offering certain features, all of which could negatively affect our revenue. And even if these matters are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, financial condition, and operating results.

***We face risks associated with the misconduct of our employees, business partners and their employees and other related personnel.***

We rely on our employees to maintain and operate our business and have implemented an internal code of conduct to guide the actions of our employees. However, we do not have control over the actions of our employees, and any misbehavior of our employees could materially and adversely affect our reputation and business. We also rely on our business partners, including fitness influencers, talent agencies, suppliers, contract manufacturers and logistics service providers to provide content, products and services to users. Although we have implemented measures to select business partners, we may not be able to successfully monitor, maintain and improve the quality of their services. In the event of any unsatisfactory performance by our business partners and/or their employees, our business, reputation and results of operations may be materially and adversely affected.

***Our results of operations are subject to fluctuations due to seasonality.***

We experience seasonality which affects our results of operations. For example, the first quarter of each calendar year generally contributes to the smallest portion of our annual revenue, primarily due to a decrease in users’ willingness to exercise during the winter season and reduced sales of our self-branded fitness products during the Chinese New Year holiday period in the quarter. We usually observe an increase in revenue in the second and third quarters of each year, mainly because we experience relatively higher average MAUs in the second and third quarters as people are more willing to exercise during spring and summer, and upticks in the sales of our self-branded fitness products after the Chinese New Year. Furthermore, when e-commerce platforms hold special promotional campaigns during China’s online shopping festivals on June 18, November 11, and December 12, we typically observe an increase in sales of our fitness products immediately following these campaigns. Due to these factors, our revenue may vary from quarter to quarter and quarterly results may not be comparable to the corresponding periods of prior years. Such uncertainty makes it difficult for us to predict revenue for a particular quarter. Therefore, actual results may differ significantly from our targets or estimated quarterly results, which could cause the price of our Shares to fall.

***Compliance with the laws or regulations governing virtual currency may result in us having to obtain additional approvals or licenses or change our current business model.***

Due to the limited history of virtual currency in China, the regulatory framework governing such industry is still under development. The issuance and use of “virtual currency” in the PRC have been regulated since 2007 in response to the growth of the online games industry in China. In 2009, the Circular on Strengthening the Administration of Online Game Virtual Currency (《關於加強網絡遊戲虛擬貨幣管理工作的通知》), or the Virtual Currency Circular, jointly issued by the Ministry of Culture and the MOFCOM, broadly defined online game virtual currency as a type of virtual exchange instrument issued by internet game operation enterprises, purchased directly or indirectly by the game users by exchanging legal currency at a certain exchange rate, saved outside the game programs, stored

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in servers provided by the internet game operation enterprises in electronic record format and represented by specific numeric units. In 2012, the Administrative Measures for Single Purpose Commercial Prepaid Cards (《單用途商業預付卡管理辦法(試行)》) was issued by the MOFCOM, which further requires enterprise that engages in the retail, accommodation, catering or resident service industries shall go through record-filing procedures within 30 days after they start single-purpose commercial prepaid card business. Although our PRC Legal Adviser is of the view that, our issuance of virtual items to users to purchase gifts to be used on our platform does not constitute online game virtual currency transaction services or single-purpose commercial prepaid card because our virtual items are not issued by internet game operation enterprises, users cannot transfer or trade these items among themselves and our virtual items are not used in for the retail, accommodation, catering or resident service, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours. If our business operations involving virtual items are subject to the PRC regulatory regime on online games or single-purpose commercial prepaid card, we may be required to obtain additional approvals or licenses or filings or change our current business model and may be subject to a fine ranging from RMB10,000 to RMB30,000 where correction is not made within the stipulated period or other penalties which could adversely affect our business. Furthermore, due to the uncertainty of the evolving regulatory regime in PRC, we cannot assure you that we will not be found in violation of any laws and regulations currently in effect or in the future due to changes in relevant authorities’ interpretation of these laws and regulations, as well as the view or interpretation taken by such authorities on the nature and operation of our virtual items and relevant business activities.

***Regulation and censorship of information disseminated over the mobile and internet in China may adversely affect our business and subject us to liability for content posted on our platform.***

Internet companies in China are subject to a variety of existing and new rules, regulations, policies, and license and permit requirements on the distribution of information over the mobile and internet. Under these rules and regulations, content service providers are prohibited from posting or displaying over the mobile or internet content that, among others, violates PRC laws and regulations, impairs the national dignity of China or the public interest, is obscene, superstitious, fraudulent or defamatory, or may be deemed by relevant government authorities as “socially destabilizing” or leaking “state secrets” of China. For more information, see “Regulations—Regulations Related to Internet Information Security and Privacy Protection”. In connection with enforcing these rules, regulations, policies and requirements, relevant government authorities may suspend services by, or revoke licenses of, any internet or mobile content service provider that is deemed to provide illicit content online or on mobile devices, and such activities may be intensified in connection with any ongoing government campaigns to eliminate prohibited content online.

Although we employ certain methods to filter the content posted on our platform, we cannot be sure that our internal content control efforts will be sufficient to remove all content that may be viewed as indecent or otherwise noncompliant with PRC law and regulations.

***We have granted and expect to continue to grant share-based awards in the future under our share incentive plan, which may result in increased share-based compensation expenses and dilute the ownership interests of our shareholders.***

In order to attract and retain qualified employees, provide incentives to our directors, officers, employees and consultants, and promote the success of our business, we adopted the Share Incentive Plans. We recognize expenses in our consolidated financial statements in accordance with IFRS.



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Expenses associated with share-based compensation will affect our financial performance, and any securities issued pursuant to our share incentive plans will dilute the ownership interests of our shareholders. The maximum aggregate number of ordinary shares that may be issued under the 2016 Plan and the 2021 Plan is 35,536,640 and 25,108,660, respectively. [The maximum number of new Shares issuable under the 2023 Plan and all other share schemes of the Company in effect after Listing, is 10% of our Company’s total issued share number on the Listing Date; the 2023 Plan will come into effect upon Listing.] As of December 31, 2022, 40,154,825 options to purchase our ordinary shares have been granted and are outstanding, excluding options that were forfeited or canceled after the relevant grant dates. For the years ended December 31, 2020, 2021 and 2022, we recorded RMB22.4 million, RMB135.5 million and RMB102.6 million in share-based compensation expenses, respectively.

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based awards to employees in the future subject to compliance with the Listing Rules. As a result, our expenses associated with share-based compensation expenses may increase, which may have an adverse effect on our results of operations.

***We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.***

To pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to improve our brand awareness, broaden our content, product and service offerings or further improve our existing content, product and service offerings, expand into new markets and acquire complementary businesses and technologies, we may require additional capital from time to time. However, additional funds may not be available when we need them on reasonable terms, or at all. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the industry where we operate;
- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital raising activities by online fitness companies in China; and
- economic, political and other conditions in China and internationally.

If we are unable to obtain additional capital in a timely manner or on acceptable terms, or at all, our ability to continue to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, results of operations, financial condition and prospects could be materially and adversely affected. In addition, our future capital needs and other business reasons could require us to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

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***A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business and financial condition.***

COVID-19 has had a severe and negative impact on the Chinese and the global economy, and whether this will lead to a prolonged downturn in the economy is still unknown. The growth of the Chinese economy has slowed in recent years. Even before the outbreak of COVID-19, the global macroeconomic environment was facing challenges, including the end of quantitative easing by the U.S. Federal Reserve, the economic slowdown in the Eurozone since 2014, uncertainties over the impact of Brexit and the ongoing global trade disputes and tariffs. The growth of China’s economy has slowed down since 2012 compared to the previous decade and the trend may continue. There is considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China. In addition, there have also been concerns about the relationship between China and the United States, resulting from the current trade tension between the two countries. There have been further uncertainties related to the drastic drop in oil prices and the U.S. Federal Reserve’s progressive policies to strengthen the market in early 2020. It is unclear whether these challenges and uncertainties will be contained or resolved and what effects they may have on the global political and economic conditions in the long term.

Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

Substantially all of our operations are conducted in China, and the vast majority of our revenue are generated from providing content, products and services to users in China. Any prolonged slowdown in the global or Chinese economy may have a negative impact on our business, results of operations and financial condition, and continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs. Our users and business partners may reduce or delay spending with us, while we may have difficulty expanding our user base and cooperative network fast enough, or at all, or to offset the impact of decreased spending by our existing users and business partners.

***Our results of operations, financial conditions and prospects have been adversely affected by fair value changes of preferred shares and valuation uncertainty of preferred shares due to the use of unobservable inputs.***

During the Track Record Period, we had outstanding convertible redeemable preferred shares, which were designated as financial liabilities at fair value through profits or losses. The preferred shares issued by us are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of our Company and the equity allocation model was adopted to determine the fair value of the financial instruments. Please refer to Note 3.3 to the Accountant’s Report included in Appendix I to this document for the key assumptions in determining the fair value of the convertible redeemable preferred shares. These valuation methodologies that we use involve a significant degree of management judgment and are inherently uncertain, as a result of the use of unobservable inputs, differences in evaluation criteria and the corresponding differences in assumptions and judgments. Changes in these unobservable inputs and other estimates and judgments could materially affect the fair value of our convertible redeemable preferred shares, which in turn may adversely affect our

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results of operations. In 2020, 2021 and 2022, we recognized net fair value changes in preferred shares of RMB2.1 billion, RMB1.9 billion and negative RMB0.7 billion, respectively. We expect continued fluctuation of the fair value of our preferred shares after December 31, 2022 till the completion of the [REDACTED], upon which all the preferred shares will automatically convert into our Shares. Upon the completion of the [REDACTED], we do not expect to recognize any further loss or gain on fair value changes from the preferred shares in the future.

***Fluctuation of financial assets at fair value through profit or loss may affect our results of operations, financial and conditions.***

We made investments in certain financial assets during the Track Record Period and recorded financial assets at fair value through profit or loss of RMB429.3 million, RMB255.9 million and RMB139.9 million as of December 31, 2020, 2021 and 2022, respectively. Our financial assets at fair value through profit or loss mainly consist of wealth management products we purchased to improve returns on our excess liquidity. Wealth management products mainly represent deposits with variable interest rates indexed to the performance of underlying assets or principal that are not-guaranteed by certain financial institutions. We recorded wealth management product of RMB429.3 million, RMB255.0 million and RMB139.9 million as of December 31, 2020, 2021 and 2022, respectively. Going forward, we may continue to invest in financial products. We plan to make investment decisions related to the purchase of such products on a case-by-case basis. We cannot assure you that market conditions and regulatory environment will result in fair value gains on the financial products we invest in or we will not incur any fair value losses on our investments in the financial products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. These investments may earn yields substantially lower than anticipated, and the fair values of these financial assets may fluctuate significantly, which contribute to the uncertainties in valuation. Any failure to realize the benefits we expected from these financial assets may materially and adversely affect our business and financial results.

***We may not be able to fulfil our obligations in respect of contract liabilities, which may have a material and adverse impact on our results of operations and financial condition.***

Our contract liabilities mainly represent customer advances for self-branded fitness products, membership subscription and online paid content services. As of December 31, 2020, 2021 and 2022, our contract liabilities were RMB80.2 million, RMB87.0 million and RMB84.1 million, respectively. If we fail to fulfil our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may require us to refund the advance payments we have received, which may adversely affect our cash flow and liquidity condition. In addition, it may adversely affect our relationship with such customers, damage our reputation and brand image, which may also affect our results of operations and financial condition.

***We are subject to anti-corruption, anti-bribery, sanctions and similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses.***

We are subject to anti-corruption, anti-bribery, sanctions and similar laws and regulations in various jurisdictions in which we conduct activities. We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. These interactions subject us to an increased level of compliance-related concerns.

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Our policies and procedures in place to ensure compliance may not be sufficient and our Directors, officers, employees, representatives, consultants, agents and business partners could engage in improper conduct for which we may be held responsible, subject us to financial loss and sanctions or penalties imposed by governmental authorities, or adversely affect our business operation and reputation.

Non-compliance with anti-corruption or anti-bribery laws and regulations could subject us to whistle-blower complaints, adverse media coverage, investigations and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses. If we or any of our associates fail to comply with economic sanctions or trade restrictions imposed by national or international authorities that are applicable to us or them, we may be exposed to potential legal liability and the costs associated with investigating potential misconduct, as well as potential reputational damage.

Any export controls or any economic or trade restrictions applicable to our businesses could be complex and may change frequently. The interpretation and enforcement of such laws and regulations involve uncertainties, which may be driven by political or other factors out of our control or heightened by national security concerns. Any potential restrictions imposed on us or our business partners, as well as any associated inquiries or investigations or any other government actions, may be difficult or costly to comply with and may cause disruptions to our service offerings and business operations, result in negative publicity, require significant management time and attention and subject us to fines, penalties or orders. Any of the foregoing events may have a material and adverse effect on our business, financial condition and results of operations.

***The current tensions in international trade and rising political tensions may adversely impact our business, financial condition, and results of operations.***

Although cross-border business may not be an area of our focus, if we plan to sell our products internationally in the future, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our products and services, impact the competitive position of our products, or prevent us from being able to sell products in certain countries. If any new tariffs, legislation, or regulations are implemented, or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations. Recently there have been heightened tensions in international economic relations, such as the one between the United States and China. The U.S. government has recently imposed, and has recently proposed to impose additional, new, or higher tariffs on certain products imported from China to penalize China for what it characterizes as unfair trade practices. China has responded by imposing, and proposing to impose additional, new, or higher tariffs on certain products imported from the United States. Following mutual retaliatory actions for months, on January 15, 2020, the United States and China entered into the Economic and Trade Agreement Between the United States of America and the People’s Republic of China as a phase one trade deal, effective on February 14, 2020.

In addition, political tensions between the United States and China have escalated due to, among other things, trade disputes, the COVID-19 outbreak, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the PRC central government and the executive orders issued by former U.S. President in August 2020 that prohibit certain transactions with certain Chinese companies and their applications, the Clean Network project initiated by the U.S. Department of State in August 2020 and new authorities granted to the

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Department of Commerce to prohibit or restrict the use of information and communications technology and services (“ICTS”). While a substantial majority of our business is conducted in China, policies like these may deter U.S. users from accessing and/or using our apps and other products in the United States, which could adversely impact our user experience and reputation. Similarly, India has banned a large number of apps in 2020 out of national security concerns, many of which are China-based apps, escalating regional political and trade tensions.

Rising political tensions could reduce levels of trades, investments, technological exchanges, and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our business, prospects, financial condition, and results of operations.

As we depend on parts and components from suppliers, some of which are overseas, tariffs by the PRC government or any other trade tensions may affect the costs of our products. Demand for our content, products and services depends to a large extent on general, economic, political, and social conditions in China. The current international trade tensions and political tensions between China and other countries, especially the United States, and any escalation of such tensions, may have a negative impact on such general, economic, political, and social conditions and accordingly demands for our vehicles, adversely impacting our business, financial condition, and results of operations.

***Enforcement of stricter labor laws and regulations and increases in labor costs in the PRC may adversely affect our business and our profitability.***

China’s overall economy and the average wage in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to those who pay for our services and products, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

During the Track Record Period, we used third-party service providers to apply for social insurance registration and housing funds deposit registration and to pay social insurance and housing fund for some of our employees, which may be inconsistent with relevant laws and regulations and as of the Latest Practicable Date, we had rectified the non-compliance. See “Regulations—Regulations Related to Employment, Social Insurance and Housing Provident Fund” for details. In addition, certain of our subsidiaries in China did not make such registrations historically as those subsidiaries did not hire any employees, and as of the Latest Practicable Date, we had rectified the non-compliance. Under the agreements between the third-party service providers and us, the third-party service providers have the obligations to pay social insurance premium and housing provident funds for our relevant



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employees. As of the Latest Practicable Date, none of the third-party service providers that our Company cooperates with had failed to pay, or delayed in paying, any social insurance premiums or housing provident fund contributions for our employees. We have not received any inquiry from relevant government authorities in this regard. As promulgated in the PRC Social Insurance Law, if we fail to comply with the requirement within a specified timeframe, we may be liable for a fine not exceeding three times of social insurance contribution. And according to the Regulation on the Administration of Housing Provident Funds, if we fail to complete the process of registering housing provident fund payment and deposit or open housing provident fund accounts for our employees within a specified timeframe, we may be subject to a fine of not less than RMB10,000 but not more than RMB50,000. Please refer to “Business—Employees” for further details.

We cannot assure you that our employment practices do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations will be adversely affected.

***We may not have sufficient insurance to cover our business risks, so that any uninsured occurrence of business disruption may result in substantial costs to us and the diversion of our resources, which could have an adverse effect on our results of operations and financial condition.***

We provide social security insurance for our employees as required by PRC law, and we also provide supplemental commercial medical insurance for our employees. We do not maintain business interruption insurance. We consider this practice to be reasonable in light of the nature of our business, which is in line with the practices of other companies of similar size in the same industry in China. In addition, insurance companies in China currently offer limited business-related insurance products. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could disrupt our business operations, requiring us to incur substantial costs and divert our resources, which could have a material and adverse effect on our business, financial condition and results of operations.

***We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.***

In addition to the impact of COVID-19, natural disasters, such as fires, earthquakes, hurricanes, floods, tornadoes, unusual weather conditions, power outages, other health epidemics, terrorist acts or disruptive global political events, or similar disruptions/and other outbreaks could materially adversely affect our business, financial condition and results of operations. These events could result in server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to operate our platforms and sell our products. These events could also affect the normal operation of our *Keep* fitness centers and our collaboration with third-party offline gyms in connection with the *Keep* selected fitness classes, the temporary lack of an adequate work force in a market, the temporary or long-term disruption in the supply of products, components and raw materials from some domestic and overseas suppliers, the temporary disruption in the transport of goods, delay or increased transportation costs in the delivery of goods to our warehouses or stores, the inability of users to conduct at-home or outdoor trainings utilizing our content or products, the temporary reduction in the availability of our content or product offerings to users and disruption of our utility

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services or to our information systems. These events also can have indirect consequences such as increases in the costs of insurance if they result in significant loss of property or other insurable damage. To the extent any of these risks materialized, our business, financial condition and results of operations could be materially and adversely affected.

Our headquarters is located in Beijing, China, where most of our directors and management and the majority of our employees currently reside. Most of our system hardware and the back-up systems supplied by third-party cloud service providers are hosted in facilities located in China. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect China, and Beijing in particular, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

### RISKS RELATED TO OUR CORPORATE STRUCTURE

*If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.*

Foreign ownership in entities that provide internet and other related businesses, including the value-added telecommunication services, internet culture business and internet audio-visual program, is subject to restrictions under current PRC laws and regulations, unless certain exceptions are available.

We are a Cayman Islands exempted company and each of our indirect wholly-owned PRC subsidiary, our WFOE, is considered a foreign-invested enterprise. To ensure compliance with the PRC laws and regulations, we conduct some of our foreign investment-restricted business in China through our VIE, and our VIE currently holds the value-added telecommunication business license and other licenses necessary for our operation of such restricted business, based on a series of contractual arrangements by and among our WFOE, our VIE and its shareholders. These contractual agreements enable us to (i) exercise effective control over our VIE, (ii) receive substantially all of the economic benefits of our VIE, and (iii) have an exclusive call option to purchase all or part of the equity interests in our VIE when and to the extent permitted by PRC law. As a result of these contractual arrangements, we exert control over our VIE and consolidate financial results of our VIE in our financial statements under IFRS. See “History, Reorganization and Corporate Structure” for further details.

We have been advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations and the PRC government may ultimately take a view contrary to the opinion of our PRC Legal Adviser. If the PRC government otherwise finds that we are in violation of any existing or future PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant governmental authorities with jurisdiction over the operation of our business would have broad discretion in dealing with such violation, including, without limitation:

- revoking the business licenses and/or operating licenses of our PRC entities;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations, or imposing other requirements with which we or our VIE may not be able to comply;



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- discontinuing or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect revenue;
- shutting down our servers or blocking our platform;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with our VIE and deregistering the equity pledges of our VIE, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our VIE;
- restricting or prohibiting our use of [REDACTED] or other of our financing activities to finance the business and operations of our VIE;
- imposing additional conditions or requirements with which we may not be able to comply; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these events could cause significant disruption to our business operations and severely damage our reputation, which would in turn have a material adverse effect on our business, financial condition and results of operations. If occurrences of any of these events results in our inability to direct the activities of our VIE that most significantly impact their economic performance, and/or our failure to receive the economic benefits and residual returns from our VIE, and we are not able to restructure our ownership structure and operations in a satisfactory manner, we may not be able to consolidate the financial results of our VIE in our consolidated financial statements in accordance with IFRS.

***The contractual arrangements with our VIE and its shareholders may not be as effective as direct ownership in providing operational control.***

We have to rely on the contractual arrangements with our VIE and its shareholders to operate the business in areas where foreign ownership is restricted, including provision of certain value-added telecommunication services. These contractual arrangements, however, may not be as effective as direct ownership in providing us with control over our VIE. For example, our VIE and its shareholders could breach their contractual arrangements with us by, among other things, failing to conduct the operations of our VIE in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of our VIE in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of our VIE, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by our VIE and its shareholders of their obligations under the contracts to exercise control over our VIE. The shareholders of our VIE may not act in the best interests of our company or may not perform their obligations under these contracts. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. See “—Risks Related to Our Corporate Structure—Any failure by our VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business”.

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***Any failure by our VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.***

If our VIE or its shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the shareholders of our VIE were to refuse to transfer their equity interests in our VIE to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations. In addition, if any third parties claim any interest in such shareholders’ equity interests in our VIE, our ability to exercise shareholders’ rights or foreclose the share pledge according to the contractual arrangements may be impaired. If these or other disputes between the shareholders of our VIE and third parties were to impair our control over our VIE, our ability to consolidate the financial results of our VIE would be affected, which would in turn result in a material adverse effect on our business, operations and financial condition.

All the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States, which resulted in uncertainties in the PRC legal system that could limit our ability to enforce these contractual arrangements. See “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system and changes in laws and regulations in China could adversely affect us”. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated VIE should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our VIE, and our ability to conduct our business may be negatively affected.

***The shareholders of our VIE may have actual or potential conflicts of interest with us.***

The shareholders of our VIE may have actual or potential conflicts of interest with us. Mr. Wang Ning, Mr. Peng Wei, Mr. Wen Chunpeng and Mr. Liu Dong jointly hold the equity interests in our VIE, respectively. Mr. Wang Ning is our founder and serves as the chairman of the board of Directors and the chief executive officer of our company. Mr. Peng Wei is our co-founder, executive Director and vice president of online operations. Mr. Wen Chunpeng is our co-founder, an employee and a director of certain subsidiaries that operate our *Keeland* business. Mr. Liu Dong is our co-founder, executive Director and vice president of consumer fitness products. Although these individuals are contractually obligated, or obligated as a result of their fiduciary duty to our company, to act in good faith and in our best interest, they still have potential conflicts of interest with us. For

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example, occasions may arise when the fiduciary duties these individuals owe to us under Cayman Islands law conflict with the fiduciary duties they owe to our PRC entities under PRC law. Under Cayman Islands law, a director is not released from his or her fiduciary duties owed to us as a director of our company, and his or her obligation to discharge such duties is not affected by any other duties that such director owes or interests which such director may have, including as a director or shareholder of another company, such as our consolidated affiliated entities. In addition, these shareholders may breach, or cause our VIE to breach, or refuse to renew, the existing contractual arrangements we have with them and our VIE, which would have a material and adverse effect on our ability to effectively control our VIE and receive economic benefits from it. For example, the shareholders may be able to cause our agreements with our VIE to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that we could exercise our purchase option under the exclusive call option agreements with these shareholders to request them to transfer all of their equity interests in the VIE to a PRC entity or individual designated by us, to the extent permitted by PRC law. We count on Mr. Wang Ning, our founder, chairman of the board of Directors and chief executive officer of our company and a major shareholder of our VIE, to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. The shareholders of our VIE have executed powers of attorney to appoint our WFOE to vote on their behalf and exercise voting rights as shareholders of our VIE. If we cannot resolve any conflict of interest or dispute between us and the shareholders of our VIE, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

The shareholders of our VIE may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in our VIE and the validity or enforceability of our contractual arrangements with our VIE and its shareholders. For example, in the event that any individual shareholder of our VIE divorces his or her spouse, the spouse may claim that the equity interest of our VIE held by such shareholder is part of their community property and should be divided between such shareholder and his or her spouse. If such claim is supported by the court, the relevant equity interest may be obtained by the shareholder's spouse or another third party who is not subject to obligations under our contractual arrangements, which could result in a loss of the effective control over our VIE by us. Similarly, if any of the equity interests of our VIE is inherited by a third party with whom the current contractual arrangements are not binding, we could lose our control over our VIE or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to our business and operations and harm our financial condition and results of operations.

Although under our current contractual arrangements, (i) our VIE's shareholders' spouses have executed spousal consent letters under which the spouses agree not to assert any rights over the equity interest in our VIE held by these VIE shareholders, and (ii) it is expressly provided that our VIE and its shareholders shall not assign any of their respective rights or obligations to any third party without the prior written consent of our WFOE, we cannot assure you that these undertakings and arrangements

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will be complied with or effectively enforced. In the case any of them is breached or becomes unenforceable and leads to legal proceedings, it could disrupt our business, distract our management’s attention and subject us to substantial uncertainties as to the outcome of any such legal proceedings.

***The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.***

Under the PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with relevant PRC market regulation administrative authorities.

The procedures we have in place to secure the use of our chops and seals may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or our VIE. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations.

***Contractual arrangements in relation to our VIE may be subject to scrutiny by the PRC tax authorities and they may determine that we or our VIE owes additional taxes, which could negatively affect our financial condition and the value of [REDACTED].***

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements in relation to our VIE were not entered into on an arm’s length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust the taxable income of our VIE in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our VIE for PRC tax purposes, which could in turn increase its tax liabilities without reducing our PRC subsidiaries’ tax expenses. In addition, the PRC tax authorities may impose late payment fees and other penalties on our VIE for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if our VIE’s tax liabilities increase or if it is required to pay late payment fees and other penalties.

***Our current corporate structure and business operations may be substantially affected by the newly enacted Foreign Investment Law.***

On March 15, 2019, the NPC promulgated the Foreign Investment Law (《中華人民共和國外商投資法》), which took effect on January 1, 2020. Along with the Foreign Investment Law, the Implementing Rules of Foreign Investment Law (《中華人民共和國外商投資法實施條例》) promulgated by the State Council and the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of the Foreign Investment Law promulgated by the Supreme People’s Court (《最高人民法院關於適用〈中華人民共和國外商投資法〉若干問題的解釋》) took effect on January 1, 2020. Since the Foreign Investment Law and its current implementation and interpretation rules are relatively new, substantial uncertainties exist in relation to their further

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application and development. For example, the Foreign Investment Law does not explicitly classify whether VIEs that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our contractual arrangements should be dealt with.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in the Special Administrative Measures for Access of Foreign Investments (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)》(2021年版)), or the Negative List, jointly promulgated by the Ministry of Commerce and the National Development and Reform Commission, or the NDRC, and took effect on January 1, 2022. The Foreign Investment Law provides that (i) foreign-invested entities operating in “restricted” industries are required to obtain market entry clearance and other approvals from relevant PRC government authorities; (ii) foreign investors shall not invest in any industries that are “prohibited” under the Negative List. We operate our value-added telecommunications services and have obtained the ICP License through our VIE. Such services are restricted for foreign investors in the Negative List and foreign ownership may not own more than 50% of such business. We also hold the Internet cultural business license and the radio and television production operation license under our VIE. Furthermore, our *Keep* mobile app has been registered in the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息登記管理系統), subject to the same regulation and supervision as an Audio-Visual License holder and fall into the categories of prohibited foreign investment by the Negative List. There can be no guarantee that the regulatory authorities will not require us to further obtain an Audio-visual License or an Internet Publishing License, which also falls into the categories of prohibited foreign investment by the Negative List. See “—Risks Related to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC laws and regulation, and any lack of requisite approvals, licenses, permits or registrations applicable to our business may have a material adverse effect on our business, financial conditions and results of operations”. If our control over our VIE through contractual arrangements are deemed as foreign investment in the future, and any business of our VIE is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements that allow us to have control over our VIE may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operation.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may not complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.



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*We may lose the ability to use and enjoy assets held by our VIE that are critical to the operation of our business if our VIE declare bankruptcy or become subject to a dissolution or liquidation proceeding.*

Our VIE holds certain assets that may be critical to the operation of our business. If the shareholders of our VIE breach the contractual arrangements and voluntarily liquidate our VIE, or if our VIE declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. In addition, if our VIE undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets, thereby hindering our ability to operate our business, which could materially or adversely affect our business, financial condition and results of operations.

### RISKS RELATED TO DOING BUSINESS IN CHINA

*Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business and operations.*

A substantial majority of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole. The PRC economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China’s economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The growth rate of the Chinese economy has gradually slowed since 2010. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. Any prolonged slowdown in the global and Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

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***Uncertainties with respect to the PRC legal system and changes in laws and regulations in China could adversely affect us.***

We conduct our business primarily through our PRC subsidiaries and our VIE. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are subject to laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. In addition, any new or changes in PRC laws and regulations related to foreign investment in China could affect the business environment and our ability to operate our business in China.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations.

***We may be adversely affected by the complexity, uncertainties and changes in PRC laws and regulation, and any lack of requisite approvals, licenses, permits or registrations applicable to our business may have a material adverse effect on our business, financial conditions and results of operations.***

Our business is subject to supervision and regulation by various governmental authorities in China, and such governmental authorities include the CAC, the Ministry of Commerce, or the MOFCOM, the MIIT, the State Administration for Market Regulation, or the SAMR, the National Health Commission, or the NHC, the Ministry of Culture and Tourism, or the MCT, the NRTA, and the corresponding local regulatory authorities. Such governmental authorities promulgate and enforce laws and regulations that cover a variety of business activities that relate to our operations, such as provision of internet information, sales of internet advertisement, providing live streaming and short videos broadcasting services, among other things. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses and permits for, the relevant business activities. Some of these laws and regulations involve ambiguities and may be subject to interpretation by the relevant authorities on a case-by-case basis.

For example, our platform offers short videos created by ourselves and fitness instructors we collaborate. We also deliver live streaming content. Our *Keep* mobile app has been registered in the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息登記管理系統), subject to the same regulation and supervision as an Audio-Visual License holder. See “Regulations—Regulations Related to Online Live Streaming Services”. However, according to the PRC Administrative Provisions on Internet Audio-Visual Program Services, a provider of online



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audio-visual program service is required to obtain a license for online transmission of audio-visual programs, or Audio-Visual License. We have not obtained the Audio-Visual License for providing internet audio-visual program services and content through our platform in China and we may not be eligible for the Audio-Visual License, because the current PRC laws and regulations require an applicant to be a wholly state-owned or state-controlled entity. Due to the ambiguity of the definition of “online publishing service” under the relevant laws and regulations, we cannot assure you that the relevant authorities will not take a different view and/or regard that making accessible on our platform our recorded classes, live streaming classes, other content through in our mobile app or public accounts, may be regarded as an “online publishing service” and thereby require us to obtain such license in the future. Furthermore, we may be required by relevant authorities to conduct additional branch industry and commerce registration for one *Keepland* fitness center which has not registered as our subsidiary, and Shanghai Calorie due to the inconsistency of its registered address and the actual operating address. We have been unable to complete the industry and commerce registration with the competent authorities for one of our *Keepland* fitness center because the owner of such fitness center could not provide registered address certification required for the application. Shanghai Calorie’s registered address is the virtual address assigned by the local government when it established, and it continued to use such address due to the anticipated tax contribution in such local government. As of the Latest Practicable Date, we had not been penalized by the SAMR for not completing (i) such additional industry and commerce registration of certain *Keepland* fitness center and (ii) such additional industry and commerce registration to change Shanghai Calorie’s registered address from the virtual address assigned by the local government to its actual address. Based on the above, we and our PRC Legal Adviser are of the view that the risk of us being penalized for not completing such additional industry and commerce registration is relatively low. During the Track Record Period, one *Keepland* fitness center with construction area of more than 300 square meters in Beijing did not obtain certain fire safety inspection license. We had been unable to acquire such fire safety inspection license because the area specified in the lease agreement was the actual open space of less than 300 square meters. The aforementioned *Keepland* fitness center had then updated the relevant lease agreement with the lessor to specify the construction area instead of the actual open area. As such, we were able to and has obtained and completed the fire safety inspection. We have obtained the regulatory confirmation from competent regulatory authority specifying that the *Keepland* fitness center has not been subject to administrative penalties in respect of fire safety inspection during the Track Record Period and up to the Latest Practicable Date.

While we are making efforts to obtain all licenses and permits and complete all registration and relevant inspection procedures that are necessary to our various business activities, however, there is no assurance that we can obtain all such licenses, permits and complete all such registration procedures in a timely manner as and when requested by the relevant authorities or that we will not be subject to penalty for operating without such licenses, permits and registrations.

If the PRC governmental authorities consider that we are operating without proper approvals, licenses, permits or registrations, or new laws and regulations are promulgated that require us to obtain additional approvals or licenses, complete additional registration procedures or impose additional restrictions on the operation of any part of our business, the PRC governmental authorities have the power, among other things, to order timely rectification, impose fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material adverse effect on our business, results of operations and financial condition.

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***Any failure to comply with PRC property laws and relevant regulations regarding certain of our leased premises may materially and adversely affect our business, financial condition, results of operations and prospects.***

We have not registered our lease agreements with the relevant government authorities. Under the relevant PRC laws and regulations, we may be required to register and file with the relevant government authority executed leases. The failure to register the lease agreements for our leased properties will not affect the validity of these lease agreements, but the competent housing authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to complete the registration within the prescribed timeframe.

***Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of [REDACTED].***

The conversion of RMB into foreign currencies, including Hong Kong dollars and U.S. dollars, is based on rates set by the People’s Bank of China. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollars, the U.S. dollar or other currencies in the future. The value of RMB against the Hong Kong dollars, U.S. dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollars and the U.S. dollar in the future.

Any significant appreciation or depreciation of RMB may materially and adversely affect our revenue, earnings and financial position, and the value of, and any dividends payable on, our Shares. For example, to the extent that we need to convert Hong Kong dollars and U.S. dollars we receive into RMB to pay our operating expenses, appreciation of RMB against the Hong Kong dollars and the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of RMB against the Hong Kong dollars and the U.S. dollar may significantly reduce the Hong Kong dollars or the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our Shares.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. We started using derivative financial instruments in the first quarter of 2021 to hedge exposure to exchange rate risk, including foreign exchange forward contracts and foreign exchange option contracts. These derivative financial instruments reduce, but do not entirely eliminate the effect of foreign currency exchange rate movements on our cash and cash equivalents and short-term investments in foreign currencies. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on [REDACTED].

***If our preferential tax treatments and government subsidies are revoked or become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions.***

The Chinese government has provided tax incentives to our PRC subsidiaries in China, including reduced enterprise income tax rates. For example, under the Enterprise Income Tax Law and its implementation rules, the statutory enterprise income tax rate is 25%. However, the income tax of

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an enterprise that has been determined to be a high and new technology enterprise can be reduced to a preferential rate of 15%. Three of our PRC subsidiaries were subject to a preferential income tax rate of 15%, as they were qualified as a High-New Technology Enterprises (the “HNTTE”) during the Track Record Period. Any increase in the enterprise income tax rate applicable to our PRC subsidiaries, or any discontinuation, retroactive or future reduction or refund of any of the preferential tax treatments and local government subsidies currently enjoyed by our PRC subsidiaries could adversely affect our business, financial condition and results of operations. Further, in the ordinary course of our business, we are subject to complex income tax and other tax regulations, and significant judgment is required in the determination of a provision for income taxes. If the PRC tax authorities successfully challenge our tax provision and we are required to pay tax, interest and penalties in excess of our tax provisions, our financial condition and results of operations would be materially and adversely affected.

***Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.***

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that the MOFCOM be notified in advance of any change of control transaction in which a foreign investor acquires control of a PRC domestic enterprise and involves any of the following circumstances: (i) any important industry is concerned; (ii) such transaction involves factors that have or may have an impact on the national economic security; or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. We do not expect that the [REDACTED] will trigger MOFCOM pre-notification under each of the above-mentioned circumstances or any review by other PRC government authorities. Moreover, the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》) promulgated by the SCNPC on August 30, 2007 and amended on June 24, 2022, and the Regulations on Filing Threshold for Concentration of Undertakings (《國務院關於經營者集中申報標準的規定》) require that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the SAMR, the successive authority of MOFCOM, before they can be completed. In addition, Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) that became effective in September 2011 and Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) that became effective in January 2021 require acquisitions by foreign investors of PRC companies engaged in military related or certain other industries that are crucial to national defense and security be subject to security review before consummation of any such acquisition. In August 2021, the SAMR issued the Draft Provisions on Preventing Unfair Online Competition, which detailed the implementation of the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), including specified certain online unfair competition behavior that shall be prohibited. As of the Latest Practicable Date, the Draft Provisions on Preventing Unfair Online Competition has not been formally adopted, and due to the lack of further clarifications, there are still uncertainties regarding the interpretation and implementation of the Draft Provisions on Preventing Unfair Online Competition.

We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from MOFCOM and the NDRC and their respective local counterparts, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. It is unclear whether our business would be deemed to be in an industry that raises

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national defense and security or national security concerns. Recently, the SAMR imposed administrative penalties on a number of anti-monopoly cases in the internet industry, and the regulatory environment of anti-monopoly is tightening.

***PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries’ ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law.***

In July 2014, the State Administration of Foreign Exchange, or SAFE, promulgated the Circular on Issues Concerning Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities and also requires the foreign-invested enterprise that is established through round-trip investment to truthfully disclose its controller(s). In February 2015, SAFE promulgated a Circular on Further Simplifying and Improving the Direct Investment-Related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Circular 13, effective since June 2015. Under SAFE Circular 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, should be filed with qualified banks instead of SAFE. The qualified banks examine the applications and accept registrations under the supervision of SAFE. See “Regulations—Regulations Related to Foreign Exchange Registration of Overseas Investment by PRC” for details.

We may not at all times be fully informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or continuously comply with all requirements under SAFE Circular 37 or other related rules. And there is no assurance that the registration under SAFE Circular 37 and any amendment has been and will be completed in a timely manner, or will be completed at all. Failure by our shareholders or beneficial owners who are PRC residents to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries’ ability to make distributions or pay dividends or affect our ownership structure. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

***We may be required to obtain prior approval or subject to filings or other requirements from the CSRC or other PRC regulatory authorities for the Listing.***

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and five related guidelines, which will become effective on March 31, 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities through a filing-based regulatory regime.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either through direct or indirect means, are required to go



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through the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that if the issuer meets both of the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas [REDACTED] by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Where an issuer submits an application for [REDACTED] to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

On the same day, the CSRC held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that (i) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas securities offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may arrange the timing for submitting their filing applications with the CSRC in a reasonable manner, and must complete the filing before the completion of their overseas securities offering and listing; (ii) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as companies that passed the Stock Exchange hearing), but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements.

We cannot assure you that we could meet such requirements, complete such filing in a timely manner. Any failure may restrict our ability to complete the proposed listing or any future equity capital raising activities, which would have a material adverse effect on our business and financial positions. Further, as the Overseas Listing Trial Measures was recently promulgated, there remains substantial uncertainties as to its interpretation and implementation and how it may impact our ability to raise or utilize fund for business operation.

***Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.***

In February 2012, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues Concerning the Administration of Foreign Exchange Used for Domestic Individuals’ Participation in Equity Incentive Plans of Companies Listed Overseas (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the SAFE Circular 7, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees

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who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our company becomes an overseas-listed company upon the completion of the [REDACTED]. Failure to complete SAFE registrations may subject them to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary and limit our PRC subsidiary’s ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law. See “Regulations—Regulations Related to Stock Incentive Plans”.

In addition, the State Administration of Taxation, or SAT, has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

***We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.***

We are a Cayman Islands holding company and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If any of our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our WFOE, which are our wholly foreign-owned enterprises, may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to a staff welfare and bonus fund. The reserve fund and staff welfare and bonus fund cannot be distributed to us as dividends.

Our PRC subsidiaries generate primarily all of their revenue in RMB, which is not freely convertible into other currencies. As result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to use their RMB revenue to pay dividends to us.

The PRC government may continue to strengthen its capital controls, and more restrictions and a substantial vetting process may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.



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## RISK FACTORS

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In addition, the Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by PRC companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

***Governmental control of currency conversion may affect the value of [REDACTED].***

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in RMB. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our company. However, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries and VIE to pay off their respective debt in a currency other than RMB owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than RMB. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Shares.

***PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.***

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and our VIE. We may make loans to our PRC subsidiaries and VIE subject to the approval from governmental authorities and foreign exchange loan registrations and limitation of amount, or we may make additional capital contributions to our PRC subsidiaries. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE, and medium or long-term loans by us to our PRC subsidiaries must be recorded and registered with the NDRC. If we provide funding to our wholly foreign-owned subsidiaries through shareholder loans, in the event that the foreign debt management mechanism as provided in the Administrative Measures for Foreign Debts Registration (《外債登記管理辦法》) and other relevant rules applies, the balance of such loans cannot exceed the difference between the total investment and the registered capital of the subsidiaries and we will need to register such loans with the SAFE or its local branches. In addition, a foreign-invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope.

SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-Invested

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Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, effective June 2015. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for equity investments, the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. SAFE Circular 19 may significantly limit our ability to transfer any foreign currency we hold, including the [REDACTED], to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China.

We may not be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or VIE or future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the [REDACTED] we expect to receive from the [REDACTED] and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

***If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.***

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within China is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the SAT issued the Circular of the State Administration of Taxation on Issues Relating to Identification of PRC-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the De Facto Standards of Organizational Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

The tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body”. If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax

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purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises (or 20% in the case of non-resident individuals). In addition, non-resident enterprise shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within China. Furthermore, if we are deemed a PRC resident enterprise, any gain realized on the transfer of our Shares by individual shareholders or holders of our Shares may be subject to PRC tax at a rate of 20%. Any PRC tax imposed on dividends or gains may be subject to a reduction under an applicable tax treaty. However, it is unclear whether non-PRC shareholders of our company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on [REDACTED] in our Shares.

***We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.***

In February 2015, the SAT issued the Public Notice Regarding Certain Enterprise Income Tax Matters on Indirect Transfer of Properties by Non-Resident Enterprises (《國家稅務局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or SAT Bulletin 7. SAT Bulletin 7 extends its tax jurisdiction to not only indirect transfers but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, SAT Bulletin 7 provides certain criteria on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Bulletin 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owns the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a tax rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes. However, according to the aforesaid safe harbor rule, the PRC tax would not be applicable to the transfer by any non-resident enterprise of Shares of the Company acquired and sold on public securities markets.

On October 17, 2017, the SAT issued the Public Notice on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》), or the SAT Bulletin 37, which came into effect on December 1, 2017. According to SAT Bulletin 37, where the non-resident enterprise fails to declare its tax payable pursuant to Article 39 of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), the tax authority may order it to pay its tax due within required time limits, and the non-resident enterprise shall declare and pay its tax payable within such time limits specified by the tax authority. If the non-resident enterprise voluntarily declares and pays its tax payable before the tax authority orders it to do so, it shall be deemed that such enterprise has paid its tax payable in time.

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We face uncertainties on the reporting and consequences of future private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligation and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed under SAT Bulletin 7 and SAT Bulletin 37, and may be required to expend valuable resources to comply with them or to establish that we and our non-resident enterprises should not be taxed under these regulations, which may have a material adverse effect on our financial condition and results of operations.

***It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.***

All of our executive Directors and executive officers reside within China, and substantially all of our assets are located within China. Therefore, it may be difficult for [REDACTED] to effect service of process upon us or our executive Directors and officers inside China or to enforce against us or them in China any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the 2006 Arrangement, and promulgated on July 3, 2008, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the 2006 Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement may still be uncertain.

On January 18, 2019, the Supreme People’s Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the 2019 Arrangement, which seeks to establish a bilateral legal mechanism that provides clarity and certainty for the recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a

## RISK FACTORS

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written choice of court agreement. The 2006 Arrangement will be superseded upon the effectiveness of the 2019 Arrangement. Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

***It may be difficult for overseas regulators to conduct investigations or collect evidence within China.***

Shareholder claims or regulatory investigations that are common in common law jurisdictions (including securities law class actions and fraud claims) generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Furthermore, according to Article 177 of the PRC Securities Law (《中華人民共和國證券法》), or Article 177, which became effective in March 2020, no overseas securities regulator may directly conduct investigations or collect evidence and no entities or individuals may provide documents or materials in connection with securities activities without proper authorization as stipulated under Article 177. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability of an overseas securities regulator to directly conduct investigations or collect evidence within China may further increase difficulties faced by you in protecting your interests.

[REDACTED]

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## **RISK FACTORS**

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**[REDACTED]**



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## **RISK FACTORS**

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**[REDACTED]**

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## **RISK FACTORS**

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**[REDACTED]**

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## **RISK FACTORS**

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**[REDACTED]**

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## WAIVERS AND EXEMPTIONS

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In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

### WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group’s management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. The Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules.

We will ensure that there is an effective channel of communication between the Stock Exchange and us by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange. At present, our two authorized representatives are Mr. Wang and Mr. Huang Weibo (黃偉波) (as the designated primary authorized representative).
- (b) pursuant to Rule 3.20 of the Listing Rules, each Director has provided their contact information to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;
- (c) we will endeavor to ensure that each Director who is not ordinarily resident in Hong Kong must possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and
- (d) pursuant to Rules 3A.19 of the Listing Rules, we have retained the services of Guotai Junan Capital Limited as compliance adviser (the “**Compliance Adviser**”), who will act as an additional channel of communication with the Stock Exchange.

### WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary of a listed company must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

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## WAIVERS AND EXEMPTIONS

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Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles they played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company appointed Mr. Huang Weibo (黃偉波) and Ms. Lai Siu Kuen (黎少娟) (“**Ms. Lai**”), as joint company secretaries. See “Directors and Senior Management—Joint Company Secretaries” for their biographies.

Ms. Lai is a Chartered Secretary and a Fellow of both The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom, and therefore meets the qualification requirements under Rule 3.28 Note 1 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

As set out in Code Provision C.6 in Part 2 of the Corporate Governance Code under Appendix 14 to the Listing Rules, the company secretary should be an employee of the Company and have day-to-day knowledge of the Company’s affairs. The Company’s principal business activities are outside Hong Kong. There are practical difficulties finding persons who possesses Mr. Huang Weibo’s day-to-day knowledge of the Company’s affairs while also having the academic and professional qualifications required. The Company believes that Mr. Huang Weibo, by virtue of his knowledge and past experience in handling corporate administrative matters of the Company, is capable of discharging the functions of a joint company secretary. Further, the Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have as its joint company secretary a person such as Mr. Huang Weibo, who is an employee of the Company and who has day-to-day knowledge of the Company’s affairs. Mr. Huang Weibo has the necessary nexus to the Board and close working relationship with management of the Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Accordingly, while Mr. Huang Weibo does not possess the formal qualifications required of a company secretary, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules.

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## WAIVERS AND EXEMPTIONS

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Pursuant to Guidance Letter HKEX-GL108-20 issued by the Stock Exchange, the waiver [is granted] on two conditions:

- (a) Mr. Huang Weibo must be assisted by Ms. Lai, who possesses all the requisite qualifications and experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the three-year waiver period; and
- (b) the waiver will be revoked if there are material breaches of the Listing Rules by our Company.

Prior to the end of the three-year period, the qualifications and experience of Mr. Huang Weibo and the need for on-going assistance of Ms. Lai will be further evaluated by our Company and our Company will liaise with the Stock Exchange to enable it to assess whether Mr. Huang Weibo, having benefited from the assistance of Ms. Lai for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

### WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, certain transactions that will constitute continuing connected transactions of our Company under the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], waivers from strict compliance with Chapter 14A of the Listing Rules. See “Connected Transactions” for further details, including the conditions for the waiver.

### WAIVER AND EXEMPTION IN RESPECT OF THE PRE-[REDACTED] SHARE INCENTIVE PLANS

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company:

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in this document. Our Company is also required to disclose in this document full details of all outstanding shares and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding shares.
- (b) Paragraph 27 of Part A of Appendix 1 to the Listing Rules requires our Company to set out in this document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.
- (c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to set out in this document, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.



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## WAIVERS AND EXEMPTIONS

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As of March 21, 2023, we had granted 23,929,325 options that remain outstanding under the Pre-[REDACTED] Share Incentive Plans to 394 grantees to subscribe for an aggregate of 23,929,325 Shares, representing approximately [REDACTED] of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the Presumptions). See “Statutory and General Information—Pre-[REDACTED] Share Incentive Plans” in Appendix IV for details.

Our Company has applied to the Stock Exchange and the SFC respectively for: (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules and the condition to make available a full list of grantees with all the particulars required under Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules in relation to the options granted under the Pre-[REDACTED] Share Incentive Plans (the “**ESOP Waiver**”); and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the options granted under the Pre-[REDACTED] Share Incentive Plans (the “**ESOP Exemption**”) for the following reasons:

- (a) as of March 21, 2023, (i) our Company has granted options that remain outstanding under the Pre-[REDACTED] Share Incentive Plans to 394 grantees, including one Director and other employees of our Group; (ii) one Director has an interest in an aggregate of 10,000 Shares underlying the outstanding granted options; and (iii) 393 grantees who are not Directors, members of senior management and other connected person of our Company have interests in an aggregate of 23,919,325 Shares underlying the outstanding granted options. Strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-[REDACTED] Share Incentive Plans in this document would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation, preparation and printing of this document;
- (b) the disclosure of the personal details of all the grantees and/or making this information available for public inspection would require our Company obtaining consent from each of the 394 grantees, in order to comply with personal data privacy laws and principles and to ensure that each grantee is comfortable with the number of options granted to him/her and others, which would be significantly time consuming, and administratively burdensome;
- (c) the grant and exercise in full of the shares under the Pre-[REDACTED] Share Incentive Plans would not cause any material adverse impact in the financial position of our Company;
- (d) non-compliance with the above disclosure requirements would not prevent our Company from providing its potential [REDACTED] with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and
- (e) material information relating to the options (and underlying shares) under the Pre-[REDACTED] Share Incentive Plans will be disclosed in this document, including the total number of Shares subject to the Pre-[REDACTED] Share Incentive Plans, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the share options granted under the Pre-[REDACTED] Share Incentive Plans. Our Directors consider that the information that is reasonably necessary for the potential [REDACTED] to make an informed assessment of our Company in their [REDACTED] decision making process has been included in this document.

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## WAIVERS AND EXEMPTIONS

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In light of the above, the Directors are of the view that the grant of the ESOP Waiver and the ESOP Exemption will not prejudice the interests of the [REDACTED] public.

The Stock Exchange [has granted] the ESOP Waiver on the conditions that:

- (a) for grants under the Pre-[REDACTED] Share Incentive Plans to our Directors and the senior management and other connected persons of our Company, disclosure be made on an individual basis, including all the particulars required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules;
- (b) in respect of the options granted under the Pre-[REDACTED] Share Incentive Plans to other grantees (being other than those set out in (a) above), disclosure be made, on an aggregate basis, according to the ranges of number of Shares underlying outstanding options in: (i) 0 Share to 27,999 Shares, (ii) 28,000 Shares to 399,999 Shares, and (iii) 400,000 Shares or above, of (1) their aggregate number of grantees; (2) the date of grant of the options and number of Shares underlying the options under the Pre-[REDACTED] Share Incentive Plans; (3) the consideration (if any) paid for the grant of the options under the Pre-[REDACTED] Share Incentive Plans; and (4) the exercise period and the exercise price of the options granted under the Pre-[REDACTED] Share Incentive Plans;
- (c) the aggregate number of Shares underlying the options granted under the Pre-[REDACTED] Share Incentive Plans and the percentage of our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date be disclosed in this document;
- (d) the dilutive effect and impact on earnings per Share upon the full exercise of the options granted under the Pre-[REDACTED] Share Incentive Plans be disclosed;
- (e) a summary of the major terms of the Pre-[REDACTED] Share Incentive Plans be disclosed;
- (f) the particulars of the waiver be disclosed in this document; and
- (g) the grant of the ESOP Exemption.

The SFC [has granted] the ESOP Exemption on the conditions that:

- (a) for grants under the Pre-[REDACTED] Share Incentive Plans to our Directors and the senior management and other connected persons of our Company, disclosure be made on an individual basis, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the options granted under the Pre-[REDACTED] Share Incentive Plans to other grantees (being other than those set out in (a) above) which remained outstanding and unexercised as of the Latest Practicable Date, disclosure be made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grant, being: (i) 0 Share to 27,999 Shares, (ii) 28,000 Shares to 399,999 Shares, and (iii) 400,000 Shares or above. For each lot of Shares, the following disclosures will be made on the aggregate basis: (1) the aggregate number of grantees and number of Shares underlying the outstanding and unexercised options under the Pre-[REDACTED] Share Incentive Plans; (2) the dates of grant of the options under the Pre-[REDACTED] Share Incentive Plans; (3) the consideration (if any) paid for the grant of options under the Pre-[REDACTED] Share Incentive Plans; and (4) the exercise period and exercise price of the options granted under the Pre-[REDACTED] Share Incentive Plans; and
- (c) the particulars of the exemption will be disclosed in this document and this document will be issued on or before [REDACTED].

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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**DIRECTORS’ RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT**

This document, for which our Directors (including any proposed director who is named as such in this [REDACTED]) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors (including any proposed Director who is named as such in this document), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

**INFORMATION ON THE [REDACTED]**

**[REDACTED]**

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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**[REDACTED]**

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**EXCHANGE RATE CONVERSION**

Solely for your convenience, this document contains translations among certain Renminbi amounts into Hong Kong dollars and of Renminbi amounts into U.S. dollars at specified rates.

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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Unless indicated otherwise, the translation of Renminbi into Hong Kong dollars and of Renminbi into U.S. dollars, and vice versa, in this document was made at the following rates: RMB[0.87721] to HK\$1.00; RMB[6.8763] to US\$1.00; and HK\$[7.8388] to US\$1.00. No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

**LANGUAGE**

Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including subsidiaries of our Group), institutions, natural persons, facilities, certificates, titles and the like included in this document and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

**ROUNDING**

Unless otherwise stated, all the numerical figures are rounded to one or two decimal places. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.



**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**Directors**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<b>Executive Directors</b>		
Mr. Wang Ning (王寧) . . .	No. 1201, Unit C, Floor 11, Building 27 No. 28 Anli Road Chaoyang District Beijing PRC	Chinese
Mr. Peng Wei (彭唯) . . . . .	No. 601, Unit 2, Floor 6, Building 24 Dong Nei Bei Road Dongcheng District Beijing PRC	Chinese
Mr. Liu Dong (劉冬) . . . . .	No. 304, Building 1, Jiuzhoujiayuan Longyuan Road Longgang District Shenzhen City Guangdong Province PRC	Chinese
<b>Non-executive Director</b>		
Mr. Li Haojun (李浩軍) . .	Room 701, No. 22, Lane 1299 Ding Xiang Road Pudong New District Shanghai PRC	Chinese
<b>Independent non-executive Directors</b>		
Ms. Ge Xin (葛新) . . . . .	C 2213, Yosemite Shunyi District Beijing PRC	Chinese (Hong Kong)
Mr. Shan Yigang (單一剛) . . . . .	Building 807, Yujing Garden II Shunyi District Beijing PRC	Chinese
Mr. Wang Haining (王海寧) . . . . .	Room 101, Unit 5, Building 1 89 North Fourth Ring East Road Chaoyang District Beijing PRC	Chinese

See “Directors and Senior Management” for further details.

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Parties Involved in the [REDACTED]**

**Joint Sponsors [REDACTED]**

**Goldman Sachs (Asia) L.L.C.**  
68th Floor, Cheung Kong Center  
2 Queen’s Road Central  
Hong Kong

**China International Capital Corporation Hong Kong Securities Limited**  
29/F, One International Finance Center  
1 Harbor View Street, Central  
Hong Kong

**[REDACTED]**

**Legal advisers to our Company**

*As to Hong Kong and U.S. laws*  
**Skadden, Arps, Slate, Meagher & Flom and affiliates**  
42/F, Edinburgh Tower, The Landmark  
15 Queen’s Road Central  
Central, Hong Kong

*As to PRC law*  
**Commerce & Finance Law Offices**  
12-14th Floor, China World Office 2  
No. 1 Jianguomenwai Avenue  
Beijing, China

*As to PRC law in respect of data compliance*  
**Global Law Office**  
15 & 20/F Tower 1, China Central Place  
No. 81 Jianguo Road, Chaoyang District  
Beijing, China

*As to Cayman Islands law*  
**Harney Westwood & Riegels**  
3501 The Center  
99 Queen’s Road Central  
Central, Hong Kong

**Legal advisers to the Joint Sponsors  
[REDACTED]**

*As to Hong Kong and U.S. laws*  
**Davis Polk & Wardwell**  
10/F, The Hong Kong Club Building  
3A Chater Road  
Central, Hong Kong

*As to PRC law*  
**Tian Yuan Law Firm**  
10/F, Tower B, China Pacific Insurance Plaza  
28 Fengsheng Hutong, Xicheng District  
Beijing, China

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Reporting accountant and independent auditor**

**PricewaterhouseCoopers**

*Certified Public Accountants and Registered Public Interest Entity Auditor*  
22/F, Prince’s Building  
Central, Hong Kong

**Industry consultant**

**China Insights Industry Consultancy Limited**

10F, Block B, Jing’an International Center  
88 Puji Road, Jing’an District  
Shanghai, China

**[REDACTED]**

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## CORPORATE INFORMATION

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<b>Headquarters</b>	Building D, Vanke Time Square No. 9 Wangjing Street, Chaoyang District Beijing, China
<b>Principal place of business in Hong Kong</b>	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
<b>Registered office in the Cayman Islands</b>	ICS Corporate Services (Cayman) Limited 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands
<b>Company website</b>	<u><a href="https://keep.com/">https://keep.com/</a></u> <i>(the information contained on this website does not form part of this document)</i>
<b>Joint company secretaries</b>	Mr. Huang Weibo (黃偉波) Building D, Vanke Time Square No. 9 Wangjing Street, Chaoyang District Beijing, China  Ms. Lai Siu Kuen (黎少娟) (FCG, HKFCG) 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
<b>Authorized representatives</b>	Mr. Wang Ning (王寧) No. 1201, Unit C, Floor 11, Building 27 No. 28 Anli Road, Chaoyang District Beijing, China  Mr. Huang Weibo (黃偉波) Building D, Vanke Times Center No. 9 Wangjing Street, Chaoyang District Beijing, China
<b>Audit committee</b>	Ms. Ge Xin (葛新) (Chairperson) Mr. Shan Yigang (單一剛) Mr. Wang Haining (王海寧)
<b>Remuneration committee</b>	Mr. Wang Haining (王海寧) (Chairperson) Ms. Ge Xin (葛新) Mr. Wang Ning (王寧)
<b>Nomination committee</b>	Mr. Shan Yigang (單一剛) (Chairperson) Mr. Wang Haining (王海寧) Mr. Wang Ning (王寧)

**CORPORATE INFORMATION**

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[REDACTED]

**Compliance adviser**

Guotai Junan Capital Limited  
27/F, Low Block  
Grand Millennium Plaza  
181 Queen’s Road Central  
Central, Hong Kong

**Principal bank(s)**

**Standard Chartered Bank (Hong Kong) Limited**  
15/F Payment Center, Standard Chartered Tower  
388 Kwun Tong Road  
Kowloon, Hong Kong

**China Merchants Bank**  
China Merchants Bank Tower  
No. 7088 Shennan Boulevard  
Shenzhen, China

**China CITIC Bank Corporation Limited**  
CITIC Tower, No. 10, Guanghua Road  
Chaoyang District  
Beijing, China

## INDUSTRY OVERVIEW

*The information and statistics set out in this section and other sections of this [REDACTED] were extracted from the report prepared by China Insights Industry Consultancy Limited, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged China Insights Industry Consultancy Limited to prepare the CIC Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.*

### SOURCES OF INFORMATION

We commissioned China Insights Industry Consultancy Limited, an independent market research consulting firm that is principally engaged in the provision of market research consultancy services, to conduct a detailed study of the fitness markets in China and globally.

During the preparation of the CIC Report, CIC performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights on the industry trends of the fitness markets in China and globally. Primary research involved discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports, and available data based on CIC’s own research database. In addition, CIC also conducted a survey, or the “CIC Survey” in March 2023 with a total of 1,000 valid samples to study fitness market in China.

The CIC Report was compiled and the expected growth in the global and China’s fitness markets was estimated based on the following assumptions and factors: (i) that the trend of overall global social, economic, and political environments is expected to remain stable over the next decade; (ii) that related key industry drivers are likely to continue to drive the growth of the global and China’s fitness market during the forecast period; and (iii) that there is no extreme *force majeure* or set of industry regulations that may affect the market situation dramatically or fundamentally. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumptions and factors. To address the impact of COVID-19 on market forecast, it is assumed that the global economy is expected to sustain a protracted and moderate growth since 2022. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumptions and factors.

CIC is an independent consulting firm, which was founded in Hong Kong in 2015. It offers services include industry consulting service, commercial due diligence, strategic consulting, and so on. We have agreed to pay a fee of approximately US\$206,000 to CIC in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in “Summary”, “Risk factors”, “Business”, “Financial information”, and elsewhere in this document to provide our potential [REDACTED] with a more comprehensive presentation of the industries where we operate.

### CHINA’S FITNESS MARKET

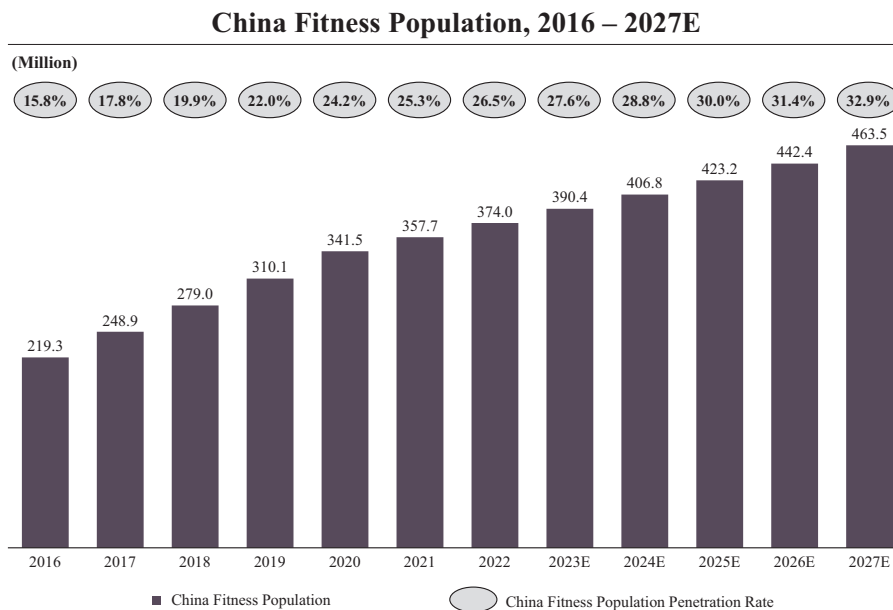
Driven by growing health awareness, increased access to fitness activities, increased spending in fitness, and access to more affordable fitness products and services, China’s fitness market is growing at an accelerated pace. It is expected that online fitness industry will continue to enjoy a



## INDUSTRY OVERVIEW

strong growth with the increasing acceptance of home-gym concept. For the overall fitness industry, the offline fitness industry was more severely impacted by the COVID-19 as most gyms experienced prolonged period of shutdown due to the quarantine policies during the pandemic in 2020, 2021 and 2022. In 2020, the market size of offline fitness membership and classes recorded a decrease of 11.9% in China while the market size of online fitness content segment recorded an increase of 125.9% in China. Furthermore, COVID-19 in certain major cities in China, including Shanghai and Beijing, also impacted both the online and offline segments. For offline segment, due to the temporarily lockdown and quarantine measures taken by the government, offline gyms experienced shut down of an average of three months in Shanghai and over one month in Beijing in the first half of 2022. For online segment, COVID-19 mainly resulted in increased users and usage of online fitness platforms. However, due to the disruptions in supply chain and logistics services, product sales were negatively impacted by the pandemic.

According to the CIC Report, China had the world’s largest fitness population as of December 31, 2022. The fitness population in China, which refers to people who engage in fitness activities more than twice per week, was 374.0 million in 2022 and is expected to reach 463.5 million by 2027, representing a CAGR of 4.4% from 2022 to 2027. The forecasted CAGR of the fitness population in China from 2022 to 2027 is significantly higher than those of the United States and Europe, which are 1.7% and 2.9%, respectively. The following diagram sets forth the historical and forecasted fitness population in China from 2016 to 2027.



Source: the CIC Report

According to the CIC Report, in 2022, the fitness population penetration rate in China, which represents the fitness population as a percentage of the total population in China, was 26.5%, as compared to that of 47.8% in the U.S. and 42.5% in Europe. In particular, the gym membership penetration rate in China was 2.8% in 2022, much lower than that of 19.9% in the U.S. and 7.9% in Europe. According to the CIC Report, the fitness population penetration rate in China is expected to reach 32.9% in 2027. According to the CIC Report, China had the world’s largest fitness population of 374.0 million in 2022, which is expected to reach 463.5 million by 2027. The average annual spending of the fitness population in 2022 was RMB2,518 per person in China, which was much lower than that

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## INDUSTRY OVERVIEW

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of RMB16,425 in the United States, demonstrating significant growth potential, according to the CIC Report. At the same time, the market size of the fitness market in China is expected to increase to RMB2,079.6 billion in 2027 from RMB941.9 billion in 2022, at a CAGR of 17.2%.

### Key Growth Drivers of China’s Fitness Market

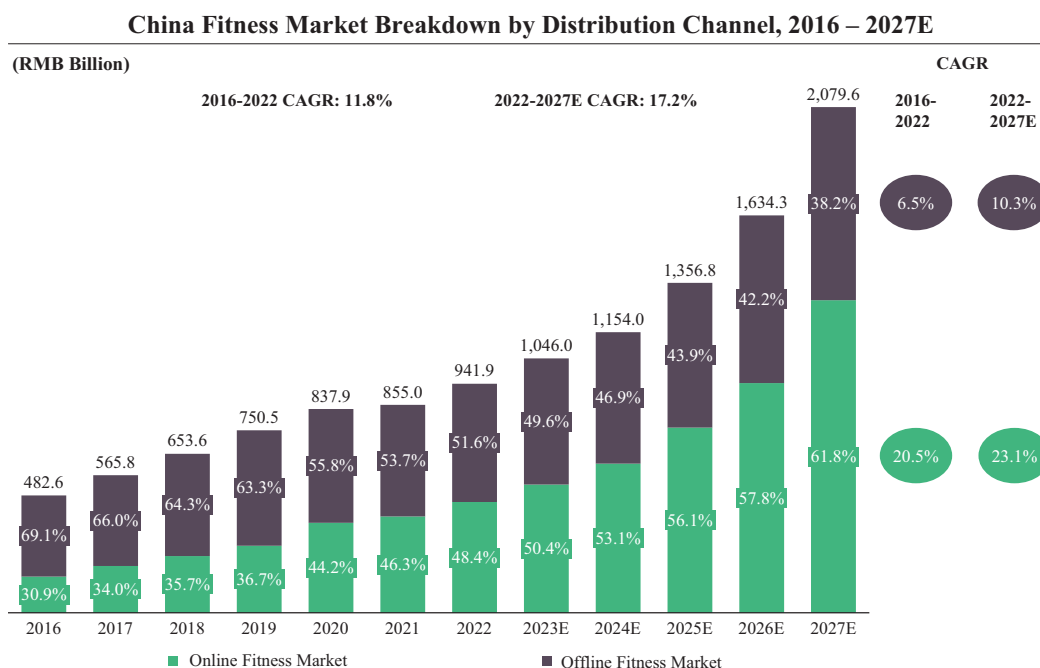
The significant growth potential of China’s fitness market is driven by the following factors:

- *Increasing Disposable Income:* China’s average disposable income per capita increased at a CAGR of 7.3% from RMB26,000 in 2017 to RMB36,900 in 2022, and is expected to grow at a CAGR of 8.3% to RMB47,900 in 2025, according to the CIC Report. As the per capita disposable income in China continues to increase, more people are getting aware of their physical appearance and increasing health awareness. Such trend is expected to stimulate the demand for fitness engagement and will drive the further growth of the market.
- *Expanding Mass-affluent and Emerging Middle Class:* Middle-class and mass affluent population generally have higher income level, higher standard of living, and are more focused on personal health and have higher willingness to purchase fitness services and products. According to the CIC Report, China’s mass-affluent and emerging middle class population, reached 561.9 million in 2020, which signaled an increasing demand for fitness services and products.
- *Young Population:* As younger population in China is generally more well-educated and seeks to build healthy lifestyle, they tend to have higher interest in purchasing fitness products and are more engaged in fitness activities. According to the CIC Report, over 50% of the fitness population in China in 2022 were aged between 18 and 30, and the general young population aged between 18 and 30 in China reached 267.1 million in 2021. Young population in China has been driving and will continue to drive increasing demand for fitness products and activities in China.
- *Government Supports:* Government policies in China in recent years encouraged more investment in the fitness industry to strengthen the fitness infrastructure nationwide. For example, the State Council and China’s Cabinet jointly launched National Fitness Program, which gives guidelines to deepen sports reform, increase participation in fitness activities, and promote fitness activities throughout the country. General Administration of Sport of China also released The 14th Five-Year Plan for Sport Industry Development, which encourages developing “Internet + Fitness” and “IoT+ Fitness” models, increasing the resources of fitness products and services, optimizing the integration of online and offline fitness interaction, and promoting home fitness scenarios and online fitness activities.

China’s fitness market includes: (i) online fitness membership and content, (ii) offline fitness membership and classes, (iii) smart fitness devices, (iv) fitness gear and apparel, and (v) fitness food. Much of the future growth of China’s fitness market will be attributable to China’s online fitness market. In addition, during COVID-19 pandemic, most offline gyms in China experienced temporarily shut down and limited hours of operation. As a result, more and more people are shifting to online fitness platform for content and classes which resulted in much higher growth of the online fitness market compared to that of the offline fitness market. Furthermore, the growing awareness of health and well-being has also led to increased spending on fitness related services and products. According

## INDUSTRY OVERVIEW

to the CIC Report, China’s online fitness market accounted for 48.4% of the overall fitness market in China in 2022, and is expected to account for 61.8% in 2027. China’s online fitness market refers to revenue generated from online fitness memberships and content, and online sales of smart fitness devices, fitness gear and apparel, and fitness food. The following diagram sets forth the historical and forecasted market size and breakdown of the fitness market in China from 2016 to 2027.

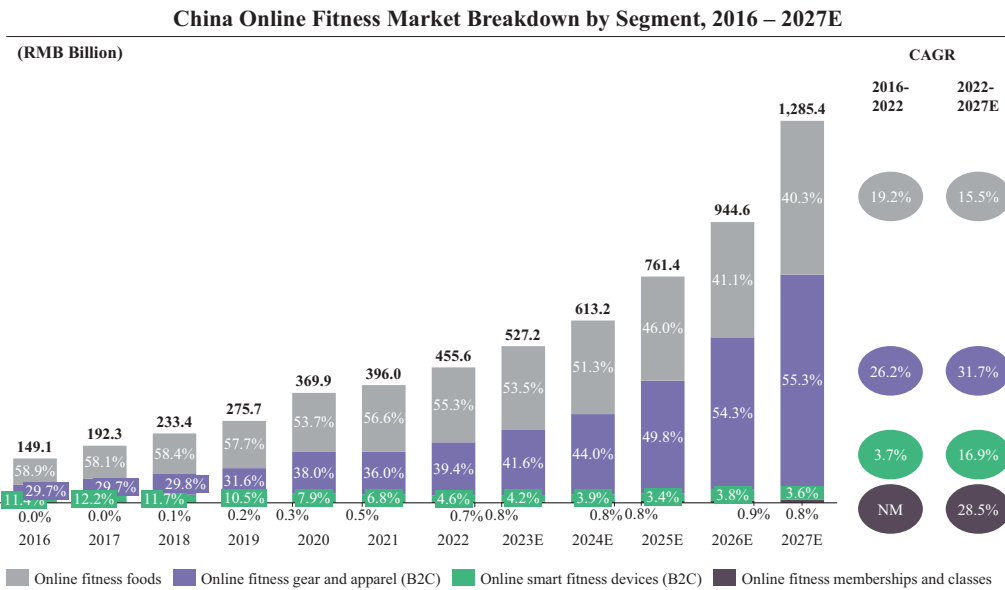


Source: the CIC Report

### CHINA’S ONLINE FITNESS MARKET

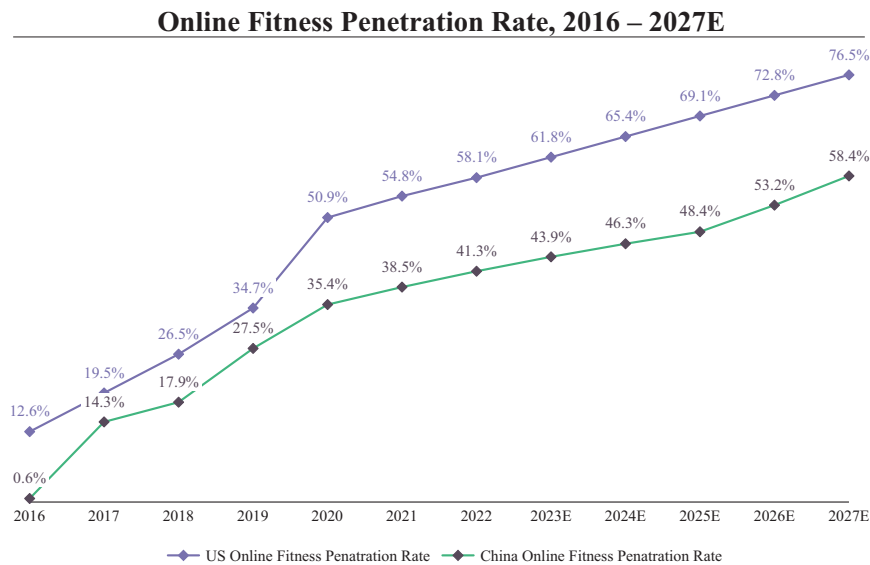
Advanced technologies, such as big data and artificial intelligence, and wide digitalization have been transforming the way people engage with fitness. Supported by increased internet penetration and digitalization in the fitness industry, the online fitness market in China has been growing rapidly. According to the CIC Report, the online fitness market in China reached RMB455.6 billion in 2022 and is expected to increase to RMB1,285.4 billion in 2027, representing a CAGR of 23.1%. In addition, all sectors within the online fitness market in China are growing faster than the offline fitness market in China. In particular, according to the CIC Report, the revenue generated from online fitness memberships and content are expected to grow at a CAGR of 28.5% from 2022 to 2027, significantly higher than the CAGR of 7.6% for offline fitness memberships and classes for the same period. Similarly, revenue generated from online fitness gear and apparel is expected to grow at a CAGR of 31.7% from 2022 to 2027, as compared to the CAGR of 11.2% for offline fitness gear and apparel sales for the same period, according to the CIC Report. The following diagram sets forth the historical and forecasted market size and breakdown of the online fitness market in China from 2016 to 2027.

## INDUSTRY OVERVIEW



Source: the CIC Report

The online fitness population penetration rate refers to the annual average online fitness monthly active users as a percentage of the average monthly number of fitness population, which refers to people who engage in fitness activities more than twice per week. In 2022, China’s online fitness population penetration rate reached 41.3%, as compared to 58.1% in the United States, according to the CIC Report. As various key factors continue to drive the growth of China’s online fitness market, the online fitness population penetration rate in China is expected to reach 58.4% by 2027, according to the CIC Report.



Source: the CIC Report

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## INDUSTRY OVERVIEW

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### KEY GROWTH DRIVERS OF CHINA’S ONLINE FITNESS MARKET

The following factors have contributed to, and will continue to drive the growth of China’s online fitness market:

- *Active internet users and increased dependency on online services:* The wide adoption of smartphones boosted mobile internet user growth in China in the past few years. According to the CIC Report, the total number of mobile internet users reached 1,029 million with a penetration rate of approximately 73% in 2022. At the same time, the average daily time spent on mobile apps of China’s mobile internet users also exceeded 250 minutes in 2022, approximately 70% of which were spent on mobile apps for online content, according to the CIC Report. The well-established mobile internet infrastructure in China and extensive mobile phone usage enable convenient access to online fitness content, driving further growth in China’s online fitness population.
- *Prevalence of fitness workouts at home that are suitable for all athletic levels:* Affordable fitness workouts at home have become a compelling alternative to gym memberships, leading to increased demand for online fitness content. In addition, offline gyms are not suitable for all, in particular those beginners without experience on using gym equipment or knowledge of gym workout plans. These people may feel more comfortable exploring fitness content at home. Online fitness platforms offer a comprehensive solution to address users’ varying fitness needs and athletic levels. According to the CIC Survey, 89.8% of the respondents spent more time on online fitness platforms in 2022 compared to 2021.
- *Increasing willingness to pay for fitness content:* Gym memberships and offline training courses have an average price of RMB394 per month in China in 2022, according to the CIC Report. Online fitness platforms have lower operating costs and offer free fitness content and more affordable membership subscriptions. Users have gradually realized the value propositions from online fitness memberships, which offer personalized fitness curriculums, access to premium fitness content, and discounts on fitness gear and food. In addition, the young generation also attaches greater importance to fitness and health and are more willing to pay for online fitness content. As a result, according to the CIC Report, the online fitness subscription penetration rate was increasing in the past few years and reached 5.6% in 2022.
- *Availability of professional online fitness content and engaging online fitness communities:* The lack of professional and qualified trainers, particularly in lower-tier cities, has been a pain point in the fitness industry in China. According to the CIC Report, the offline gym membership penetration rate in tier-3 and below cities was only 1.4% in 2022, as compared to 5.6% in tier-2 and above cities in China. Online fitness platforms attract users with easily accessible content developed and demonstrated by fitness professionals through a variety of formats, such as pre-recorded video courses and live streaming classes. Furthermore, engaging fitness communities formed on online fitness platforms create a social and interactive layer to online fitness.
- *Evolving customer behavior:* Consumers in China are more receptive to online content and inclined to purchase products and services through online channels, this trend is more particularly more prevalent in the younger generation. In addition, there has been growing mindshare and support for domestic brands especially among the younger generation in China due to the improvement in overall competitiveness of domestic brands in terms of

## INDUSTRY OVERVIEW

product innovation, design, technology, value for money and customer reputation. Such evolving consumer mindset and behavior are expected to further drive the growth of China’s online fitness market.

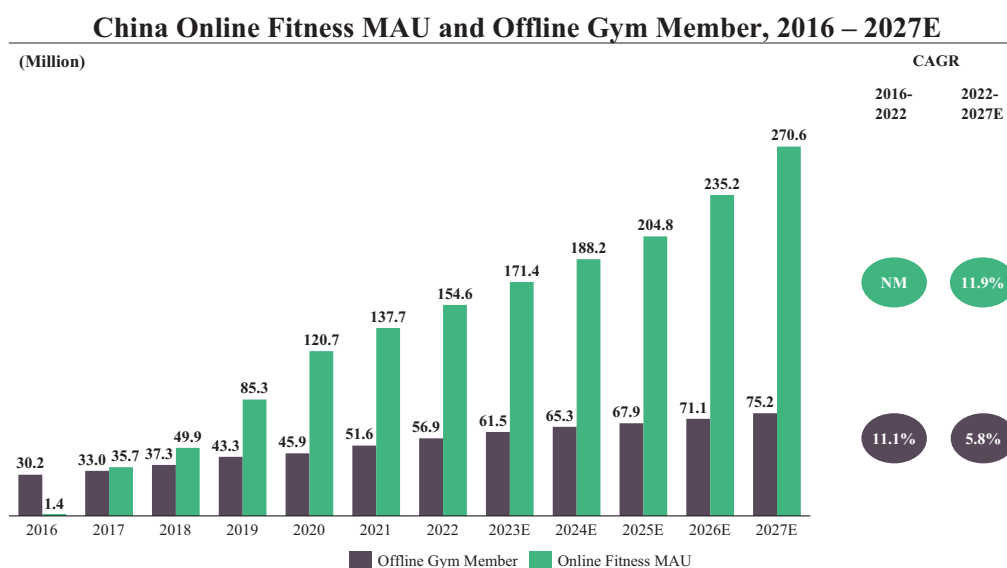
### Trends of China’s Online Fitness Market

The online fitness market in China has been demonstrating the following trends.

- *Higher market concentration:* According to the CIC Report, the aggregated MAUs of top 10 online fitness content platforms in 2022 accounted for over 75% of the total users in China’s online fitness content platforms. It is expected that players with high market concentration will sustain market positions by attracting and retaining users with high-quality fitness content offerings.
- *More professional and interactive online fitness content:* As online fitness gains a growing popularity, there will be increasing demand for more professional and specialized content that can cater to users’ personalized fitness demand. In addition, online fitness content is also expected to be delivered in various formats, such as structured courses, long videos and short videos, and live streaming, among others, to provide users with a more interactive and engaging workout experience.
- *Further integration with fitness hardware:* Home fitness hardware products and software-based fitness content platforms are expected to be further integrated to enable a more robust, real-time and smart fitness assistant for users.

### CHINA’S ONLINE FITNESS MEMBERSHIPS AND CONTENT SECTOR

According to the CIC Report, the annual average MAUs for online fitness memberships and content grew from approximately 1.4 million in 2016 to 154.6 million in 2022, and is expected to reach 270.6 million by 2027, representing a CAGR of 11.9% from 2022 to 2027. Online fitness memberships and content refer to fitness workout courses with or without fitness gear and other fitness video content developed for the fitness population. In comparison, the total number of offline gym members in China is expected to grow to 75.2 million in 2027 from 56.9 million in 2022, representing a lower CAGR of 5.8%, according to the CIC Report. The following diagram sets forth the historical and forecasted MAUs of online fitness memberships and content and offline gym members in China from 2016 to 2027.



Source: the CIC Report



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## INDUSTRY OVERVIEW

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China’s fitness industry is still at the early stage of digitalization. In 2022, the online fitness subscription penetration rate was 5.6% in China, as compared to 11.5% in the U.S., according to the CIC Report. Compared with other industries, such as online music and online video, the current online fitness subscription penetration rate is significantly lower in China. Revenue from online fitness memberships and content in China are expected to experience strong growth driven by the increasing online fitness population, greater demand for premium and personalized fitness content and increasing online fitness subscription penetration rate. According to the CIC Report, the online fitness memberships and content sector in China is expected to grow from RMB2,984.5 million in 2022 to RMB10,474.5 million by 2027, at a CAGR of 28.5%, which is the fastest growing sector in China’s online fitness market.

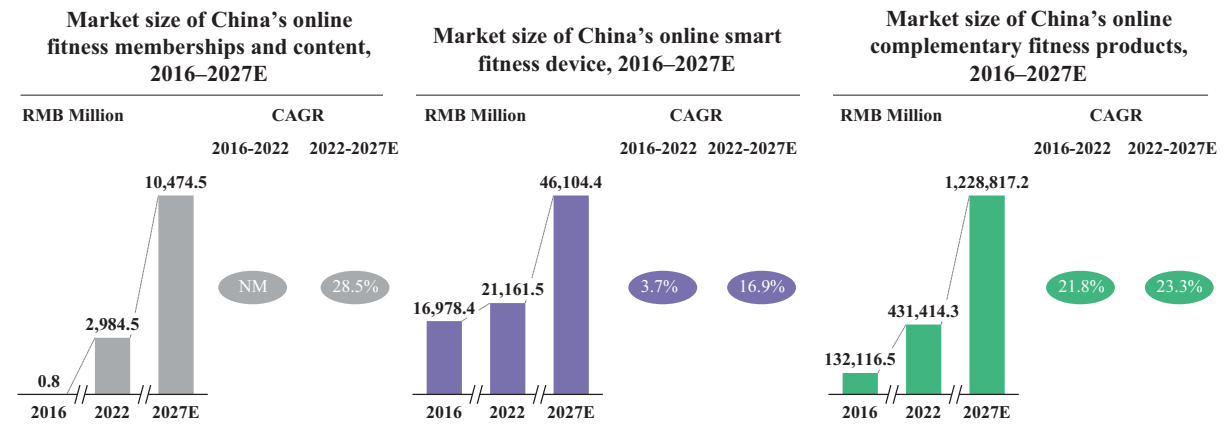
### CHINA’S ONLINE SMART FITNESS DEVICE SECTOR

The online smart fitness device sector in China refers to online sales of smart fitness devices used for fitness. Key categories of smart fitness devices in China include smart bikes, fitness wristbands, smart scales, and treadmills. These smart fitness devices typically provide a smart fitness experience for users based on fitness data. According to the CIC Report, the online sales of smart fitness devices in China grew from RMB17.0 billion in 2016 to RMB21.2 billion in 2022, representing a CAGR of 3.7%, and are expected to continue to grow at a CAGR of 16.9% to reach RMB46.1 billion by 2027. The growing demand for smart fitness devices can be attributed to the increasing demand for users to keep track of various fitness data, such as heart rate, sleep, calories burnt, and others. Furthermore, as the fitness population seeks a more immersive and interactive fitness experience, the industry participants start to offer more fitness solutions that integrate software and hardware, making smart fitness devices more popular.

### CHINA’S ONLINE COMPLEMENTARY FITNESS PRODUCTS SECTOR

The online complementary fitness products sector refers to online sales of (i) fitness gear, such as dumbbells, yoga mats, kettlebells, and other fitness tools and equipment without smart features, (ii) fitness apparel, and (iii) fitness food, including meal replacements, fitness nutrition supplements and pre-prepared fitness meal plans. According to the CIC Report, the online sales of complementary fitness products in China grew from RMB132.1 billion in 2016 to RMB431.4 billion in 2022, representing a CAGR of 21.8%, and are expected to grow at a CAGR of 23.3% to reach RMB1,228.8 billion by 2027. The fitness population increasingly looks to equip themselves with innovative and functional fitness gear, and complement their workout sessions with fitness food to optimize training results. In addition, the increasingly personalized fitness curriculums also drive the demand for personalized fitness gear, apparel and diet programs. The following diagrams set forth the historical and forecasted market size of online fitness market by sectors in China from 2016 to 2027.

## INDUSTRY OVERVIEW



Source: the CIC Report

## RAW MATERIAL AND COMPONENTS PRICE ANALYSIS OF CHINA'S ONLINE FITNESS MARKET

The price of raw material and components of China's online fitness market varies among different product categories. For example, the major raw materials and components of smart fitness devices include motors and chips, among others, while the major raw materials and components of complementary fitness products include fabric and textile, among others. As most online fitness platforms tend to focus on fitness content and the operation of platform and outsource the production and raw material and component purchasing to third-party manufacturers, the fluctuation of the price of raw materials and components generally has limited impact on online fitness platforms. The cost of raw materials and components may still be subject to industry-wide shortages at times and may experience significant commodity pricing fluctuations. In particular, the price of the chips increased significantly since 2020 due to supply shortage and may continue to grow in the future if shortage continues.

## COMPETITIVE LANDSCAPE

Key constituents in China's online fitness market include fitness apps, video apps, livestreaming apps, fitness vloggers, smart fitness device brands and manufacturers, and fitness product brands. Online fitness platforms may compete with other market players such as video apps and live streaming apps for advertising revenue and fitness product brands and smart fitness device brands and manufacturers for product sales. Benefiting from the ability to integrate online contents with offline experience and develop an active fitness community, online fitness platforms enjoy a favorable competitive advantage over other types of players in the online fitness industry.

In comparison with other online channel such as video apps and livestreaming apps, fitness training videos from influencers on free video-streaming platforms are typically generated at will as a type of “content creation” by these individual users who may not possess professional knowledge and structured training. Nor do they organize their fitness content creation in a systematic manner. Fitness influencers' fitness content on other free online platforms also lacks quality and consistency in terms of video editing, language/subtitles, audio quality, recording background, disruption from advertisement, video length, among others, which leads to less desirable fitness experience that discourages users to follow or complete a workout. Meanwhile, the fitness content on online fitness platforms cater into

## INDUSTRY OVERVIEW

users’ strong exercise intent when they log on the app and focus on an interactive “work-out” experience. These platforms aim to encourage users to actually participate in and complete workout sessions rather than browsing fitness videos casually.

Major products in the smart fitness device segment include smart bikes, smart wristbands and treadmills, among others. Major players in the market include online fitness platform, consumer electronics brands and fitness device brands. Our Company ranked first in smart bikes as of December 31, 2022 in China in terms of the accumulative GMV of bikes sold.

For complementary fitness products, the market is highly fragmented considering the variety of products in this segment. Major players are globally well-known sporting goods brands. However, in certain product categories, there are emerging brands that focus on such niche segment and enjoyed high growth in recent years. Our Company is China’s largest yoga mat brand in terms of GMV in 2022, with a 18.3% market share in the premium yoga mat market.

Among all the online fitness platforms with launch of fitness apps and offering of online content, our Company ranked first in China in terms of 12-month average MAUs and 12-month average monthly subscribing members in 2022, both more than double those of any individual competitor, according to the CIC Report. In addition, our Company also ranked first among online fitness platforms in terms of the number of workout sessions in 2022, according to the CIC Report.

### Ranking of China’s Online Fitness Platforms in 2022

Ranking	Players	12-month average MAU (million)	12-month average monthly subscribing members (million)	Number of workout sessions completed (billion)
1	Our Company	36.4	3.62	2.1
2	Platform A <sup>(1)</sup>	8.7	0.26	0.5
3	Platform B <sup>(2)</sup>	7.5	0.51	0.3
4	Platform C <sup>(3)</sup>	6.1	0.42	0.2
5	Platform D <sup>(4)</sup>	3.0	0.11	0.1

Source: the CIC Report

*Notes:*

- (1) Founded in 2016, Platform A is an online fitness platform which mainly offers health monitor services along with exercise and online fitness lessons. Platform A is owned by one of the leading global providers of information and communications technology (ICT) infrastructure and smart devices. The revenue of the Platform A is mainly from the sales of smart fitness devices.
- (2) Founded in 2019, Platform B is an online fitness platform which initially acted as a step counter app and provides rewards for users. It has launched online fitness lessons and online fitness stores. The revenue of Platform B is mainly from online advertising.
- (3) Founded in 2010, Platform C is an online fitness platform that offers online fitness lessons and health monitor services. The revenue of Platform C is mainly from online advertising.
- (4) Founded in 2018, Platform D is an online fitness platform that offers step counter, running records and online fitness lessons. The revenue of Platform D is mainly from online advertising.

According to the CIC Survey, our Company also ranked highest in the following aspects:

- Our Company ranked first in terms of brand awareness among fitness apps and smart fitness device brands, as 77.5% of fitness users in China and 72.7% of smart fitness device users in China knew of the *Keep* mobile app.
- Our Company had the highest market share in online fitness apps market and smart fitness devices market of 30.8% and 25.7%, respectively, among fitness population in China.

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## INDUSTRY OVERVIEW

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### Key Entry Barriers to China’s Online Fitness Market

The online fitness market in China demonstrates the following entry barriers.

- *Massive user base and active community.* The capability to develop a large and vibrant user base and engaging community is one of the key entry barriers to China’s online fitness market. Interaction among users that are gathered by common topics based on the community’s professional content can generate enormous influences in terms of boosting brand affinity and helping appeal and retain more users. An online fitness community can outperform its peers if it has a vast number of active users. By properly stimulating users’ enthusiasm on online fitness platforms, coupled with premium content, market participants can gradually foster a vibrant community culture, thereby enhancing user loyalty and attracting more potential users, which in turn generates a positive feedback loop.
- *Strong brand recognition.* It is difficult for online platforms to build brand awareness, trust, and deep connection with their users. This would require company’s continuous excellence in content and product offerings and iteration, deep customer insight, differentiated value proposition, and strategic brand positioning. The ability to become a leading and well-recognized brand in China’s online fitness market, particularly among the young generation with growing attention to personal health and wellness, will bring strong and long-lasting brand equity that can support market participant’s long-term growth.
- *Capability to sustainably develop high-quality and innovative content at scale.* Comprehensive interactive content has been and is expected to remain a critical element for the development of online fitness communities. Content, including diverse online training courses to improve core strength, lose weight and for rehabilitation, should be as multi-dimensional, professional, and systematic. Those market participants who are able to continually generate and upgrade a wide range of interactive fitness content can better attract and obtain users.
- *Extensive product offerings.* To ensure the steady development of an online fitness community, online platforms offer a large variety of fitness-related products to satisfy their users’ various needs, which also provides a means to further stimulate the company’s revenue. Users not only focus on engaging in fitness activities, but also value the effectiveness of workouts, especially with the assistance of a wide selection of products. To support such broad offering of products, it is also critical to build up a robust supply chain system to streamline numerous production lines, organize stock keeping units (SKUs) and provide manage fulfillment and logistics services in an efficient manner.
- *Offering an integrated online-to-offline fitness experience.* A one-stop comprehensive fitness solution is increasingly valued nowadays. As consumers are spending more time on the internet, they tend to find a way to keep fit more easily and conveniently, which accordingly requires a practical solution to accommodate their daily routines. Market participants that can offer solutions connecting online service with offline products for the benefit of users are usually more well-positioned to play a dominant role in the market.
- *Advanced technologies.* Technology plays a fundamental role in the development of a vibrant online community. People expect that their workout efficiency can be improved as the platforms receive and analyze their past fitness activities and provide suggestions to enhance their fitness performance. Hence, the ability to apply advanced, especially AI-driven, technologies to fitness contents, products and devices has become vitally important for online platforms to build sustainable competitive advantage.

## HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE

### OVERVIEW

*Keep* is the largest online fitness platform in China in terms of MAUs, and number of workout sessions completed by users in 2022, according to the CIC Report. With innovation as our foundation, we are a fast-growing and result-oriented platform that provides users with a comprehensive fitness solution to help them achieve their fitness goals. We generated a majority of our revenue from the sales of our self-branded fitness products during the Track Record Period. We offer extensive and professional fitness content with AI-assisted personalized curriculums, encompassing interactive live streaming classes and recorded fitness courses, that dynamically adjust course content and workout intensity based on users’ athletic levels, fitness goals, daily workout patterns and diet. Our content is complemented by a variety of smart fitness devices, fitness gear, apparel and food, which enables us to seamlessly connect the physical and digital realms to create an immersive, integrated, one-stop fitness experience.

Our history began in September 2014 with the establishment of Calorie Technology, through which we commenced our operation and launched the *Keep* mobile app in February 2015. Since then, we have been led by our founder, chairman of the Board and chief executive officer, Mr. Wang, a young and visionary entrepreneur, and our first *Keeper*. Mr. Peng Wei, Mr. Wen Chunpeng and Mr. Liu Dong are our co-founders. Mr. Peng Wei has served as our Director since July 2015 and is the vice president of online operations. Mr. Wen Chunpeng is our employee and director of certain subsidiaries that operate our *Keepland* business. Mr. Liu Dong has served as our Director since April 20, 2021 and is the vice president of consumer fitness products.

### KEY BUSINESS MILESTONES

The following table sets forth our key business development milestones:

Year	Event
2014	We commenced our operations.
2015	We launched <i>Keep</i> mobile app with proprietary structured fitness courses. The MAUs on our platform reached one million.
2016	The MAUs on our platform reached 10 million.
2018	We expanded our offerings to include smart fitness devices and complementary fitness products under the <i>Keep</i> brand. We launched our membership subscription.
2019	Our subscribing members reached one million.
2020	We launched our interactive live streaming fitness classes.
2021	The MAUs on our platform reached 40 million.
2022	Our average monthly subscribing members for the year exceeded 3.5 million.

## HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE

### MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The principal business activities during the Track Record Period and date of establishment of each of our major subsidiaries are shown below:

Name of company	Principal business activities	Date and jurisdiction of establishment
Beijing Calorie Technology Co., Ltd. (北京卡路里科技有限公司) (“ <b>Calorie Technology</b> ”)	Sales of self-branded fitness products, provision of membership services, online paid content and advertising services	September 26, 2014, PRC
Beijing Calorie Information Technology Co., Ltd. (北京卡路里信息技术有限公司) (“ <b>WFOE</b> ”)	Development of software	July 7, 2015, PRC
Hangzhou Calorie Sports Co., Ltd. (杭州卡路里體育有限公司)	Sales of self-branded fitness products	November 5, 2021, PRC
Shenzhen Calorie Technology Co., Ltd. (深圳卡路里科技有限公司) (“ <b>Shenzhen Calorie</b> ”)	Development and provision of self-branded fitness products	August 29, 2017, PRC

### MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 21, 2015. On the same day, we issued one share of par value US\$0.001 to Sertus Nominees (Cayman) Limited, which was subsequently transferred to Persistent Courage Holdings Limited, 4,230,463 shares of par value US\$0.001 each to Persistent Courage Holdings Limited and 1,414,336 shares of par value US\$0.001 each to Metropolis Olympia Holdings Limited.

Between September 2014 and December 2021, we conducted nine rounds of pre-[REDACTED] financing. See “—Pre-[REDACTED] Investments” for shareholding changes resulting from the Pre-[REDACTED] Investments. See also “Statutory and General Information — Further Information about Our Group — Changes in share capital of our Company” in Appendix IV for details of changes in the share capital of our Company during the two years immediately preceding the date of this document.

On April 14, 2020, we issued 250,000 ordinary shares to Bulldog Group Ltd, subject to voting, transfer and dividend restrictions, as a result of the termination of options granted to Mr. Liu Dong, our co-founder, executive Director and vice president of consumer fitness products.

In March 2021, we carried out a share subdivision (the “**Share Split**”), pursuant to which each of our issued and unissued share with each share in our then issued and unissued share capital was split into twenty shares of the corresponding class with a par value of US\$0.00005 each. Upon completion of the Share Split, the issued share capital of our Company consisted of: (i) 138,362,900 ordinary shares, (ii) 40,000,000 Series A Preferred Shares, (iii) 35,293,880 Series B Preferred Shares, (iv) 51,926,960 Series C Preferred Shares, (v) 14,946,080 Series C-1 Preferred Shares, (vi) 39,873,000 Series D Preferred Shares, (vii) 34,497,140 Series E Preferred Shares, and (viii) 86,628,120 Series F Preferred Shares.

In March 2021, we repurchased an aggregate of 827,760 Series E Preferred Shares from Persistent Courage Holdings Limited at a total repurchase price of US\$3,392,141, leaving 33,669,380 Series E Preferred Shares issued and outstanding. Persistent Courage Holdings Limited is wholly-



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## HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE

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controlled by Mr. Wang, our founder and Single Largest Shareholder. Mr. Wang participated in the Series E subscription offering to provide our Company with additional capital within a relatively short period of time, whilst simultaneously reflecting our founder’s increased support in our Company’s future development. In March 2021, we repurchased a portion of these Series E Preferred Shares from our founder in order to increase the respective shareholding (and voting) percentages of our other Shareholders, which gave our Company greater leeway to issue more shares at a future fund-raising round at a higher valuation (reflecting our Group’s growth in the interim period) whilst at the same time minimizing the dilutive effect on our existing Shareholders. This arrangement was considered beneficial to, and was approved by, our existing Shareholders.

On June 1, 2021, we issued 990,000 ordinary shares to Bulldog Group Ltd, subject to voting, transfer and dividend restrictions. On June 4, 2021, we issued 14,440,000 ordinary shares to Calorie Fortune Limited. These shares resulted from early exercise of options granted to participants of our Pre-[REDACTED] Share Incentive Plans and are held on record for the grantees’ benefit. Calorie Fortune Limited is a trust company in which the settlor is our Company and Futu Trustee Limited acts as the trustee and which is empowered to vote the exercised Shares as instructed by the Board. The beneficiaries of Calorie Fortune Limited are employees of our Company who have elected to hold their interests through a trust company to, among other reasons, facilitate in managing and holding our shares by share scheme participants, consolidate and simplify our shareholding structure, and facilitate dealings in our Shares after Listing for beneficiaries who do not otherwise have a brokerage or [REDACTED] participant account available in Hong Kong. None of the beneficiaries are connected persons of our Company.

On December 3, 2021, we issued 13,497,767 Series F-1 Preferred Shares to Sky Royal Trading Limited.

On March 31, 2022, we issued 45,205,300 ordinary shares to Calorie Partner Limited, which are reserved for satisfying awards granted or to be granted to participants of our Pre-[REDACTED] Share Incentive Plans who are not close associates of our Company. Calorie Partner Limited is a trust company that is wholly-owned by a trust in which our Company is the settlor, Futu Trustee Limited acts as the trustee, and the beneficiaries are participants of our Company’s share incentive plans who are not close associates of our Company. As trustee, Futu Trustee Limited exercises the voting and other rights attached to the Shares as instructed by an advisory committee established by our Company. See “Statutory and general information—Pre-[REDACTED] Share Incentive Plans” for further details.

Upon the completion of the above share issuances, the issued share capital of our Company consisted of: (i) 198,998,200 ordinary shares, (ii) 40,000,000 Series A Preferred Shares, (iii) 35,293,880 Series B Preferred Shares, (iv) 51,926,960 Series C Preferred Shares, (v) 14,946,080 Series C-1 Preferred Shares, (vi) 39,873,000 Series D Preferred Shares, (vii) 33,669,380 Series E Preferred Shares, (viii) 86,628,120 Series F Preferred Shares, and (iv) 13,497,767 Series F-1 Preferred Shares.

Upon Listing, our Company will unwind its weighted voting rights structure and each issued Share (including those with super-voting rights) will be converted or re-designated to one ordinary share that would entitle its holder to one vote at a general meeting of the Company. See “Share capital” for further details.

## MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any major acquisition or disposal during the Track Record Period.

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## HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE

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### ENTRY INTO THE CONTRACTUAL ARRANGEMENTS

In preparation for Listing and to ensure that the scope of entities and businesses within our VIE structure would be kept to a minimum, we adjusted our corporate structure (including our VIE structure) and entered into the Contractual Arrangements to replace our original contractual arrangements that was in place before the reorganization. The internal reorganization of our VIE structure was completed in January 2022. See “Contractual Arrangements” for more details.

### VOTING PROXY AGREEMENTS

Prior to Listing, under our Company’s weighted voting rights structure, Mr. Wang (through his controlled corporations) controlled super-voting rights, and together with Mr. Wang’s position in our management (as chairman of our Board, executive Director and chief executive officer), Mr. Wang was the chief architect and driver of our business growth and development. Upon Listing, our Company shall unwind our weighted voting rights structure, which will result in Mr. Wang’s voting percentage in our Company (through his controlled corporations) being reduced from 75.41% to [REDACTED] (assuming the Presumptions).

In connection with this, Mr. Wang (through his controlled corporation Persistent Courage Holdings Limited), as proxyholder on the one hand, and certain Shareholders, as proxy granters on the other hand, have entered into Voting Proxy Agreements. The primary reasons for entering into these agreements are to: (a) alleviate some of the impact on the change to Mr. Wang’s voting percentage from unwinding our weighted voting rights structure; (b) affirm the proxy granters’ support and faith in the direction and vision of our founder, Mr. Wang, to act in a manner that is aligned with the interests of our Group (including our long-term and strategic objectives) and our Shareholders as a whole; and (c) reflect the importance of Mr. Wang’s guidance and leadership in our Group’s continued growth and development.

Material terms of these agreements are summarized below:

Proxyholder	Persistent Courage Holdings Limited
Proxy granters	Metropolis Olympia Holdings Limited, Bulldog Group Ltd and Impressive Appearance Holdings Limited.

Each of Metropolis Olympia Holdings Limited and Bulldog Group Ltd is controlled by a Director and shall constitute connected persons of our Company upon Listing. Impressive Appearance Holdings Limited is controlled by Mr. Wen Chunpeng, our co-founder and employee and a director of certain subsidiaries that operate our *Keeland* business. See “—Corporate structure—Corporate structure after reorganization and as at the date of this document” for further details on these entities.

Impressive Appearance Holdings Limited is an Independent Third Party, and other than this arrangement, to the best knowledge of our Company, there is no other voting arrangement or close associate relationship between Mr. Wang and the proxy granters or among the proxy granters.

Subject shares	All of the Shares held by the proxy granter (or their controlled affiliates) upon Listing and from time to time thereafter.
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## HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE

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Proxy scope	All matters put forth at a general meeting or for a vote by members, except for matters on which Mr. Wang (or the proxyholder) is required to abstain from voting under the Listing Rules and applicable laws and regulations.
Proxy term	Commencing prior to Listing and, with respect to each proxy granter, until termination by the proxyholder, the proxy grantor no longer holding the Shares, or Mr. Wang ceasing to be our Director.
Other provisions	<p>Each proxy granter has given a right of first refusal to the proxyholder in respect of any sale or transfer of their Shares during the proxy term.</p> <p>Additionally, the parties have agreed that, without the consent of the proxyholder, they will not make any acquisition of Shares that may result in the parties becoming concert parties pursuant to the Takeovers Code or in that party or persons acting in concert with that party being obliged to make a mandatory general offer under the Takeovers Code.</p>
Additional information	<p>None of the proxy granters is entitled to any special rights under the voting proxy agreements and there are no reserved matters which require consent of the proxy granters under the Voting Proxy Agreements.</p> <p>None of the proxy granters are considered a group of controlling shareholders with Mr. Wang and his controlled corporations.</p> <p>Upon and after Listing, under the Model Code, dealings in our Shares, including deemed dealings under the SFO, by Metropolis Olympia Holdings Limited and Bulldog Group Ltd, being entities controlled by our Directors, would require prior written approval of a Director (other than Mr. Wang and the relevant interested Director) in accordance with the Model Code. Impressive Appearance Holdings Limited, the remaining proxy granter, will also be subject to the Model Code, for as long as its voting proxy arrangement remains in effect, such that dealings by this entity in the Subject Shares would be treated as dealings of an entity controlled by a Director.</p> <p>In an event of breach of the respective Voting Proxy Agreement terms, the usual remedies for breach of contract would be available, including but not limited to damages (which would potentially cover the costs of a mandatory general offer if such costs were incurred by one party as a result of breach by the other party), specific performance or other injunctive relief.</p>

## HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE

### PRE-[REDACTED] INVESTMENTS

#### Principal terms of the Pre-[REDACTED] Investments

Between September 2014 and December 2021, we conducted nine rounds of pre-[REDACTED] financing, pursuant to which certain Pre-[REDACTED] Investors invested in our business.

Series	Date of initial investment agreement	Date of last payment of consideration	Total number of shares under the subscription agreement	Approximate amount raised (in thousands)	Cost per share paid <sup>(1)</sup>	Discount to the [REDACTED] <sup>(2)</sup>
Angel	September 23, 2014	October 24, 2014	N/A <sup>(3)</sup>	RMB 2,500	N/A <sup>(3)</sup>	N/A
A	June 8, 2015	June 8, 2015	40,000,000	US\$ 5,000	US\$0.13	[REDACTED]
B	September 18, 2015	September 24, 2015	35,293,880	US\$ 9,988	US\$0.28	[REDACTED]
C	April 20, 2016	May 3, 2016	51,926,960	US\$ 31,987	US\$0.62	[REDACTED]
C-1	June 23, 2016	June 30, 2016	14,946,080	US\$ 10,522	US\$0.70	[REDACTED]
D	July 5, 2018	July 13, 2018	39,873,000	US\$ 82,019	US\$2.06	[REDACTED]
E	December 12, 2019, April 6, 2020	April 23, 2020	34,497,140 <sup>(4)</sup>	US\$ 83,345	US\$2.42	[REDACTED]
F	December 11, 2020	December 17, 2020	86,628,120	US\$ 355,002	US\$4.10	[REDACTED]
F-1	December 3, 2021	December 13, 2021	13,497,767	US\$ 70,000	US\$5.19	[REDACTED]

*Notes:*

- (1) Between Series F financing and Series F-1 financing, the Company conducted the Share Split, details of which are set out in “—Major shareholding changes of our Company”. The total number of shares under the investment agreements and cost per share paid to the Company for Series A to Series F financing have been adjusted to reflect the Share Split.
- (2) Based on the [REDACTED].
- (3) Onshore angel investment was made in respect of Calorie Technology before the Company was incorporated.
- (4) In March 2021, the Company repurchased 827,760 Series E Preferred Shares from Persistent Courage Holdings Limited, leaving 33,669,380 Series E Preferred Shares issued and outstanding

#### Use of proceeds from the Pre-[REDACTED] Investments

We used a portion of the proceeds from the Pre-[REDACTED] Investments for business expansion, capital expenditure, investment and general working capital needs of our Company. As of the Latest Practicable Date, approximately 59.7% of the funds raised from the Pre-[REDACTED] Investments have been utilized.

#### Strategic benefits the Pre-[REDACTED] Investors brought to our Company

At the time of each of the Pre-[REDACTED] Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-[REDACTED] Investors’ investments in our Company and their knowledge and experience.

#### Basis of consideration

The consideration for each of the Pre-[REDACTED] Investments was determined based on arm’s length negotiations between the Company and the Pre-[REDACTED] Investors after taking into consideration the timing of the investments, the prospect of the online fitness industry and the status of our business and operating entities, including the growth in the Company’s financials and key operating metrics, particularly, average MAUs and revenue.

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### Special Rights of the Pre-[REDACTED] Investors

The Pre-[REDACTED] Investors have been granted certain special rights in relation to our Company, including redemption rights, information rights, pre-emptive rights, rights of first refusal, dividend and liquidation preferences, and director appointment rights. These special rights either have already been terminated as at the Latest Practicable Date or will terminate before or upon Listing in accordance with Guidance Letters HKEX-GL43-12 and HKEX-GL44-12.

### Public Float

Upon completion of the [REDACTED] (assuming the Presumptions), the shares held by certain of our Shareholders who are, or are indirectly controlled by, our core connected persons, will not be counted towards the public float. Details of these Shareholders and their controllers are set out below:

[REDACTED]

Save as provided above, upon the completion of the [REDACTED] (assuming the Presumptions), the other Pre-[REDACTED] Investors and Shareholders will collectively hold [REDACTED] Shares (representing approximately [REDACTED] of the issued share capital of the Company).

To the best knowledge of our Directors, the remaining Shareholders, including the other Pre-[REDACTED] Investors, are not core connected persons of the Company and the Shares held by them will count towards the public float.

### Information on the Pre-[REDACTED] Investors

Set out below is a description of our Pre-[REDACTED] Investors.

- (a) GGV Capital Select L.P. is a limited partnership organized in the United States, which is controlled by GGV Capital Select L.L.C. GGV Capital V L.P. is a limited partnership organized in the United States, which is controlled by GGV Capital V L.L.C. GGV Capital V Entrepreneurs Fund L.P. is a limited partnership organized in the United States, which is controlled by GGV

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Capital V L.L.C. GGV VII Investments Pte. Ltd. is a company incorporated in Singapore, which is ultimately controlled by GGV Capital VII L.L.C. GGV Capital Select L.L.C. and GGV Capital V L.L.C. are controlled by Lee Hongwei Jenny, Jeff Richards, Jixun Foo, Glenn Solomon and Hans Tung. GGV Capital VII L.L.C. is controlled by Lee Hongwei Jenny, Jeff Richards, Jixun Foo, Glenn Solomon, Hans Tung and Eric Xu.

- (b) SVF II Calorie Subco (DE) LLC (“**SVF**”) is a special purpose vehicle indirectly majority owned by SoftBank Vision Fund II-2 L.P. (“**SVF Fund II**”). The sole member of SVF is SVF II Investment Holdings (Subco) LLC (“**SVF II Investment Subco**”) and the sole member of SVF II Investment Subco is SVF II Investment Holdings LLC (“**NewCo**”). SB Global Advisers Limited (“**SBGA**”) has been appointed as manager and is responsible for making all decisions related to the acquisition, structuring, financing and disposal of SVF Fund II’s investments, including as held by NewCo.
- (c) Morningside China TMT Fund IV, L.P. is an exempted limited partnership organized in the Cayman Islands. Morningside China TMT Fund IV Co-Investment, L.P. is an exempted limited partnership organized in the Cayman Island. Morningside China TMT Special Opportunity Fund II, L.P. is an exempted limited partnership organized in the Cayman Islands. Evolution Special Opportunity Fund I, L.P. is an exempted limited partnership organized in the Cayman Islands. Evolution Fund I Co-investment, L.P. is an exempted limited partnership organized in the Cayman Islands. Morningside China TMT Fund IV, L.P., Morningside China TMT Fund IV Co-Investment, L.P. and Morningside China TMT Special Opportunity Fund II, L.P. are controlled by their general partner, Morningside China TMT GP IV, L.P.. Morningside China TMT GP IV, L.P. is controlled by its general partner, TMT General Partner Ltd.. Each of Liu Qin, Shi Jianming and Morningside Venture (VII) Investments Limited is entitled to exercise or control the exercise of one-third of the voting power of all issued shares in TMT General Partner Ltd. at its general meeting. Morningside Venture (VII) Investments Limited is indirectly 100% held through a series of 100% owned holding companies by the Landmark Trust Switzerland SA as trustee of a discretionary trust established by Mdm. Chan Tan Ching Fen for the benefit of certain members of her family and other charitable objects. Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P. are controlled by their general partner 5Y Capital GP Limited. Each of Liu Qin and Shi Jianming is entitled to exercise or control the exercise of one-half of the voting power of all issued shares in 5Y Capital GP Limited at its general meeting.
- (d) MORESPARK LIMITED is a company incorporated in Hong Kong. Tencent Holdings Limited, a Hong Kong listed company (HKSE: 0700) is the sole member of MORESPARK LIMITED. Tencent Holdings is a leading provider of Internet value-added services in China.
- (e) JenCap Squad is an exempted company incorporated in the Cayman Islands, which is wholly owned by Jeneration Capital Partners II L.P., which is controlled by its general partner, Jeneration Capital GP II. JenCap Squad I L.P., is an exempted limited partnership organized in the Cayman Islands, which is controlled by its general partner JenCap Squad I GP. Jeneration Capital GP II and JenCap Squad I GP are ultimately controlled by Jimmy Ching-Hsin Chang.
- (f) BAI GmbH is a company incorporated in Germany, which is wholly owned by Reinhard Mohn GmbH. Reinhard Mohn GmbH is wholly owned by Bertelsmann SE&Co. KgaA, which is controlled by Bertelsmann Verwaltungsgesellschaft. Bertelsmann Verwaltungsgesellschaft is controlled by Mr. Christoph Mohn.



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## HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE

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- (g) Goldman Sachs Capital Holdings II Pte. Ltd. is a company incorporated in Singapore, which is wholly owned by Goldman Sachs Capital Holdings I Pte. Ltd. Goldman Sachs Capital Holdings I Pte. Ltd. is indirectly wholly owned by The Goldman Sachs Group, Inc. (NYSE: GS).
- (h) BW Ventures Limited is a company incorporated under the laws of the British Virgin Islands and wholly owned by Mr. Liu Guowei.
- (i) VENTECH CHINA III SICAR is a company incorporated in Luxembourg, which is controlled by Ventech China Lux. Ventech China Lux is controlled by Mr. Eric HUET.
- (j) NVMB XII Holdings Limited is an exempted company incorporated under the laws of Cayman Islands, which is ultimately managed and controlled by Hillhouse Investment Management, Ltd. (“**Hillhouse**”), an exempted company incorporated under the laws of Cayman Islands. Founded in 2005, Hillhouse is a global private equity firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse’s investment approach. Hillhouse partners with exceptional entrepreneurs and management teams to create value, often with a focus on innovation and growth. Hillhouse invests in the fields of healthcare, business services, broad consumption and industrials. Hillhouse manages assets on behalf of institutional clients from across the globe.
- (k) Coatue PE Asia 43 LLC is a limited liability company incorporated under Delaware law. It’s an investment holding entity controlled and managed by Coatue Management, L.L.C., who is an investment advisor regulated the SEC. Coatue Management, L.L.C. is controlled by Philippe Laffont.
- (l) Candiac Limited is a company organized and existing under the laws of the Cayman Islands and wholly owned by Tan Qing.
- (m) Sky Royal Trading Limited is a private company organized and existing under the laws of Hong Kong, which is controlled by Mr. Chen Mingyong.

### Compliance with Interim Guidance

On the basis that (i) the consideration for the last round of Pre-**[REDACTED]** Investment was settled on December 13, 2021, (ii) the settlement of the considerations for the Pre-**[REDACTED]** Investments complies with the guidance letter requirements from the Stock Exchange and (iii) the special rights granted to the Pre-**[REDACTED]** Investors have terminated or will terminate upon the Listing, the Joint Sponsors have confirmed that the Pre-**[REDACTED]** Investments are in compliance with Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 (and last updated in March 2017), HKEX-GL43-12 issued by the Stock Exchange in October 2012 (and last updated in March 2017), and HKEX-GL44-12 issued by the Stock Exchange in October 2012 (and last updated in March 2017).

**HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE**

**CAPITALIZATION**

The following table sets out our shareholding structure as of the date of this document and immediately upon the completion of the [REDACTED], assuming the Presumptions.

Shareholders	Series A	Series B	Series C	Series D	Series E	Series F	Series F-1	Aggregate total	Aggregate ownership	Aggregate ownership	Aggregate ownership
	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	number of Shares immediately upon completion of the	percentage as at the date of this document <sup>(1)</sup>	percentage as at the date of this document <sup>(1)</sup>	percentage immediately upon completion of the
Persistent Courage Holdings Limited	78,469,806	—	—	—	—	—	—	78,469,806	15.24%	67.72%	[REDACTED]
Lightmap Limited	8,909,312	—	—	—	—	—	—	8,909,312	1.73%	0.51%	[REDACTED]
Calorie Partner Limited	45,205,300	—	—	—	—	—	—	45,205,300	8.78%	2.60%	[REDACTED]
Calorie Fortune Limited	14,440,000	—	—	—	—	—	—	14,440,000	2.80%	0.83%	[REDACTED]
BW Ventures Limited	20,471,906	—	—	—	—	—	—	20,471,906	3.98%	1.18%	[REDACTED]
Metropolis Olympia Holdings Limited	10,621,480	—	—	—	—	—	—	10,621,480	2.06%	0.61%	[REDACTED]
Bulldog Group Ltd	5,561,499	—	—	—	—	—	—	5,561,499	1.08%	0.32%	[REDACTED]
Impressive Appearance Holdings Limited	5,469,740	—	—	—	—	—	—	5,469,740	1.06%	0.31%	[REDACTED]
NVMB XII Holdings Limited	3,853,327	—	—	—	—	7,320,680	—	11,174,007	2.17%	0.64%	[REDACTED]
CANDIAC LIMITED	3,853,327	—	—	—	—	—	—	3,853,327	0.75%	0.22%	[REDACTED]
Sky Royal Trading Limited	2,142,503	—	—	—	—	—	13,497,767	15,640,270	3.04%	0.90%	[REDACTED]
VENTECH CHINA III SICAR	12,626,440	—	—	—	—	—	—	12,626,440	2.45%	0.73%	[REDACTED]
BAI GmbH	9,978,440	12,352,860	3,245,440	—	1,241,640	1,220,120	—	28,038,500	5.45%	1.61%	[REDACTED]
Morningside China TMT Fund IV, L.P.	8,152,400	—	22,127,960	—	—	—	—	30,280,360	5.88%	1.74%	[REDACTED]
Morningside China TMT Fund IV Co-Investment, L.P.	815,240	—	2,212,800	—	112,880	—	—	3,140,920	0.61%	0.18%	[REDACTED]
Morningside China TMT Special Opportunity Fund II, L.P.	—	—	—	—	1,128,780	—	—	1,128,780	0.22%	0.06%	[REDACTED]
Evolution Special Opportunity Fund I, L.P.	—	—	—	—	—	4,243,880	—	4,243,880	0.82%	0.24%	[REDACTED]

**HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE**

Shareholders	Ordinary Shares	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	Series F-1 Preferred Shares	Aggregate total number of Shares	Aggregate ownership percentage as at the date of this document <sup>(1)</sup>	Aggregate voting percentage as at the date of this document <sup>(1)</sup>	Aggregate total number of Shares immediately upon completion of the	Aggregate ownership percentage immediately upon completion of the
Evolution Fund I														
Co-investment, L.P. ....	—	—	—	—	—	—	—	636,580	—	636,580	0.12%	0.04%	[REDACTED]	[REDACTED]
GGV CAPITAL														
SELECT L.P. ....	—	8,427,480	3,529,380	—	—	5,835,080	2,069,420	2,440,220	—	22,301,580	4.33%	1.28%	[REDACTED]	[REDACTED]
GGV Capital V L.P. ...	—	—	18,724,460	23,479,080	—	—	—	2,353,840	—	44,557,380	8.65%	2.56%	[REDACTED]	[REDACTED]
GGV Capital V														
Entrepreneurs Fund														
L.P. ....	—	—	687,180	861,680	—	—	—	86,380	—	1,635,240	0.32%	0.09%	[REDACTED]	[REDACTED]
GGV VII Investments														
Pte. Ltd. ....	—	—	—	—	—	—	—	7,320,700	—	7,320,700	1.42%	0.42%	[REDACTED]	[REDACTED]
MORESPARK														
LIMITED .....	—	—	—	—	14,946,080	9,725,120	827,760	7,320,680	—	32,819,640	6.37%	1.89%	[REDACTED]	[REDACTED]
Goldman Sachs Capital Holdings II Pte. Ltd. ....	—	—	—	—	—	24,312,800	—	—	—	24,312,800	4.72%	1.40%	[REDACTED]	[REDACTED]
JenCap Squad .....	—	—	—	—	—	—	24,832,980	1,220,120	—	26,053,100	5.06%	1.50%	[REDACTED]	[REDACTED]
JenCap Squad I L.P. ...	—	—	—	—	—	—	3,455,920	—	—	3,455,920	0.67%	0.20%	[REDACTED]	[REDACTED]
SVF II Calorie Subco (DE) LLC .....	—	—	—	—	—	—	—	48,804,580	—	48,804,580	9.48%	2.81%	[REDACTED]	[REDACTED]
Coatue PE Asia 43														
LLC .....	—	—	—	—	—	—	—	3,660,340	—	3,660,340	0.71%	0.21%	[REDACTED]	[REDACTED]
Other shareholders from the														
[REDACTED] .....	—	—	—	—	—	—	—	—	—	—	—	—	[REDACTED]	[REDACTED]
<b>Total .....</b>	<b>198,998,200</b>	<b>40,000,000</b>	<b>35,293,880</b>	<b>51,926,960</b>	<b>14,946,080</b>	<b>39,875,000</b>	<b>33,669,380</b>	<b>86,628,120</b>	<b>13,497,767</b>	<b>514,833,387</b>	<b>100.00%</b>	<b>100.00%</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>

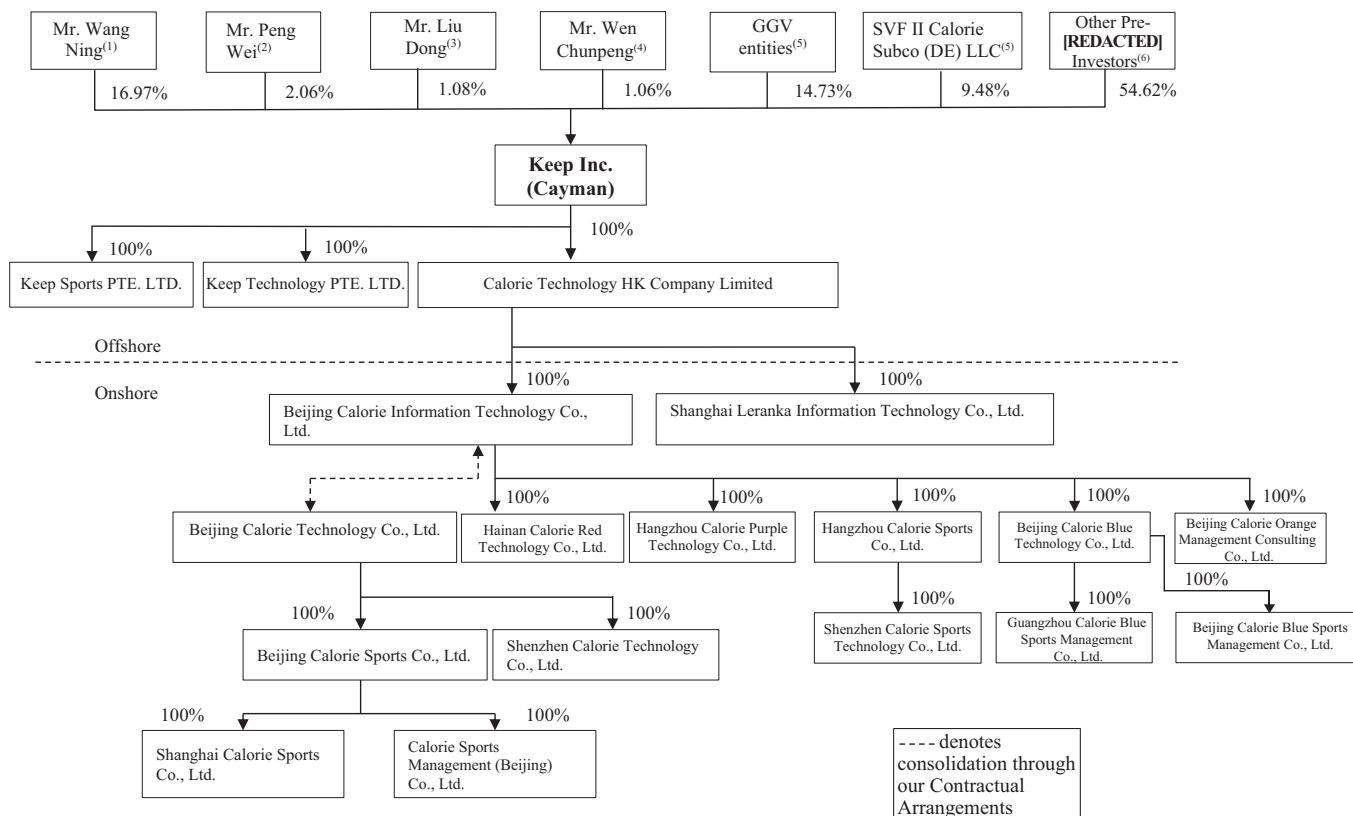
Notes:  
(1) As at the date of this document, each share held by Persistent Courage Holdings Limited and Lightmap Limited has super-voting rights at a general meeting of the Company, which entitles its holder to 15 votes per share at a general meeting of the Company, while all other shares issued by the Company entitles its holder to one vote per share.  
(2) Assuming the Presumptions.

## HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE

### CORPORATE STRUCTURE

#### Corporate structure after reorganization and as at the date of this document

The following chart is a simplified depiction of the shareholding and beneficial ownership structure of our Group as at the date of this document:



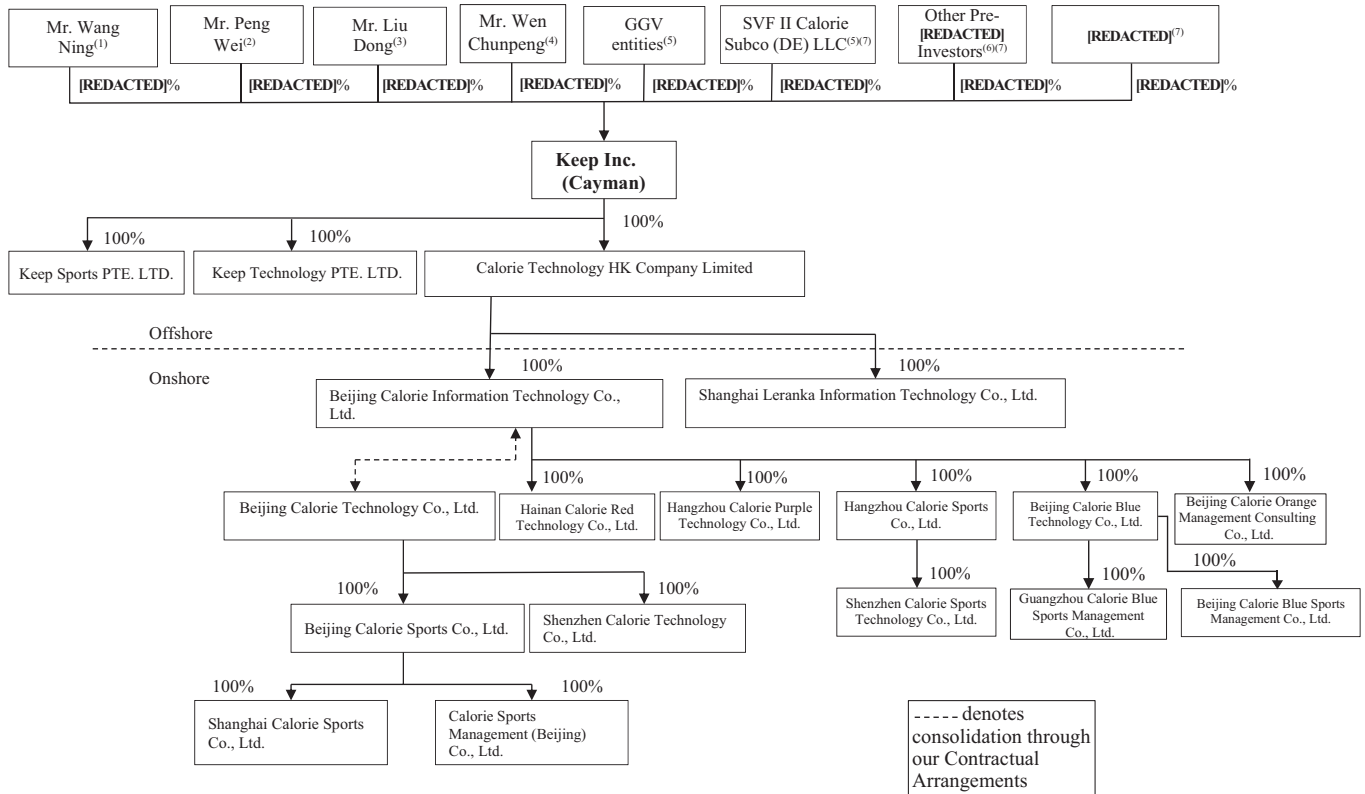
**Notes:**

- (1) Mr. Wang Ning holds his interest through Persistent Courage Holdings Limited and Lightmap Limited. Each of Persistent Courage Holdings Limited and Lightmap Limited is wholly owned by Arrow Factory Limited, which is controlled by Starmap Trust, a trust controlled by Mr. Wang and in which Mr. Wang is the settlor and sole beneficiary. [Commencing from the date of this document, the Shares held by Mr. Wang through his controlled corporations shall be locked-up for a period ending six-months from the Listing Date in accordance with the terms specified under Rule 10.07(1)(a) of the Listing Rules.]
- (2) Mr. Peng Wei holds his interest through Metropolis Olympia Holdings Limited, which is ultimately wholly controlled by a trust in which Mr. Peng is the settlor and sole beneficiary. These shares are subject to a Voting Proxy Agreement between the Shareholder, as proxy granter, and Persistent Courage Holdings Limited, as proxyholder. See “—Voting Proxy Agreements” for further details.
- (3) Mr. Liu Dong holds his interest through Bulldog Group Ltd, which is ultimately wholly controlled by a trust in which Mr. Liu is the settlor and sole beneficiary. These shares are subject to a Voting Proxy Agreement between the Shareholder, as proxy granter, and Persistent Courage Holdings Limited, as proxyholder. See “—Voting Proxy Agreements” for further details.
- (4) Mr. Wen Chunpeng holds his interest through Impressive Appearance Holdings Limited, which is ultimately wholly controlled by a trust in which Mr. Wen is the settlor and sole beneficiary. These shares are subject to a Voting Proxy Agreement between the Shareholder, as proxy granter, and Persistent Courage Holdings Limited, as proxyholder. See “—Voting Proxy Agreements” for further details.
- (5) See “— Pre-[REDACTED] Investments—Information on the Pre-[REDACTED] Investors” and “Substantial Shareholders”.
- (6) See “— Capitalization” for further details of Shareholders and their respective shareholdings.

## HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE

### Corporate structure immediately following the [REDACTED]

The following chart is a simplified depiction of the shareholding and beneficial ownership structure of our Group immediately following the completion of the [REDACTED] (assuming the Presumptions):



Notes (1) to (6): Please refer to the details contained in the preceding pages.  
[REDACTED]

### SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Issues Concerning Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular 37”), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

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## HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE

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Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-Related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the “SAFE Circular 13”), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

Our PRC Legal Adviser has advised that Mr. Wang Ning, Mr. Peng Wei, Mr. Wen Chunpeng and Mr. Liu Dong, who are PRC residents, have completed their initial foreign exchange registration of overseas investments as required under SAFE Circular 37 on May 12, 2015 and April 10, 2020, respectively.

### M&A RULES

Under the M&A Rules issued on August 8, 2006, effective as of September 8, 2006 and amended in June 2009, a foreign investor is required to obtain necessary approvals when it:

- (a) acquires the equity of a domestic non-foreign invested enterprise thereby converting the domestic enterprise into a foreign-invested enterprise;
- (b) subscribes for the increased capital of a domestic non-foreign invested enterprise so as to convert the domestic enterprise into a foreign-invested enterprise;
- (c) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise; or
- (d) purchases the assets of a domestic enterprise and injects those assets to establish a foreign invested enterprise.

Our PRC Legal Adviser has advised that, given that (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether the [REDACTED] of our Company is subject to this regulation, (ii) our wholly-owned PRC subsidiaries were established by foreign direct investment, rather than through a merger or acquisition of a domestic company as defined under the M&A Rules, and (iii) no explicit provision in the M&A Rules classifies the Contractual Arrangements among our wholly-owned PRC subsidiaries, a variable interest entity and its shareholders as a type of acquisition transaction under the M&A Rules, they advise that the establishment of our wholly-owned subsidiaries and the reorganization are not subject to the M&A Rules, and the [REDACTED] of our Company does not require approvals from the CSRC and MOFCOM under the M&A Rules. However, there is uncertainty as to how the M&A Rules and other PRC laws and regulations will be interpreted or implemented or whether the relevant authorities would promulgate further requirements and we cannot assure you that relevant PRC governmental authorities, including the CSRC and MOFCOM, would reach the same conclusion as our PRC Legal Adviser. For further information about the risks associated with the CSRC approval, see “Risk Factors—Risks Related to Doing Business in China—We may be subject to the approval or other requirements of the China Securities Regulatory Commission or other PRC governmental authorities in connection with future capital raisings activities”.



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## HISTORY, REORGANIZATION, AND CORPORATE STRUCTURE

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### PAST LISTING APPLICATION ON OTHER EXCHANGES

We previously submitted a draft registration statement on Form F-1 relating to a proposed [REDACTED] in the United States of the our American depositary shares (“ADSs”) to the Securities and Exchange Commission (the “SEC”) in the second quarter of 2021 for confidential review for the listing of our ADSs (the “Previous U.S. Listing Application”). Out of our own initiative, we decided to pursue this listing application instead of the Previous U.S. Listing Application as we consider the Hong Kong Stock Exchange a more appropriate listing venue for the Company. The Company confirms that there is no material issue regarding the Previous U.S. Listing Application that should be brought to the attention of the Hong Kong Stock Exchange, shareholders or potential [REDACTED] in Hong Kong.

Based on the due diligence interviews with the Company, internal control consultant, PRC Legal Advisor, Reporting Accountant and [REDACTED] of Company’s proposed Previous U.S. Listing Application, discussions with U.S. counsels of the Company and [REDACTED] of the Company’s proposed Previous U.S. Listing Application and the documentary due diligence, nothing material has come to the attention of the Joint Sponsors to cast doubt on the Company’s conclusion that there is no material issues raised by the SEC in the Company’s Previous U.S. Listing Application which is required to be brought to the attention of the Hong Kong Stock Exchange, shareholders or potential [REDACTED] in Hong Kong.

The Company’s PRC Legal Adviser confirmed that (i) they were not aware of any material issues with respect to the PRC legal or compliance of the Company, and that they did not have any material disagreement with the Company during the preparation of the Previous U.S. Listing Application with respect to PRC legal or compliance; and (ii) to the best of their knowledge, the SEC had not identified any material PRC legal issues during the vetting process, or any material PRC legal issues suggesting the Company unsuitable for listing on the Nasdaq Stock Market LLC. This document is consistent with the draft registration statement submitted to the SEC.

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## BUSINESS

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### OVERVIEW

#### Who We Are

*Keep* is the largest online fitness platform in China in terms of MAUs, and number of workout sessions completed by users in 2022, according to the CIC Report. With innovation as our foundation, we are a fast-growing and result-oriented platform that provides users with a comprehensive fitness solution to help them achieve their fitness goals. We generated a majority of our revenue from the sales of our self-branded fitness products during the Track Record Period. We offer extensive and professional fitness content with AI-assisted personalized curriculums, encompassing interactive live streaming classes and recorded fitness courses, that dynamically adjust course content and workout intensity based on users’ athletic levels, fitness goals, daily workout patterns and diet. Our content is complemented by a variety of smart fitness devices, fitness gear, apparel and food, which enables us to seamlessly connect the physical and digital realms to create an immersive, integrated, one-stop fitness experience.

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

#### Our Market Opportunity

China has a large yet under-developed and under-served fitness market, previously relying on a traditional model of offline gyms, which typically results in lower access and participation compared to online fitness, according to the CIC Report. The traditional fitness model sets high entry barriers for beginners, as offline gyms and fitness classes are often costly, have time and location limitations, deliver inconsistent quality and user experience, and are less accessible in lower-tier cities in China. We believe that both the size of the fitness population and the annual spending of the fitness population in China present significant growth potential. According to the CIC Report, China had the world’s largest fitness population of 374.0 million in 2022, which is expected to reach 463.5 million by 2027. At the same time, the average annual spending of the fitness population in 2022 was RMB2,518.3 per person in China, which was much lower than that of RMB16,425.2 in the United States, demonstrating significant growth potential, according to the CIC Report.

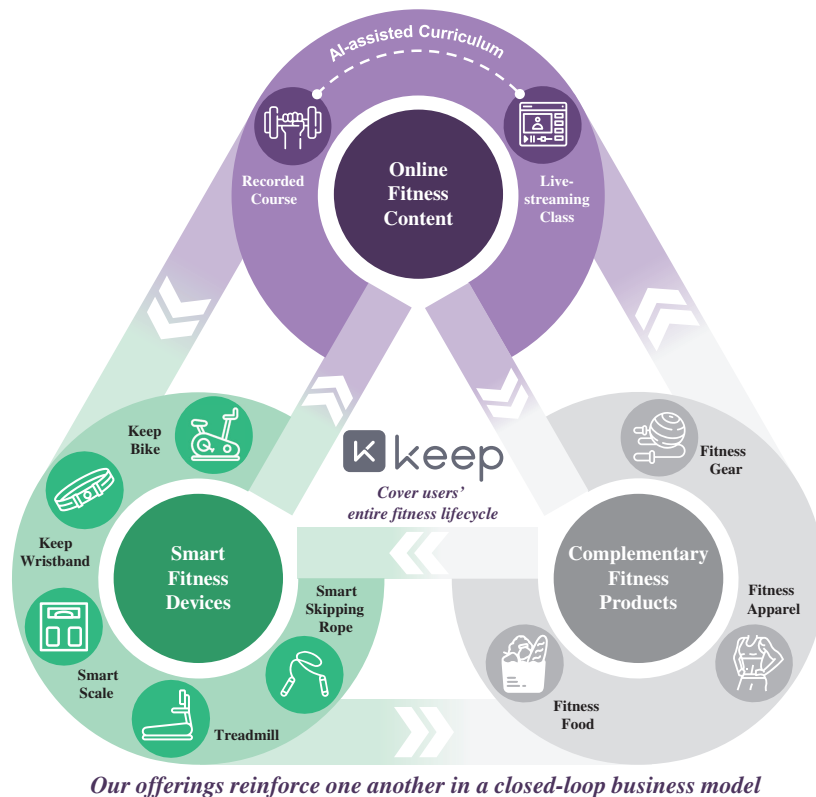
With our online fitness solution, we have effectively addressed major pain points in China’s fitness market and fundamentally redefined people’s relationship with fitness. Our platform not only enables people to exercise anytime and anywhere, but also creates a personalized, interactive and immersive fitness experience that enables people to train with greater efficiency at a lower cost. These value propositions make us popular among fitness population, and attract many newcomers to our community.

#### Our Comprehensive Fitness Solution

We have developed a comprehensive fitness solution that covers users’ entire fitness life cycle, from planning fitness goals and accessing fitness courses, to choosing fitness gear and healthy food

## BUSINESS

and tracking measurements such as weight and heart rate. Our offerings consist of online fitness content, smart fitness devices, and complementary fitness products, as illustrated below.



*Our offerings reinforce one another in a closed-loop business model*

**Online Fitness Content.** Our content mainly includes recorded courses and live streaming classes, both of which are developed in-house or created by third parties such as influencers and other fitness content providers. Leveraging AI algorithms, we also provide personalized fitness curriculums that dynamically adjust course content and workout intensity based on users’ athletic level, fitness goals, daily workout patterns and diet, thereby optimizing the training results for our users. We constantly refine our content based on user insights that enable us to create new courses with better efficiency and effect. We also offer our users the opportunity to engage with more customized premium content by subscribing to our membership services. Our platform has experienced a steady increase in our membership penetration rate, from 6.4% in 2020 to 9.5% in 2021, and further increased to 10.0% in 2022, demonstrating the success of our membership solution.

- **Recorded Courses.** We have an ever-growing number of content offerings encompassing approximately 21,200 recorded fitness courses as of December 31, 2022. Our MAUs have recorded approximately 1.3 billion workout sessions on our platform following our recorded courses in 2022. Users can freely choose a variety of courses based on their fitness goals, body part focuses, fitness categories, difficulty levels, and fitness gear available. Our recorded fitness courses feature a mix of in-house instructors, influencers on our platform, third-party fitness professionals, and other celebrities to enrich our content offerings and cater to users’ diverse preferences.
- **Live Streaming Classes.** Our live streaming classes provide a social and interactive forum for users to engage directly with instructors, including our in-house instructors and influencers on our platform, and among users themselves. In 2022, we offered over 9,100 live streaming classes on our platform. The total workout sessions following our live

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streaming classes in 2022 were 17.1 million. We introduced interactive features to live streaming classes in June 2020, and recorded 7.4 million interactions in 2022. Through bullet chatting, instructors can tailor their classes based on users’ real time feedback to meet their dynamic demands and preferences.

**Smart Fitness Devices.** Enabled by an array of innovative features such as AI, automation and social interaction, our smart fitness devices, including smart bikes, wristbands, scales, and treadmills, increase the value of our platform to users by working synergistically with our online fitness content. These devices track and analyze fitness activities, so that our platform is able to automatically adjust workout difficulty level and content recommendations to improve the overall fitness experience. In addition, our smart fitness devices can connect with one another to capture fitness activities across multiple application scenarios, which results in more comprehensive user profiles that we may leverage to offer more relevant recommendations and dynamically adjust fitness curriculums to maximize results. For example:

- *Keep Bike.* Our *Keep Bike* supports dynamic and automatic adjustment of resistance levels in real time based on users’ athletic levels and course targets. When combined with live streaming classes, it simulates a group cycling environment with thematic lighting and music. According to the CIC Report, we were ranked the first in smart bikes as of December 31, 2022 in China in terms of the accumulative GMV of bikes sold.
- *Keep Wristband.* Our *Keep Wristband* monitors various fitness measurements such as heart rate, sleep, and blood oxygen level. Through analyzing these information, our platform can adjust AI-assisted personalized curriculums. Our *Keep Wristband* also enables users to interact with instructors and among themselves during live streaming classes.
- *Keep Smart Skipping Rope.* Our *Keep Smart Skipping Rope* is linked to the *Keep* app to record the number of jumps, heart rate and calories burned. Users can track progress to build workout routines and improve fitness performance.

**Complementary Fitness Products.** Leveraging the insights accumulated through growing user base and positive feedback loop, we identified users’ unmet needs in different scenarios. To that end, we offer a wide range of fitness products under the *Keep* brand that are designed with quality and style, thereby complementing our online fitness content and smart fitness devices, elevating the overall fitness experience for our users, and promoting our brand and spirit. Our fitness products include yoga mats, dumbbells, gym wear, protective gear, and other fitness accessories. According to the CIC Report, we are China’s largest yoga mat brand in terms of GMV in 2022, with a 18.3% market share. We also offer a broad range of fitness food products, such as meal replacements, fitness snacks, and nutrition supplements, providing an integrated solution combining workout and diet to users. Based on users’ fitness goals, our platform is able to recommend customized diet plans, with detailed information such as suggested total calorie intake, macronutrient analysis and other health tips.

Our three business lines complement one another to create an integrated business model that covers users’ entire fitness lifecycle. Our online fitness content brings traffic to our self-branded products, as users tend to purchase smart fitness devices and complementary fitness products, such as fitness gear, apparel and food, to enhance their performance and experience during workouts. At the same time, our self-branded products redirect traffic to our online fitness content. Our fitness product customer subscribing rate was 41.2%, 51.8% and 45.1% in 2020, 2021 and 2022, respectively. In

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addition, technology empowers the integration of different segments, enables the efficient and reliable operation of our platform, and ultimately drives the effectiveness of our business model. As a result, we have become the one-stop destination providing a comprehensive fitness solution for fitness population in China.

### The Keeper Community

Our comprehensive fitness solution effectively attracts and retains users. We have China’s largest online fitness user base, according to the CIC Report, with 36.4 million average MAUs in 2022. In addition, our users are young and highly active, as approximately 74.1% of them are aged 30 or below. Social interactive features are deeply integrated into our platform, from following one’s favorite instructors and influencers and establishing routine training plans with them, to engaging in competition with friends by tracking performance and achieving fitness goals together. Users actively engage in our community to share their training results and inspire others to follow. In 2022, the total number of interactions, including posts, likes and comments, in our community reached 1.1 billion. We believe that building a community around fitness is highly complementary to the core fitness experience, making it more inspiring, more competitive, and more connected.

### Key Operating Data

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

	For the Three Months Ended											
	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,	December 31,
	2020				2021				2022			
	(in thousands, except for revenue)											
Average MAUs . . . . .	27,103	33,251	32,750	25,833	31,032	35,709	41,751	28,939	34,275	41,080	38,558	31,638
Average monthly												
subscribing members . . .	1,473	1,981	2,149	2,035	2,539	3,235	4,154	3,193	3,470	3,860	3,885	3,269
Average monthly fitness												
product customers . . . . .	236	353	329	251	280	430	423	397	454	580	642	524
Average quarterly revenue												
per MAU (in RMB) . . . . .	7.4	9.2	9.5	11.1	9.8	11.5	10.7	15.9	12.2	14.5	16.1	18.4

For further information, see “—Seasonality” and “Financial Information”.

### Our Monetization and Results

We have a diverse set of monetization channels including membership and online paid content, self-branded products, and advertising and other services, which are complementary to one another. Our membership allows subscribing members to access premium services such as exclusive fitness courses, live streaming classes, AI-assisted personalized fitness curriculums, and discounts on our self-branded products. We also offer an extensive range of self-branded products including smart fitness devices, fitness gear, apparel and food, which are available in our own online store and on third-party e-commerce platforms. In addition, with China’s largest online fitness user base, we have attracted brands and merchants to our advertising services.

Driven by our comprehensive suite of offerings and the ability to create a personalized and integrated solution, characterized by professional fitness content and fitness products that are and customized for individuals’ athletic levels, we have achieved continued growth during the Track Record Period. We generated a majority of our revenue from the sales of self-branded fitness products

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and invested significantly in the research and development of platform design and fitness content during the Track Record Period. Our revenue grew by 46.3% from RMB1.1 billion in 2020 to RMB1.6 billion in 2021, and further increased by 36.6% to RMB2.2 billion in 2022. Gross profit grew by 35.5% from RMB499.4 million in 2020 to RMB676.6 million in 2021, and further increased by 33.1% to RMB900.4 million in 2022. We experienced losses during the Track Record Period as we prioritized strategic path formulation and business model optimization. Our loss for the year increased from RMB2.2 billion in 2020 to RMB2.9 billion in 2021 as we strategically increased spending in traffic acquisition and branding to further acquire, activate and retain users, such as attracting new users through advertisements on various third-party apps. We recorded loss for the period of RMB2.9 billion in 2021 compared to loss for the period of RMB104.6 million in 2022. The change was primarily a result of the changes of the fair value of preferred shares. During the Track Record Period, we incurred branding and marketing promotion expenses and other related expenses of RMB178.2 million in 2020, RMB746.9 million in 2021 and RMB377.7 million in 2022. Such expenses allowed us to increase mindshare, expand our user base and enhance monetization capability. We believe the distinct attributes of the online fitness industry generally require a higher level of investment in general branding, marketing and user acquisition, especially in China, where online fitness market is yet under-penetrated but possesses significant growth potential. Our adjusted net loss (non-IFRS measure) was RMB106.4 million, RMB826.5 million and RMB666.9 million in 2020, 2021 and 2022, respectively. See “Financial Information—Non-IFRS Measure: Adjusted Net Loss”.

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

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

	Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Revenue from sales of self-branded fitness products</b>						
Non-wholesale channels	561,371	88.2	648,474	74.3	886,106	77.9
—Sales through <i>Keep</i> online stores on third party platforms	360,763	56.7	444,795	51.0	656,460	57.7
—Sales directly through <i>Keep</i> platform	200,608	31.5	203,679	23.3	229,646	20.2
Wholesale channels	75,338	11.8	223,978	25.7	250,865	22.1
<b>Total</b>	<b>636,709</b>	<b>100.0</b>	<b>872,452</b>	<b>100.0</b>	<b>1,136,971</b>	<b>100.0</b>



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### OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success:

#### **Largest and Innovative Platform for Online Fitness**

We are the go-to online destination for fitness and healthy lifestyles in China. In 2022, we had an average of 36.4 million MAUs, making us the largest online fitness platform in China according to the CIC Report. In 2022, our MAUs also cumulatively participated in 2.1 billion workout sessions on our platform, including 1.3 billion workout sessions following our recorded courses, making us the No. 1 online fitness platform in China in terms of the number of workout sessions, according to the CIC Report. Our offerings go beyond fitness content and include self-branded products such as smart fitness devices, gear, apparel, and food, thereby providing users with a one-stop solution and driving growing engagement.

We have redefined many aspects of the fitness industry in China with innovative advancements. We were the first in China to introduce structured fitness courses and has the largest fitness module library in China, according to the CIC Report. Building upon modularized standard moves, we introduce intelligence into our course design and development. We were among the first to introduce AI-assisted fitness curriculums to provide users with a more systematic and personalized fitness solution, according to the CIC Report. Our AI-assisted fitness curriculums automatically formulate workout and diet plans based on users’ athletic levels, fitness preferences and goals, dynamically adjust workout intensity and diet recommendations, and systematically help users make fitness progress. We were also the first in China to introduce an intelligent resistance level adjustment system to *Keep Bike* and cycling content, according to the CIC Report. In addition, according to the CIC Report, we were the first in China to map personalized running routes based on users’ running records. Along our recommended routes, users can explore unique cultural and natural landmarks. By seamlessly integrating an online and offline fitness experience powered by technology innovation, we have turned fitness into a lifestyle that can be pursued by anyone, anytime and anywhere.

#### **Extensive, Professional, Personalized and Dynamic Content Offerings**

Our library of extensive, professional, personalized and dynamic content is at the core of our success. Over the years, we have developed the largest library of recorded fitness courses in China in terms of total number of fitness courses offered as of December 31, 2022, according to the CIC Report. We have accumulated deep domain expertise in content development and production. Our recorded courses, including proprietary structured courses and video courses, and interactive live streaming classes, along with our AI-assisted curriculums, cover a variety of fitness scenarios, including indoor and outdoor workouts, with or without fitness gear.

- *Extensive.* We have accumulated extensive content in terms of both volume and breadth. As of December 31, 2022, we had approximately 21,200 recorded fitness courses on the platform, covering various fitness categories and difficulty levels to help users achieve diverse fitness goals based on their fitness experience and preferences. Our current offerings include strength training, cardio, dancing, boxing, running, stretching, yoga, Pilates, meditation and Tai Chi. We offer content developed in-house or by influencers on our platform, and content licensed from other fitness professionals and fitness content providers. As of December 31, 2022, the fitness influencers, fitness professionals and content providers on our platform contributed to approximately 17,800 recorded courses.

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- *Professional.* We have a specialized and professional team with years of industry experience. Our content development experts and in-house instructors are devoted to understanding users’ needs and preferences to help us better form and adjust our near-term and long-term content strategies. We also systematically guide the fitness influencers to develop professional and high-quality content focusing on achieving diverse fitness goals.
- *Personalized.* We offer a comprehensive suite of structured courses that are designed to meet diversified demand of users through hundreds of thousands of unique combinations, including single move instructions and repetition modules. Our AI-assisted curriculums offer comprehensive and personalized fitness programs consisting of various fitness content and food recommendations based on users’ athletic level and fitness goals. The content of these personalized curriculums is dynamically adjusted based on users’ progression and feedback, thereby guiding them to achieve their goals more effectively.
- *Dynamic.* We systematically create new content to timely capture the market trends. We gain extensive first-hand user insights through close interaction with users and continuous collection of user feedback. In addition, our live streaming classes also deliver a dynamic fitness experience where instructors can interact with users and adjust content based on users’ feedback in real time.

We encourage every user on our platform to become a fitness influencer, who may bring their passion to others by creating fitness content on our platform. We also recruit fitness professionals around the world to join our platform to further enrich our content offerings and influence users. We believe that our extensive, professional, personalized and dynamic content offerings are critical to attracting new users to our community, where they can start their fitness journey for themselves and influence others in their lives.

### **Superior User Experience Underpinned by our Smart, Interactive and Immersive Fitness Solution**

We offer our users a superior experience with our smart, highly interactive and immersive fitness solution that integrates online and offline experiences and creates a real-time face-to-face ambience.

- *Smart.* Our online fitness content and smart fitness devices are highly compatible and seamlessly integrated, which delivers a highly personalized experience. For example, our smart *Keep Wristband* monitors users’ heart rates and calculates calories burned on a real-time basis, which are transmitted to our platform to further adjust the fitness curriculums. If the heart rate exceeds a certain recommended range, the duration of breaks between fitness moves will be automatically extended to give users more time to rest.
- *Interactive.* We have established multiple layers of interaction for our users. Users are connected to our content through real-time feedback and AI-assisted fitness curriculums that dynamically adjust fitness courses to users’ personalized needs. Users are also connected to instructors and each other through interactive features in our community and bullet chatting during live streaming classes. Based on users’ real-time feedback, our instructors can understand users’ situations better and dynamically adjust content to enhance the user experience. Other interactive features such as group competitions and leader boards in live streaming classes further simulate a real-time face-to-face fitness environment.

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- *Immersive*. Built upon the smart and interactive features, we aim to deliver an immersive online experience to our users. Our live streaming classes and recorded video courses feature trendy music with strong beats, colorful lighting effects, interactive functions such as express bullet chatting, and professional studio setups to simulate face-to-face fitness environment to better motivate users during workouts. The competitive features in live streaming classes also incentivize users to fully immerse themselves.

### **Next Generation Brand Supported by a Vibrant Community**

The core value of our brand is to encourage people to be more energetic and enjoy fitness as a lifestyle. We aspire to enable everyone to participate in fitness anytime, anywhere, constantly challenge themselves for self-betterment, nurture a strong sense of belonging, and bring positive influence to their communities. Our *Keep* brand encourages positive energy among users and has become synonymous with a healthy lifestyle.

Our platform and brand are highly influential in China. Our users appreciate and are willing to recommend our products and content to other people. Our users cumulatively shared our content directly from *Keep* to social media platforms over 38 million times in 2022, respectively. In our first year of launch, *Keep* was awarded the 2015 Best App in China by Apple. *Keep* also received the highest rating among all fitness apps in China in the Apple app store in 2022, according to the CIC Report.

We strive to create and lead a new fitness lifestyle. Our core beliefs have encouraged tens of millions to become *Keepers* and share their passion for living a healthy and active life. These users regard our platform as the arena for their self-betterment, enjoy fitness and sports, and become fitness enthusiasts. We believe that our large user base, innovative business model, and strong brand recognition among fitness users in China enable us to capture the significant growth potential in the fitness industry.

### **Proprietary Platform Driven by Insights and Technology**

Technology innovation is deeply rooted in our corporate culture. Leveraging our cutting-edge technology capabilities and extensive industry insights, we are well positioned to effectively predict market trends and meet user demand.

Our platform is built on an insight-driven architecture that is constantly fine-tuned by our data insights, AI optimization and applications. Empowered by proprietary AI technology, our platform enables us to efficiently develop fitness content that is personalized for each user. We have derived in-depth understanding of users through their interactions with our platform and measurements from smart fitness devices, including body measurements, total calories burned, fitness goals and preferences, among others. Based on such insights and through our proprietary AI applications, we have designed personalized fitness curriculums that are tailored to each user’s fitness goal and athletic level, and can be dynamically adjusted according to user progression. In addition to fitness courses, our AI-assisted fitness curriculums also offer diet and other fitness product recommendations, which provide users with a more comprehensive fitness solution and generate cross-selling opportunities.

Our smart fitness devices are enabled by state-of-the-art technologies and designed to deliver an integrated online and offline experience to our users. For example, we encourage users of *Keep Bike*

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to perform an initial cycling test to gage their cycling capabilities, based on which our intelligent resistance level adjustment system can automatically tune the resistance level on *Keep Bike* to offer a more effective workout experience. Our smart *Keep Wristband* is also equipped with our proprietary six-axis accelerometer and gyroscope that capture fitness activities more efficiently, enabling us to generate more user insights and provide more real-time guidance to users. Our smart fitness devices serve as artificial-intelligence-driven internet-of-things, or AIoT, that are dynamic touch points for the intangible online fitness content.

Our users accumulate a considerable amount of fitness records on our platform, such as running routes, personal records, workout history, and archived course content. We create visual representations on our platform so that users perceive *Keep* as a personal fitness diary, which further improves user stickiness and loyalty. We also listen to our users and constantly upgrade our mobile app and refine our products and services. Users’ engagement with the our fitness products together with information collected from users when they upload their workout record and provide feedback after training sessions allow us to better understand user preferences. The feedback loops then enable us to make changes quickly and adapt to user feedback in real-time while keeping users engaged.

### **Diversified Monetization Model Driven by Multiple Growth Levers**

Our fitness content and fitness products reinforce and complement each other, and have demonstrated strong synergies. Leveraging our large user base, this integrated business model brings cross-selling opportunities. As we expand our content offerings, more users are attracted to our platform, bringing more monetization opportunities and enhancing our attractiveness to fitness professionals and content providers, who will further enrich our content offerings, thereby forging a virtuous cycle. The opportunity for immersive marketing that resonates with our user base also attracts brands and merchants to our platform for advertising services, further expanding our monetization opportunities. As we continuously build our user loyalty, we believe users’ general willingness to subscribe to memberships and purchase our self-branded products will grow over time, resulting in improved financial performance. Our average monthly membership retention rate was 73.3%, 71.7% and 65.3% in 2020 and 2021 and 2022, respectively. In 2020, 2021 and 2022, our monthly average workout sessions per MAU was 5.0, 4.1 and 4.8, respectively, and our monthly average workout sessions per subscribing member was 10.9, 7.2 and 7.8, respectively.

Currently, we generate revenue from membership and online paid content, self-branded products, and advertising and other services. Our revenue from the membership and online paid content has been growing rapidly. Our platform has also experienced a steady increase in membership penetration rate, which increased from an average of 6.4% in 2020 to an average of 9.5% in 2021, and further increased to an average of 10.0% in 2022, compared to the industry average of 5.8% in China in 2022, according to the CIC Report. At the same time, our self-branded fitness products contribute significantly to our revenue, and we have a successful track record of developing and launching popular fitness products. The *Keep* brand was ranked No. 1 in smart bikes in 2022 in China in terms of GMV, according to the CIC Report. We also monetize through advertising services and have attracted a large base of brands and merchants as our advertising customers.

### **Experienced Management Team**

Our young and energetic team are followers of our core beliefs, passionate about fitness, and eager to embrace technological innovations and advancements. They are also motivated to influence others and share the fun of fitness with more people in their communities and our society.

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Mr. Wang Ning, our founder, the chairman of the board of Directors and chief executive officer, is a young and visionary entrepreneur, and our first *Keeper*. His passion and expertise on fitness continue to inspire and influence us. Mr. Wang believed that an online fitness solution enabled by technology would redefine many aspects of the fitness industry and lead to a healthier lifestyle in China, and founded *Keep* in 2014.

Our experienced management team has strong execution capabilities. Mr. Peng Wei, our co-founder, Executive Director and vice president of online operations, introduced our proprietary structured courses that combine technology with fitness to elevate user experience. Mr. Liu Dong, our co-founder, Executive Director and vice president of consumer fitness products, had over 20 years of experience in supply chain management and product design, and has been standardizing and optimizing the quality of our fitness products to further enhance our brand and user experience. Our chief financial officer, Mr. Huang Weibo, has approximately 20 years of experience in financial management, held senior positions in a renowned public accounting firm and top technology companies in China. We believe that the collective technology and operational experience of our management team has contributed to and will continue to pave the way for our success.

### BUSINESS STRATEGIES

According to the CIC Report, the online fitness market in China reached RMB455.6 billion in 2022 and is expected to increase to RMB1,285.4 billion in 2027, representing a CAGR of 23.1%. As various key factors continue to drive the growth of China’s online fitness market, we believe that we are well positioned to continue to address the demand in this market. As an online platform, we offer professional online fitness content and engaging online fitness communities so that users can enjoy affordable fitness workouts at home that are suitable for all athletic levels. We are also actively updating our technology, design, fitness content and products to catch evolving user needs. See “Industry Overview—China’s Fitness Market—Key Growth Drivers of China’s Fitness Market” and “Industry Overview—Key Growth Drivers of China’s Online Fitness Market.” We plan to achieve our purpose to make the world move through the following key business strategies:

#### **Keep on Expanding Our Addressable Market and User Base**

Maintaining and growing our user base is our key strategic focus as the largest online fitness platform in China. We plan to expand our addressable market by appealing to users across different ages, areas of interest, and locations. In particular, we intend to provide more targeted offerings for users across a wider age range and ramp up our efforts to expand our presence into lower-tier cities in China.

We intend to retain and attract users by further improving our fitness solution and introducing a wider variety of fitness content and innovative smart fitness devices. We intend to further expand the fitness categories on our platform to include trendy fitness topics. We also plan to introduce more gamified features to our online fitness content through integration with our smart fitness devices. Our gamified features do not involve additional revenue and payment mechanism. As advised by the PRC Legal Adviser, the gamified features in the online fitness contents are not online games and thus would not be subject to the online games related laws and regulations. Furthermore, we will continue to expand our self-branded product offerings to complement our online fitness content and cater to the diverse needs of users, thereby attracting more users and solidifying our position as a one-stop fitness platform.



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Our current business and operations overseas include (i) the access to and use of our mobile apps overseas, and (ii) the sales of certain fitness products in e-commerce platforms in North America. As our mobile apps can be downloaded and used overseas, we actively monitor the geographic restrictions on the use right of our licensed content and limit users’ access to the restricted content based on their IP addresses. For our fitness products, we conduct quality inspect, trademark analysis and other compliance check before offering them overseas. We did not have litigations, disputes, or regulatory actions related to content access or sales of fitness products overseas in the Track Record Period. The revenue generated from global users and global customers was not material during the Track Record Period. In June 2022, we strategically ceased the operation of two international mobile apps, *Keep Trainer* and *Keep Yoga*, as a part of our business strategy to streamline and consolidate our offerings to provide better user experience as our *Keep* app offers similar content and features previously offered by *Keep Trainer* and *Keep Yoga*. We currently do not have concrete and detailed expansion plan regarding our business and operations overseas. Ultimately, we seek to expand our business on a global scale and become a global brand through international marketing efforts and localized product and content development strategies. We may also selectively pursue strategic acquisitions and investments to expand our market share in the fitness industry, unlock potential synergies, and further promote our brand value, although we have not identified any specific investments or acquisition opportunities at this time.

### **Keep on Innovating and Diversifying Our Content**

We will continue to invest in the development of innovative and diversified content on our platform. We intend to continuously expand our content offerings by recruiting more quality in-house instructors, acquire quality third-party content, and expand content generated on our platform. We will continue to introduce more specialized content and expand into new fitness categories by cultivating more fitness influencers on our platform, and collaborating with more fitness professionals and content providers.

Leveraging our insights and technology, we have derived deep insights on users’ preferences and market trends, which help shape our content development strategy and enable us to produce content that better meets users’ needs. As we continue to accumulate such insights, we can further improve our personalized content offerings to enhance user experience and stickiness. With more diversified and personalized content, we will be able to deliver a more comprehensive fitness experience, and continuously enhance user retention and loyalty.

On top of our membership and online paid courses and curriculums, we will also explore other innovations around content, such as introducing virtual gifts in our live streaming classes. Moreover, we will continue to explore potential gamified features for our content to bring more fun and excitement to fitness leveraging the close integration between our smart fitness devices and our online fitness content.

### **Keep on Creating an Open Platform for Greater Engagement among Platform Participants**

We have established an open and highly interactive platform connecting various platform participants, including users, instructors, fitness influencers, advertisers, and other content providers. We will further open up our platform to encourage greater participation and interaction from these participants. We will inspire users and instructors to develop their own original fitness courses,



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promote their quality content on our platform, and also provide professional support and incentives throughout the development process. As the number of participants on our platform increases, more advertisers will be attracted to our platform as well.

To enhance engagement on our platform, we will introduce more interactive features to our online fitness community, such as chat groups with instructors and fitness influencers, which enable users to share their experiences, contribute fitness content, and form a stronger bond with one another, thereby enhancing user stickiness. With stronger user engagement and collective input from platform participants, we can deliver better products and content and attract more platform participants, further amplifying the network effect.

In addition, we will continue to create synergies across our platform by thoughtfully weaving our online fitness content, smart fitness devices, and self-branded product offerings together. As we continue to grow, we aim to form more synergies across our offerings and offerings from third parties, and encourage users to spend more time on our platform, which then draws more participants to our platform, enriches our offerings, and attracts more users.

### **Keep on Investing in Technology Capabilities**

We will continue to strengthen our technological innovations to solidify our leading position in the fitness industry. We will further invest in AI and other technologies to provide more personalized fitness content offerings to users. By increasing the granularity, accuracy and quality of fitness activities on our platform, we will gain better insights to provide more relevant recommendations of content and products to elevate the experience.

We intend to further enhance the integration of smart fitness devices and our online platform to enable a more seamless experience online and offline. In particular, continuous innovation in our smart fitness devices is our key strategic focus. In addition to investing in research and development to bring new features to our existing offerings, we will create new and smarter products to transform users' fitness experiences. We will also continue to invest in our technology infrastructure to support the innovation of our platform, such as our audio and video streaming capabilities, to enhance content quality and provide a more reliable experience for users.

### **Keep on Increasing Our Brand Value**

We believe that one of our most valuable assets is our *Keep* brand, representing the leading online fitness platform in China. We are committed to further strengthening our brand through online and offline marketing. Leveraging our deep understanding and insights on users' preferences and market trends, we will implement targeted marketing and fitness campaigns to broaden our universal appeal.

By offering high-quality products and content, we strive to improve user experience, increase user engagement and loyalty, and create a sense of belonging in our *Keeper* community. As we inspire more people to participate in fitness, empower them to achieve their own self-betterment, become new fitness enthusiasts, and bond with one another, we will further strengthen our brand recognition. We believe that extensive word-of-mouth referrals from loyal users are our most efficient marketing channel for organic user acquisition.

### **Keep on Enhancing Our Monetization Capabilities**

We will continue to enhance our monetization capabilities and explore other monetization channels that are complementary to our overall business. We plan to continue to expand the value of

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our membership by providing more exclusive benefits and products to subscribing members. For example, by offering subscribing members more specialized and advanced fitness content, exclusive training classes with selected instructors, additional interactive features with other subscribing members, a member-only online store for fitness products, and innovative integration with smart fitness devices, we expect to convert more users into our subscribing members.

As we attract more users to our platform while simultaneously increasing user engagement with content on our platform, we believe users’ general willingness to pay for premium services and purchase our self-branded products will continue to grow over time, resulting in improved monetization.

### OUR MILESTONES

Driven by our purpose to make the world move, we have achieved the following significant milestones in our business.

- February 2015: we launched *Keep* mobile app with our proprietary structured fitness courses.
- June 2015: the MAUs on our platform reached one million.
- July 2016: the MAUs on our platform reached 10 million.
- March 2018: we expanded our offerings to include smart fitness devices and complementary fitness products under the *Keep* brand.
- September 2018: we launched membership subscription.
- July 2019: our subscribing members reached one million.
- June 2020: we launched our interactive live streaming fitness classes.
- July 2021: the MAUs on our platform reached 40 million.
- 2022: our average monthly subscribing members for the year exceeded 3.5 million.

### OUR *KEEP* PLATFORM - ONE UNIFIED FITNESS ARENA FOR ALL

We launched our *Keep* mobile app in 2015, which has become the largest online fitness platform in China in 2022 according to the CIC Report. We are a leader in the fitness industry in China and are reinventing how content and technology can help people achieve their diverse fitness goals efficiently and conveniently, thereby transforming fitness from a burden to an integral part of lifestyles. We believe everyone can find his or her own arena on *Keep*, a place where they compete with themselves to pursue self-betterment. With AI-assisted and interactive content and smart fitness devices on our platform, everyone who seeks fitness solutions can discover suitable offerings and receive positive reinforcement.

Our *Keep* platform is a one-stop online destination for users seeking an effective and efficient fitness solution. When users join our platform and become a part of our *Keeper* community, they gain access to a comprehensive suite of fitness content and tools to reach their fitness goals. They start by voluntarily building their fitness profiles with basic information, such as age, gender, height and weight, preliminary fitness tests to gauge their athletic levels, and surveys to better assess their fitness goals. Based on their fitness profiles, we offer AI-assisted personalized fitness curriculums that feature

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our proprietary structured courses and other fitness content with suitable difficulty levels and fitness focus, typically lasting for a few weeks. In addition to the curriculums, users can join other fitness courses and even live streaming classes to interact with our instructors, and find rapport in our community during and after workouts. As users become more engaged with our platform and expand their opportunities for discovery, they may encounter courses that need smart fitness devices such as *Keep Bike* and *Keep Wristband*, or require fitness gear such as dumbbells and yoga mats, all of which are available in our online store on the *Keep* platform. Users may also find fitness clothing and fitness food easily on our platform to further complement their curriculums. Alternatively, some users get to know our platform after purchasing our smart fitness devices and start from those fitness courses related to the smart fitness devices before exploring our other extensive fitness content offerings.

We are a leader in molding and transforming the fitness industry in China. With extensive professionally generated content, or PGC, such as proprietary structured courses and live streaming classes, and various fitness tools on our platform, users can discover suitable fitness courses and curriculums that address their specific fitness goals. As our community expands, fitness professionals and influencers on our platform may capitalize on their popularity by offering diverse professional user generated content, or PUGC, including various fitness courses and curriculums, to other users, further enriching our content offerings. In addition to the network effect on a content level, our fitness content, both PGC and PUGC, brings traffic to our smart fitness devices and complementary fitness products in our online store, while people who purchase our fitness products are also drawn to our platform to explore our extensive and diverse fitness content. As users and influencers are inexorably connected through our high-quality content, social community, smart fitness devices, and online stores, our platform enjoys an overall virtuous cycle that fuels its continued growth and expansion.

### OUR USERS - “KEEPERS”

Our extensive, young and engaged user base is the key to our success. In 2022, approximately 76.7% of our total MAUs who provided their age information on average are below or at the age of 30. According to the CIC Report, younger generation is typically well-educated and technology savvy, with strong demand for innovative fitness products. In addition, approximately 54.2% of our total MAUs who provided their location information on average come from first-, new first- and second-tier cities in China in 2022, and we have observed growth in users in lower-tier cities as the reputation of our platform and brand strengthen.

We started with proprietary structured courses and have expanded our offerings by empowering users to discover quality content, enabling influencers to create and share content, attracting new users with diverse fitness goals and athletic levels, and introducing interactive live streaming classes to our platform. As a result, we have become the go-to destination for fitness users who seek an interactive, immersive and smart fitness experience. Our users have demonstrated a high level of engagement on our platform. We recorded an average MAU of 29.7 million, 34.4 million and 36.4 million in 2020, 2021 and 2022, respectively. In 2020, 2021 and 2022, our monthly average workout sessions per MAU was 5.0, 4.1 and 4.8, respectively, and our monthly average workout sessions per subscribing member was 10.9, 7.2 and 7.8, respectively. Compared to the 2.7 monthly average workout sessions per MAU of the online fitness industry in China in 2022, our higher monthly average workout sessions per MAU demonstrated higher user stickiness. We experienced a decrease in monthly average workout sessions per MAU in 2021 and a decrease in monthly average workout sessions per subscribing member in 2021 due to the expansion of our user base as we attracted new users that have lower level of engagement and less developed workout habit when they first started using our platform. Our new

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initiatives, including the launch of more virtual sports events, spurred greater user enthusiasm in our content offerings, contributing to the increase in the monthly average workout sessions per MAU and monthly average workout sessions per subscribing member in 2022. The average monthly membership retention rate was 73.3%, 71.7% and 65.3% in 2020, 2021 and 2022, respectively, demonstrating strong user loyalty and stickiness. We experienced higher average monthly membership retention rate in 2020 as the outbreak of COVID-19 increased users’ willingness to workout at home. The slight decrease in the average monthly membership retention rate in 2021 and 2022 was also due to the expansion of our user base.

### Profile Building

Users who visit our platform could activate the basic features on our platform, such as watching fitness courses, without registering with our platform. Users may elect to build their fitness profiles free of charge with (i) basic information, such as age, gender, height and weight, (ii) preliminary fitness tests to gauge their athletic levels, including the strength of various muscle groups and whether the users are capable of completing certain moves such as push-ups, and (iii) their fitness goals, which include body toning, muscle building, fat loss, among other things.

Based on users’ profiles, we recommend appropriate fitness courses and curriculums that are tailored to their fitness goals and athletic levels. For users who start their *Keep* journeys by purchasing our smart fitness devices, we also have initial setup tests for smart fitness devices. For example, users who have purchased *Keep Bike* are guided to the initial cycling test to assess their cycling capabilities, based on which our bikes can intelligently adjust the resistance levels for users.

### Membership Subscription

On our platform, users can freely explore and join many pre-recorded professional fitness courses and a few curriculums, and can use our outdoor activity tools to track their running, hiking and cycling free of charge. At the same time, we offer membership subscriptions which significantly expand the diversity and interactivity of our content offerings for our subscribing members. Many of our fitness curriculums are available to our subscribing members, including the AI-assisted personalized curriculums that are tailored for subscribing members based on their fitness profiles and goals and constantly adjusted according to subscribing members’ ongoing progress. In addition, subscribing members can join live streaming classes for cycling, strength training, cardio, boxing, dance and yoga, and utilize our dynamic food planning and tracking tools that offer personalized recommendations for fitness diets and recipes. We also offer coupons and discounts for other paid content and fitness products in our online store to our subscribing members. Subscribing members on average enjoyed approximately 25% discount for fitness products in our online store in 2022.

We had an average of 1.9 million, 3.3 million and 3.6 million monthly subscribing members in 2020, 2021 and 2022, respectively. Our membership penetration rate increased from 6.4% in 2020 to 9.5% in 2021 and further increased to 10.0% in 2022, demonstrating the success of our customized premium fitness solution.

Users may subscribe to our monthly, quarterly or annual membership packages, with an option to automatically renew at the end of the subscription period. Once subscribed to our membership package, the subscribing member generally cannot cancel the membership of the current period or receive any refund. Subscribing members may, however, choose to cancel the automatic renewal until 24 hours before the beginning of next subscribing period through app stores.

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We have specified in our membership policy that the sharing of membership subscription is not allowed and, technically, we have restricted the number of devices that can log on to the same membership account. We believe that sharing the membership subscription among multiple users does not give these users the benefit of being a subscribing member, as *Keep* helps record the personal fitness profile and exercise history for users and offers customized curriculums to meet users’ specific needs. During the Track Record Period and up to the Latest Practicable Date, we had not identified any material incidents or disputes related to multiple users sharing one membership account.

### **Fitness Influencers**

In the world of *Keep*, everyone is encouraged to become an influencer, as we believe in the pervasive power of sports and fitness. We have a group of fitness professionals and amateurs on our platform who have gained popularity in the community through their content and became influencers. We encourage and assist these influencers in creating fitness courses to further enrich our content offerings and attracting users with more diverse backgrounds. We believe that the fitness influencers serve as role models for users by motivating more people to cultivate a fitness lifestyle.

We analyze user interactions and original content generated through our platform to discover potential fitness influencers. Typically, to become influencers, users need to be experienced and knowledgeable in at least one specialized fitness area, such as training, yoga, running, dancing or cycling and have shared numerous posts that depict their fitness experience in our community. After identifying users who are passionate about sharing their fitness experience and excellent in producing original fitness content, we encourage them to become influencers on our platform, and not only give them assistance in original content production, but also help them build their fitness fan base and monetize their popularity. We also provide operation analysis to help influencers better understand followers’ preferences and offer opportunities to collaboratively produce quality content with our platform. For popular and creative influencers, we also introduce them to advertisers directly to expand their monetization opportunities. In addition, we closely track fitness trends globally and invite fitness professionals who have built their reputation and popularity elsewhere to join our platform, which complements our content offerings and helps attract new users.

### ***Keeper* Community**

Our online platform supports a highly engaging and interactive community gathering people who are willing to try and value fitness in their lives. Users are greeted by our powerful slogan “*Discipline Sets Me Free*” every time they open our mobile app, and we believe this has become the common spirit that influences users and unifies our *Keeper* community. Our users also publish posts to our community using all formats, including pictures, videos and texts, to record their feelings after completing fitness activities and share their thoughts on particular courses with other users. We offer various tools to simplify the recording and posting process for users, including generating pictures with user statistics and results from the fitness courses such as calories burnt and time spent, and automatically including the number of times the user has completed such course in the post. Users can easily follow other users, including fitness influencers and our fitness instructors, to track their updates, interact with them through comments and instant messaging, and compete with them for weekly fitness hours.

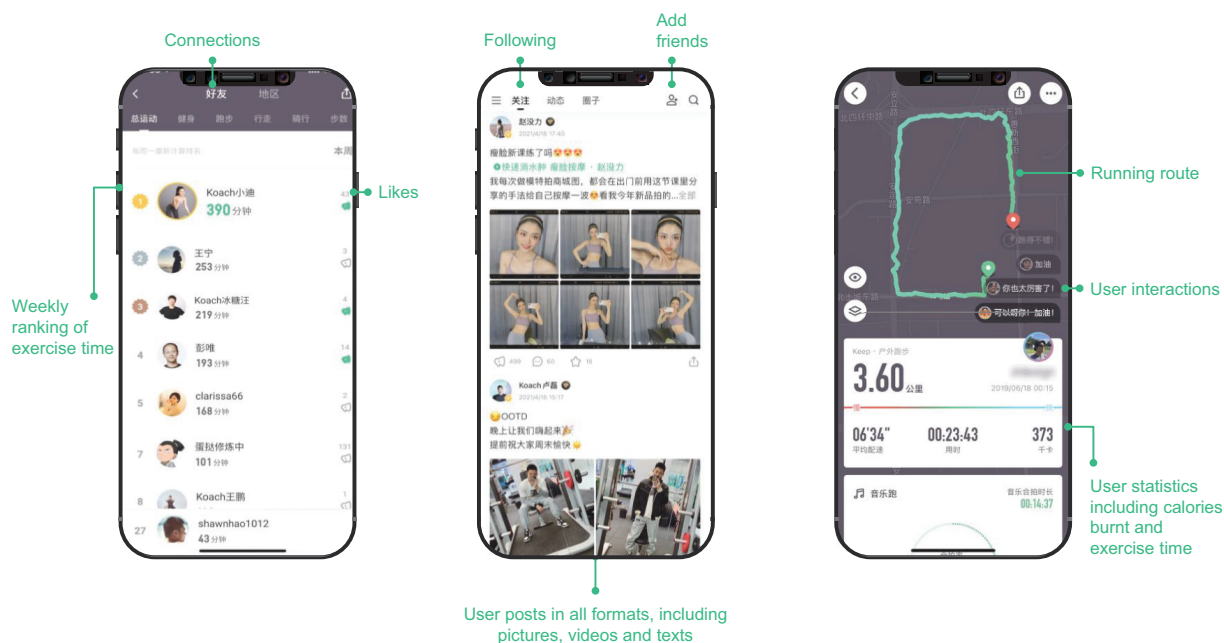
We utilize AI capabilities in our community feed to present posts that are more relevant to our users. We recommend posts that may be more interesting to users based on their past interactions and



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behaviors, as well as their fitness profiles. We also recommend posts from various fitness circles that a particular user is more likely to join to find rapport. Through our warm and supportive *Keeper* community, users can explore tremendous information and other users’ experiences along their fitness journeys on our platform.

The screenshots below illustrate the community feed and circles on our platform.



## OUR CONTENT OFFERINGS

We strive to provide our users with the broadest range of high-quality and engaging original and licensed content on fitness. Our content is presented in a number of formats, including (i) recorded structured courses that feature an edited combination of fitness moves shot in standardized backgrounds, (ii) recorded video courses developed by us, our influencers or other content providers, (iii) live streaming classes; and (iv) articles and short videos sharing fitness knowledge. The content on our platform, in terms of source of production, mainly includes (x) PGC that consists of recorded structured courses, recorded video courses and curriculums, as well as live streaming classes, all developed and produced in-house, (y) PUGC, which refers to recorded courses and pre-planned curriculums produced by our fitness influencers or licensed from third parties, as well as live streaming classes produced in-house but demonstrated by influencers, and (z) AI generated content, or AIGC, that encompasses structured courses and curriculums produced automatically using AI technology tailored to users’ specific needs and progress. Our fitness content is the foundation for close and active user engagement. In 2022, the total number of workout sessions following our recorded fitness courses was approximately 1.3 billion.

The table below sets forth our content in various formats and sources of production:

	Recorded Fitness Content			
	Structured Courses	Recorded Video Courses	Live Streaming Classes	Fitness Curriculums
PGC .....	✓	✓	✓	✓
PUGC .....	—	✓	✓	✓
AIGC .....	✓	—	—	✓



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The table below sets forth workout sessions completed following all types of content for the periods indicated:

For the Three Months Ended												
March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,	December 31,	
2020				2021				2022				
(in thousands)												
Total workout sessions completed	476,451	598,495	444,139	276,442	353,420	451,474	526,561	348,002	440,116	683,601	547,598	409,342

Our high-quality and well-trained instructors, who we refer to as *Koaches* on our platform, are critical to providing users with an effective and engaging fitness experience to enjoy our proprietary fitness content, including recorded structured courses, recorded video courses and live streaming classes. As of December 31, 2020, 2021 and 2022, we had 29, 37 and 44 in-house instructors producing content on our platform, respectively. Our fitness instructors help content development experts design the fitness courses and record demonstration and instruction videos for various moves.

We are highly selective in recruiting our fitness instructors, who serve as the front line in delivering our purpose, representing our brand image, welcoming users to our community, and passionately motivating users to exercise more. Before they are approved to formally record our fitness courses, our newly hired instructors must complete a rigorous and comprehensive onboarding program to ensure they have the requisite fitness skills and understanding to deliver our systematically developed content effectively. Subjects of these programs include our content development workflows, online fitness course planning, in-depth training on utilizing our platform, musical and visual presentation, corporate culture, user communication protocols and other aspects of their responsibilities. We also closely supervise our instructors’ performance and help them prepare and rehearse for live streaming classes. Our instructors for live streaming classes are required to attend relevant trainings and are subject to instructions from live streaming class directors. Directors can cut the real-time streams if there are any inappropriate behaviors. Bullet chatting during the live streaming classes is monitored directly by the AI system.

**Our Recorded Fitness Content**

Our proprietary fitness content mainly includes (i) structured courses that feature an edited combination of fitness moves shot in a standardized format, (ii) video courses developed by us and demonstrated by our in-house instructors or celebrities, and (iii) a complementary Fitness Encyclopedia serving as a guide to our recorded fitness courses. As of December 31, 2022, we offered approximately 3,400 recorded fitness courses that were developed in-house. At the same time, we also offered approximately 17,800 recorded courses from fitness influencers, fitness professionals and content providers as of December 31, 2022, compared to that 7,600 as of December 31, 2021.

The proprietary fitness courses on our platform are popular among users, indicating their originality and effectiveness. In 2022, the number of workout sessions following our recorded courses reached 1.3 billion, among which 524.9 million are workout sessions following our recorded courses developed in house, and 770.6 million are following the recorded courses developed by third parties. In 2022, 15 of the top 30 most followed recorded fitness courses on our platform were our proprietary courses, which demonstrated the popularity of our self-developed fitness content. In particular, a 13-minute at-home abs workout was one of the most popular courses on our platform, and our MAUs recorded cumulatively 210 million workout sessions following this course as of December 31, 2022.

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Our fitness courses cover a wide range of fitness categories to offer our users a professional, comprehensive and constantly refreshed experience. Our current offerings include strength training, cardio, dancing, boxing, running, stretching, yoga, Pilates, meditation and Tai Chi, among other things. These courses and curriculums serve various fitness goals, such as fat loss, body toning, muscle building, flexibility, and posture improvements. Users may easily find their desired content by filters, including fitness goals, target body parts, fitness categories, difficulty levels, and fitness gear or devices used.

The following table summarizes the key difference between structured courses and recorded video courses:

	<u>Structured Courses</u>	<u>Recorded Video Courses</u>
Content . . . . .	A combination of fitness moves edited in a standardized format with breaks and repetitions	A typical continuous video of a fitness session from beginning to the end
Instructor . . . . .	In-house coaches	In-house coaches, influencers, and third-party content providers
Can be generated through AI . . . . .	Yes	No

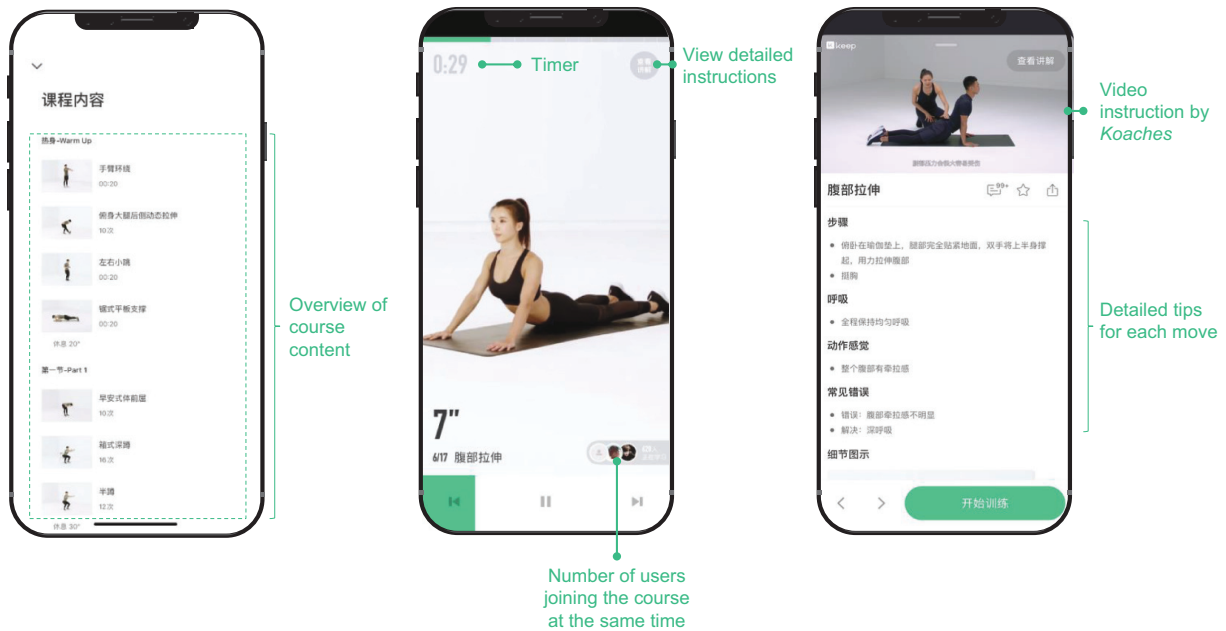
### ***Our Structured Courses***

Our structured courses are highly modularized, and generally range from 5 to 30 minutes consisting of 10 to 35 sections of standard fitness moves, such as push-ups, squats, and crunches, with breaks in between. Typically, most of these moves are demonstrated by our in-house instructors in the format of short videos with a standard white background. Each section shows several repetitions of simple moves, and we insert breaks between sections, the duration of which can be easily adjusted by users based on their proficiency. The courses often follow a similar routine where we start with a couple of warm-up sections and end with a few sections of relaxing and stretching moves. Since the short videos of our moves, each serving as a module in our course, are design-neutral and reusable, our time and cost of developing and producing a new structured course is reduced by building and compiling upon existing modules as the standard moves in our fitness library accumulate.

This modularized structure also enables intelligent course development leveraging AI technology, where our platform automatically generates fitness courses using moves in our library specifically for particular users based on their fitness goals and athletic levels. These courses can also dynamically adapt to changing user profiles, such as updated weight and body fat percentage received from *Keep* smart scale, and real-time responses, such as heart rate during workout received from *Keep Wristband*.

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The screenshots below illustrate our structured courses.



### Recorded Video Courses

Our recorded video courses cover a wide range of fitness categories, including cardio, dancing, boxing, among other things, and include courses developed in-house and by influencers and fitness content providers. Our comprehensive and performance-driven fitness content development capability is fundamental to the quality of our recorded video course offerings developed in-house. Underlying this distinctive capability are our highly systemized and streamlined development processes, which, in turn, are executed primarily by our specialized in-house instructors. Our recorded video courses also feature corresponding trendy music with strong beats, colorful lighting effects, and professional studio setups to simulate a face-to-face fitness environment from various angles to better motivate users during the workout. We sometimes collaborate with celebrities to record our video courses. Past live streaming classes delivered by our in-house instructors are also archived as our recorded video courses. We have also piloted dancing courses taught by virtual coaches using AI algorithms.

In addition to courses planned and presented by our in-house development team and instructors, we also offer content produced by fitness influencers and licensed from third-party fitness content providers. We believe that building an open platform further enriches our content offerings, attracts potential users and amplifies the network effects.

We encourage fitness influencers, including those who become influencers through our platform and fitness professionals drawn to our platform, to develop and produce fitness content to further enrich our content offerings. See “—Our Users—“Keepers”—Fitness Influencers”. PUGC has emerged as a highly popular category of content, as it combines the diversity and preference of users and the quality and specialization offered by professionals. As of December 31, 2022, our platform offered approximately 17,800 fitness courses produced by fitness influencers, fitness professionals and content providers.

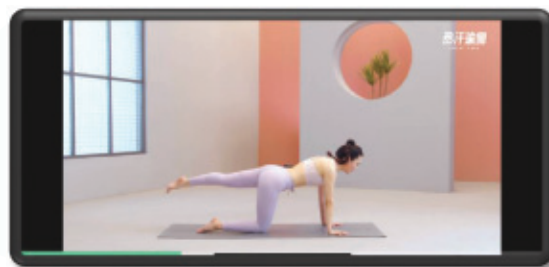
We typically enter into contracts with our influencers that range from three to five years and offer them economic incentives to compensate and reward them for quality content generated on our

## BUSINESS

platform. These contracts typically include content purchase contracts, agency agreements with influencers, and cooperation agreements with agencies of influencers. We either directly purchase their content or apply a revenue sharing model. For top influencers, we generally ensure that some of the content is exclusive or released first in China through our platform. We also ensure the content from the influencers cannot be deleted on our platform in general after the contract expires so that users who have already joined the course will still have access after the contract expires. In addition, we also collaborate with content providers to develop quality and tailored content for our platform, such as fat loss courses and ballet fitness, and we own the intellectual property rights of the designed content. We have also introduced certain creative and quality influencers to advertisers directly to expand their monetization opportunities.

Moreover, we strive to acquire fitness content that is appealing to our users, and we constantly look for desired content to expand our content offerings. We partnered with reputable fitness content providers around the world to offer licensed courses, such as Zumba, which features high- and low-intensity fitness dance moves, and Les Mills featuring at-home workout classes. We generally enter into licensing agreements with fitness content providers that range from one to three years. Under these agreements, we are granted limited license to distribute and use the licensed content at *Keepland* fitness centers or on our platform and to further promote, market and advertise through various social media channels in China. Similar to the limited license in music and other industries requiring licensing, the limited license may be limited usage to a particular geographical region, or may restrict us from further editing the content, among others.

The screenshots below illustrate the recorded video courses on our platform.



Yoga



Aerobics

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### *Fitness Encyclopedia*

In addition to structured fitness courses, we have been constantly creating articles and short videos on fitness, covering topics such as detailed dos and don'ts on workout moves, nutrition guidance during fitness curriculums, gym equipment basics, among others. We regularly publish such proprietary fitness content on other third-party social media platforms such as Weibo and Weixin public accounts, and in the Fitness Encyclopedia on our platform.

In the Fitness Encyclopedia, the fitness knowledge is organized by popular topics, including diet, fat loss, muscle building, body toning, running, yoga, posture improvement, dance, cardio, and gym, among others. Under each topic, users can read professionally generated articles covering various aspects of the topic, access related proprietary fitness courses for free, and see relevant posts from other users sharing their fitness experience. There are also sub-topics providing specific knowledge on related fitness equipment and diet and nutrition information tailored for the topic. The Fitness Encyclopedia offers users an entry to a structured and comprehensive database to acquire systematic knowledge on fitness.

### **Interactive Live Streaming Classes**

Live streaming classes provide an open venue for our users to gather online and interact with instructors, including our in-house *Koaches* and fitness influencers, and other users while they complete fitness training. Our course development professionals work closely with our instructors to effectively plan and present our course content in a stimulating and engaging manner. Unlike traditional pre-recorded courses, live streaming classes allow the users to interact with our instructors through bullet chatting on a real-time basis and therefore facilitate a more vibrant and socially native experience among instructors and users. Our instructors and course development personnel are specifically trained for online live streaming fitness classes and are subject to instructions from live streaming class directors. Directors can cut the real-time streams if there are any inappropriate behaviors. Bullet chatting during the live streaming classes is monitored directly by the AI system.

We are the pioneer of introducing live streaming to the fitness industry in China, according to the CIC Report. We offer an immersive experience to our users by enabling our instructors to proactively interact with users leveraging smart fitness devices to supplement our comprehensive fitness solution. We design the live sessions with special lighting and upbeat music to make workouts enjoyable and immersive. Our smart fitness devices such as *Keep Bike* and *Keep Wristband* can be easily integrated with live streaming classes to provide an interactive experience—for example, users who wear *Keep Wristbands* will be able to join in-session competitions with other users who participate in the same live streaming class through the wristbands' real-time feeds of workout measurements, and monitor their ranking projected live on the screen. Our live streaming services enable instructors to interact with users to introduce and sell fitness products to our users.

In addition, we provide a virtual gifting function for users to gift the virtual items purchased by virtual *Keep* coins to live streaming instructors. The purchase and gifting serve as a great way to stimulate the interactions between users and instructors and increase user engagement in live streaming classes. In addition to real-name registration for live streaming instructors, we also require real-name registration for users who give virtual gifting during online livestreaming classes, and prohibit minors under minor protection mode and users without real-name registration from giving virtual gifting during livestreaming classes. We have set up a customer hotline and email dedicated for minor-related concerns including potential complaints or disputes regarding minors' virtual gifting. We have not

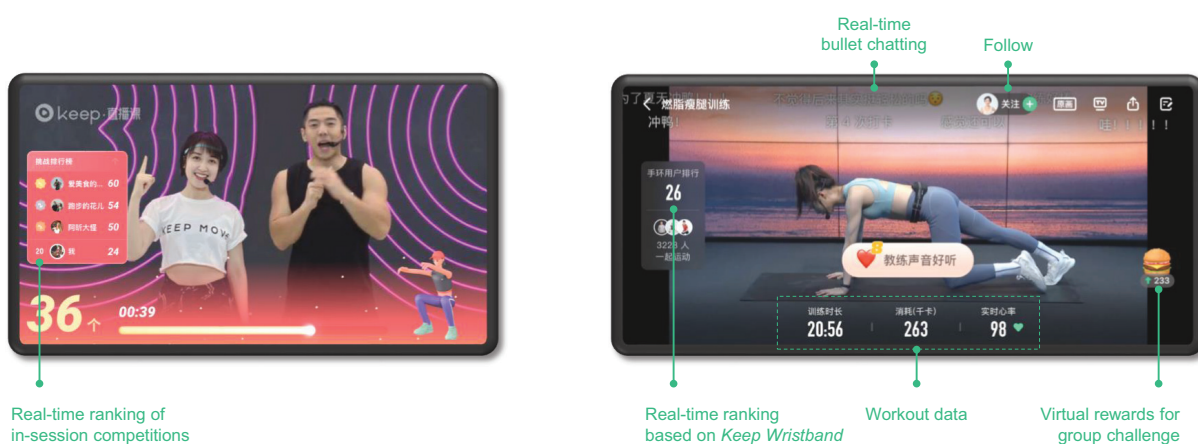


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received any material complaints, reports or disputes on minors’ virtual gifting during the Track Record Period and up to the Latest Practicable Date. We design virtual gifting function with limits for spending. As of the Latest Practicable Date, the value of virtual gifts available in our livestreaming classes ranges from RMB0.1 to RMB88.8. We also set the limit on maximum spending for each user as RMB50,000 per day and RMB100,000 per month while there have been no explicit provisions on the standard for the maximum amount of virtual gift spending under PRC laws and regulations as of the Latest Practicable Date.

Currently, our live streaming content is available to subscribing members only and covers fitness categories such as indoor cycling, dance fitness, fat loss, cardio, strength training, boxing, and yoga. In 2022, we offered over 9,100 live streaming classes on our platform, approximately 760 per month. The total workout sessions following our live streaming classes in 2022 were 17.1 million. Since we introduced the interactive features, such as bullet chatting and high fiving during classes, to live streaming classes in June 2020, the total number of interactions increased from 0.9 million in the three months ended December 31, 2020 to 1.3 million in the three months ended December 31, 2022.

The screenshots below illustrate the live streaming classes on our platform.



The screenshots below illustrate the gifting and product-selling function in live streaming classes.



### Personalized Curriculum Planning

We offer a wide range of fitness courses featuring bodyweight exercises, free-weights exercises, high-intensity interval training, cardio, boxing, dance fitness, stretching, yoga, cycling and running, among other things. Leveraging these diverse content resources, we have designed various AI-assisted course curriculums exclusively to our subscribing members, each with its own theme and



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focus, to enable users to start achieving their fitness goals under professional guidance with one click. In 2022, the workout sessions following the courses within our fitness curriculums exceeded 183 million. For example, we offer one- and four-week personalized fat loss curriculums, and personalized curriculums for abs strengthening and leg toning, all using AI technology. The curriculums are personalized based on user profiles including fitness goals, height, weight, age, gender, and results from fitness tests that assess users’ athletic levels. See “—Our Users-“Keepers”—Profile building”. The course difficulty gradually increases as users become more fit, and the content is dynamically adjusted according to ongoing user feedback. Our comprehensive curriculums also feature relevant fitness articles and food planning and recommendation tools, which can intelligently recommend diets for users depending on their profiles and fitness content within the curriculums.

### PROFESSIONAL COURSE DEVELOPMENT

Our development professionals combine our accumulated fitness content creation experience over the past six years and our multi-dimensional user feedback to develop our comprehensive fitness courses. We have a dedicated team of fitness content development personnel that research, develop, and produce our proprietary fitness content.

User preference is the most critical factor when we plan and produce our proprietary fitness content. We hold a content planning meeting regularly where we analyze all fitness categories and how they fit into our target user profiles with different ages, genders, and annual incomes to form our production plan for the next year. For a new course, we thoroughly study the fitness and consumption trends on our platform and use industry insights and AI to identify new content topics and conduct one-on-one discussions with many target users to gauge their needs and preferences. With careful analysis, we then decide on our course content with clear views of the core value we provide and the goal we address through a given course. The course plan is subject to several rounds of internal reviews and revisions before we shoot and produce the course. After the course is launched on our platform, we track the operating performance of the course, such as course completion rate and repeat workout rate, and obtain user feedback through surveys so that we can further refine and optimize the course.

In addition, our courses are generally divided into five difficulty levels so that our users can easily choose suitable courses based on their fitness proficiency. We also recommend suitable difficulty levels based on users’ fitness test results. Many of our proprietary courses are designed in a series with progressing difficulty levels, and users may easily find corresponding higher-level courses within the same series as their athletic levels advance through practicing our fitness courses.

Additionally, it is essential for us to maintain the quality of the professional fitness content on our platform. We require reputable certifications and recognitions in relevant fitness fields for our influencers, such as American Council on Exercise (ACE), National Academy of Sports Medicine (NASM), and National Strengths and Conditioning Association (NSCA) for fitness training, Running Science Lab for running, Registered Yoga School (RYS), and Registered Yoga Teacher (RYT) for yoga, and so forth. We closely review and evaluate the fitness content produced by fitness influencers and licensed from third-party content providers to ensure its quality before publishing it on our platform. Our operating team supports the production of content by influencers and other content providers and our content development team monitors and screens the content submitted to our platform. We review and ensure that the content does not violate fitness principals and is safe for users to follow and practice. As of December 31, 2022, there were 34 employees that govern and monitor the behaviors of influencers. Our content screening employees typically hold degrees in sports and fitness

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and have at least three years of content screening experience, and we also offer periodic training sessions to keep them apprised of new fitness theories and fitness topics.

### SMART FITNESS DEVICES

Leveraging our strong technology-driven product development capabilities, we offer a range of smart fitness devices to provide users with a holistic fitness experience. These devices, mainly including *Keep Bike*, *Keep Wristband*, smart scale and treadmill, can record fitness activities, based on which we can adjust course content, curriculums and food plans. Our existing users may conveniently purchase these smart fitness devices for a more personalized fitness experience tailored to their own changing performances, while new users who purchase these smart fitness devices gain access to a brand-new approach to fitness on our platform.

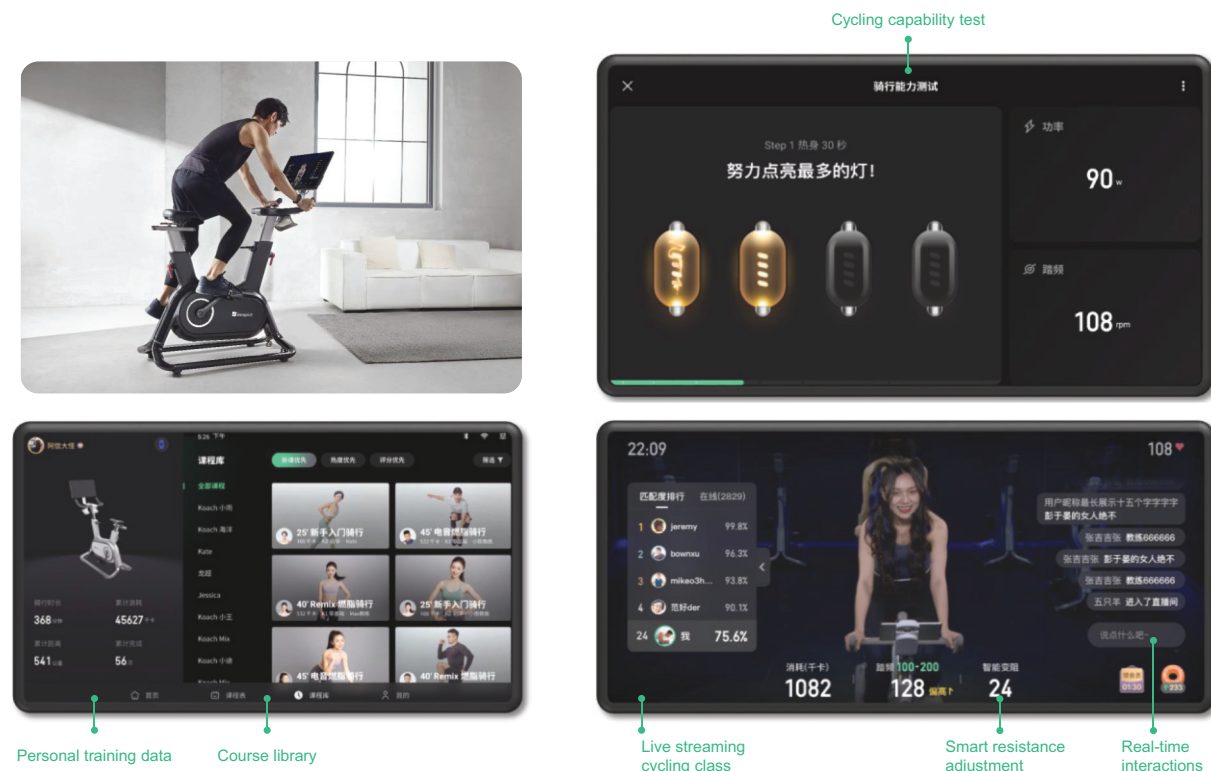
#### *Keep Bike*

We launched the first generation of *Keep Bike* in 2019. Our *Keep Bike* currently features a symmetric design, a white aluminum alloy frame for durability and stability, a nearly silent hidden spin with reliable resistance system, and an adjustable screen holder for smartphones, tablets and laptops or a high-resolution display, all in a compact, 3.4’ by 1.7’ footprint. Our *Keep Bike* won the 2019 iF Design Award. In China, the retail price of our *Keep Bike* ranges from RMB1,399 to RMB5,099 depending on the configuration, and includes fast delivery and professional set up. As of December 31, 2022, we cumulatively shipped approximately 194,000 *Keep Bikes* through our online store and third-party e-commerce websites.

We offer live streaming cycling classes every day and on-demand cycling courses to our subscribing members to unlock the full potential of *Keep Bike*. During the classes, our *Keep Bike* can automatically adjust resistance levels based on instructor’s targets and users’ cycling capabilities, therefore users can achieve a more focused and immersive cycling experience. We present a league table in live streaming classes showing rankings of the participating users to motivate them in an interactive and positive way. Our instructors can see users’ ranking, current pedaling frequency, resistance level and past cycling experience, as well as bullet chatting, all providing resources for our instructors to actively interact with participants during classes. Our instructors can also actively adjust resistance levels for participating users and check their corresponding performance.

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The pictures below illustrate our *Keep Bike* and our live streaming cycling classes.



Compared to traditional fitness bikes, *Keep Bike* is the first fitness bike in China that offers intelligent resistance adjustment, according to the CIC Report. New users may start with a cycling capability test to gauge their cycling proficiency, based on which their bikes set the initial baseline resistance levels. During the live streaming classes, based on class programs, instructor’s target, users’ personal baseline resistance level, and pedaling frequency, our *Keep Bike* can intelligently adjust the resistance level in real time to offer personalized difficulty level and maximize the training efficiency for users. Our proprietary electromagnetic control system supports fast and responsive resistance adjustment in 0.3 second. Based on users’ fitness progression, we also recommend users to retake the cycling capability test to update their baseline resistance levels for future cycling.

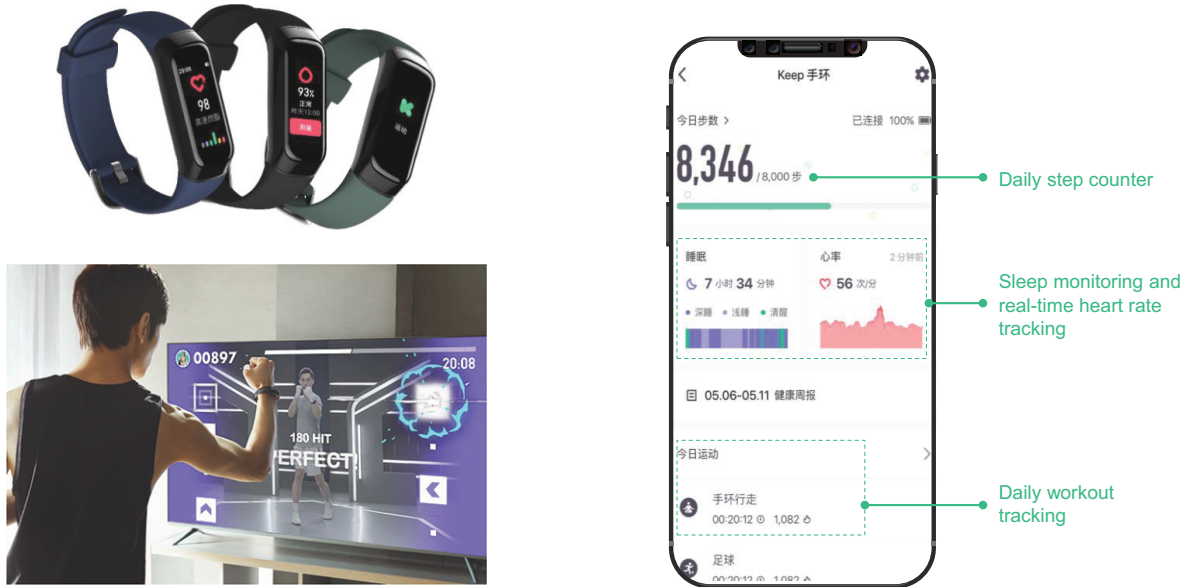
### **Keep Wristband**

We launched our smart wristband under the *Keep* brand in 2019. Our smart *Keep Wristband*, embedded with our proprietary six-axis accelerometer and gyroscope, can track users’ daily workouts, including running, yoga, cycling, walking, elliptical machine, rower, swimming, among others. It also supports real-time heart rate monitoring and tracking, blood oxygen testing, sleep monitoring, and various reminders and alerts. The fitness activities are synced to and analyzed on our platform so that users can review their fitness performance through various metrics and visual presentations. *Keep Wristband* empowers a new kind of fitness experience for an expanded spectrum of fitness categories by adjusting course content, break periods, and difficulty in real time according to users’ heart rates. For example, we offer fat loss courses that guide users to maintain their heart rates within a target range that is most effective for fat loss throughout the workouts using our *Keep Wristbands*.

The retail price of our *Keep Wristband* ranges from RMB169 to RMB289 depending on the configuration as of the Latest Practicable Date. As of December 31, 2022, we shipped approximately

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1.9 million *Keep Wristbands* through our online store and third-party e-commerce websites in total. The pictures below illustrate our *Keep Wristband* with heart rate monitoring and workout tracking features.

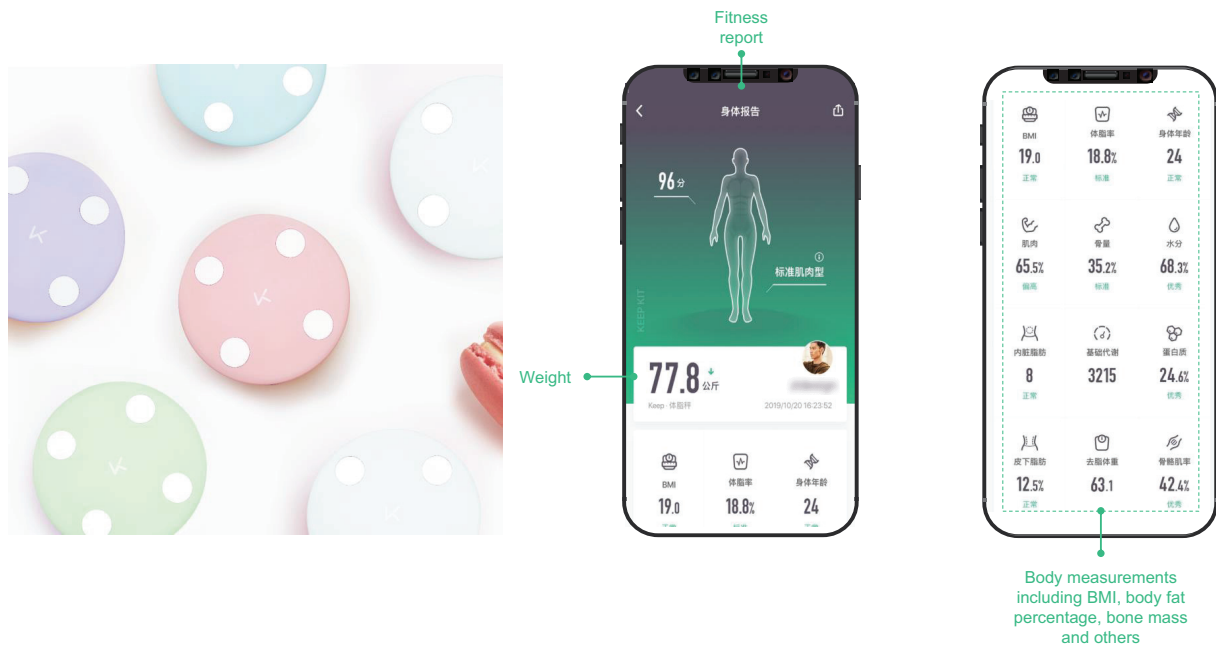


### ***Keep Smart Scale***

We launched our smart scale under the *Keep* brand in 2018. Our smart scale features a round ultra-thin design with pastel colors, supports 15 body measurements, including weight, body fat percentage, bone mass, and lean body mass, among others, of up to ten users, and connects to our platform wirelessly. Based on updated body measurements received from the *Keep* smart scale, our AI-assisted personalized curriculums can tweak workout plans and update food recommendation accordingly for users, thereby helping users achieve their fitness goals more efficiently. See “—Our Content Offerings—Personalized curriculum planning”.

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The retail price of our *Keep* smart scale ranges from RMB59 to RMB199 depending on the configuration as of the Latest Practicable Date. As of December 31, 2022, we shipped approximately 1.3 million *Keep* smart scales through our online store and third-party e-commerce websites in total. The pictures below illustrate our *Keep* smart scale with body measurement tracking features.



### **Keep Treadmill**

We launched our treadmill under the *Keep* brand in 2018. Our K3 customizable treadmill features a foldable compact design, a shock-absorbing high performance responsive belt using multi-fold noise control, and a nearly silent brushless motor providing great power and durability. Unlike a traditional treadmill, *Keep* treadmill is supported by and works closely with an extensive and constantly updated running content library on *Keep* platform. When paired with the running courses on our platform, our treadmill can automatically adjust and customize speed for users based on their running status and course targets. We also offer voice guidance for more effective and enjoyable running and provide visualized performance analytics after the workouts as positive feedback to motivate users.

In China, the retail price of our treadmill ranges from RMB2,099 to RMB3,099 depending on the configuration, and includes fast delivery and professional set up. As of December 31, 2022, we shipped approximately 222 thousand treadmills through our online store and third-party e-commerce websites in total. The pictures below illustrate our treadmill and related running content on our platform.



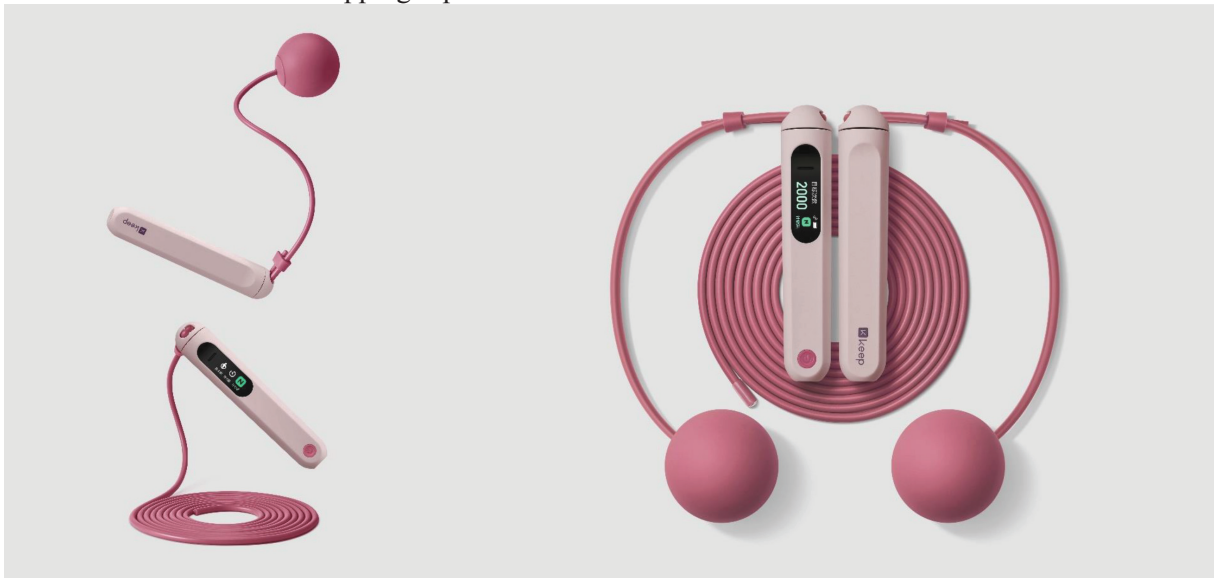
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### Keep Smart Skipping Rope

In August 2021, we launched smart skipping rope as an upgrade to traditional skipping ropes. Our smart skipping rope features a sleek ropeless design to provide fast rotation and tangle free workout experience, extra comfortable handles that offer a strong grip and high-quality ball bearing for better aerobic exercise effect. The smart skipping rope is linked to the *Keep* app to record the number of jumps, calories burned. Users can track progress to build workout routines and improve fitness performance. We also recommend users jump rope music workout sessions where users complete a certain number of jumps with our fitness instructors following motivating music. In addition, users are encouraged to wear *Keep wristband* to sync personal fitness data, such as heart rate, during jump rope workouts. The combination of our smart fitness devices help users develop a comprehensive fitness routine, track their workout progress and achieve their fitness goals.

In China, the retail price of our smart skipping rope ranges from RMB110 to RMB219 depending on the configuration. As of December 31, 2022, we shipped over 600 thousand smart skipping ropes through our online store and third-party e-commerce websites in total. The pictures below illustrate our smart skipping rope.



### COMPLEMENTARY FITNESS PRODUCTS

We offer a wide range of fitness-related products under our *Keep* brand to complete the fitness offerings on our platform. Our fitness gear is designed for at-home workouts and enable users to enjoy



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our fitness content to its full potential. Our fitness apparel demonstrates an optimized design for functionality and style and can provide comfort throughout fitness activities and build confidence for our users. We believe in the power of workouts and healthy diet to achieve fitness goals. Our fitness food complements users’ fitness journeys by providing users with well-balanced and nutritional food choices. Users can find our fitness products in the online store on our platform conveniently or through third-party e-commerce websites.

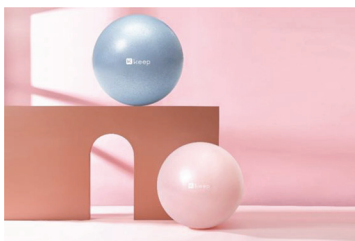
### Fitness Gear and Apparel

We provide high-quality fitness gear under our *Keep* brand on our one-stop platform to users so that they can easily and directly choose their desired products efficiently to fully utilize the relevant fitness content on our platform. To complement our user experience and establish brand awareness, we also offer fitness clothing for various fitness categories such as running, yoga and workouts.

We offer a wide range of fitness gear to support the courses and curriculums we offer on our platform, including at-home workout gear such as dumbbells, kettle bells, jumping ropes, and percussion massage devices, and yoga gear such as yoga mats, yoga balls, stretching bands and foam blocks, as well as protective gear such as knee sleeves, gloves and wrist wraps. The retail price of our fitness gear ranges from RMB9.9 to RMB584 as of the Latest Practicable Date. Users can fully take advantage of our fitness content with fitness gear, which is optimized for users to explore as much content as possible on our platform. For example, we offer yoga mats that are longer and wider than traditional yoga mats, and are thicker and more cushioned for better joint support. This design enables users to use the mats to accomplish not only yoga but also various other workouts on our platform.

We offer a comprehensive line of fitness apparel and accessories for women and men. Our fitness apparel includes shirts and tops, leggings and tights, pants and shorts, hoodies and jackets, and sports underwear, all designed to support various fitness activities such as yoga, running, and strength training, and at the same time comfortable for daily casual wear. The retail price of our fitness apparel ranges from RMB29 to RMB699 as of the Latest Practicable Date. We are committed to providing apparel and accessories with a curated selection of fabrics that provide support, protection, and comfort. For example, we utilize soft and breathable fabrics in fitness clothing for low impact workouts like yoga, and use durable material with shape retention properties in legging and tights to provide flexible stretch and compression for running and other more intense activities.

The pictures below illustrate some examples of our fitness gear and apparel:



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### Fitness Food

Nutrition and diet are critical for users to achieve their fitness goals efficiently. We offer food planning and recommendation tools under our *Keep* brand on our platform so that users can learn how to eat healthily, and we have launched fitness food products to enable an integrated fitness solution for users.

We have created a range of meal replacement products featuring a balanced combination of macronutrients and micronutrients, including carbs, protein, vitamins and minerals. Meal replacement products are available by standard packaged meals and in three-day or weekly meal plans. We also offer fitness supplements such as protein powders and protein bars. In addition, we offer various fitness snacks such as chicken breasts, chickpeas, and whole wheat sticks that are satisfying to users’ appetites without disrupting their diet. The retail price of our fitness food ranges from RMB9 to RMB465 as of the Latest Practicable Date.

The picture below illustrates some examples of our fitness food:



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The table below sets forth the revenue, gross profit and gross profit margin of our top 10 major fitness products.

	In 2020			In 2021			In 2022				
	Revenue	Gross profit	Gross profit margin (%)	Revenue	Gross profit	Gross profit margin (%)	Revenue	Gross profit	Gross profit margin (%)		
	(RMB in thousands, except for percentage)										
1 <i>Keep</i> Treadmill Classic Edition	82,025	25,070	30.6	<i>Keep</i> Bike Pro & Basic Edition	84,216	28,517	33.9	<i>Keep</i> Wristband B3 <sup>(1)</sup>	90,992	(14,614)	(16.1)
2 <i>Keep</i> Bike Pro	53,425	16,342	30.6	<i>Keep</i> Wristband B2 <sup>(1)</sup>	60,944	(8,518)	(14.0)	<i>Keep</i> Bike Mini	85,877	3,093	3.6
3 Extra Wide and Thick Fitness Mat	52,452	26,454	50.4	<i>Keep</i> Treadmill Fashion & Adventure Edition	50,630	14,040	27.7	<i>Keep</i> Bike Pro	56,957	4,896	8.6
4 <i>Keep</i> Wristband B1	38,958	9,359	24.0	Extra Wide and Thick Fitness Mat	45,649	16,511	36.2	Extra Wide and Thick Fitness Mat	49,688	20,523	41.3
5 <i>Keep</i> Smart Scale SE (Bluetooth Edition)	18,451	5,028	27.3	<i>Keep</i> Fascial Gun G1	39,772	7,013	17.6	<i>Keep</i> Jumping Rope SR1 (with Counter)	43,768	16,205	37.0
6 Muscle Relaxation Foam Roller Classic & Portable Edition	15,699	9,741	62.0	<i>Keep</i> Treadmill Classic Edition	36,120	5,245	14.5	<i>Keep</i> Treadmill Comfort Edition	33,376	2,280	6.8
7 <i>Keep</i> Treadmill Fashion & Adventure Edition	15,028	4,821	32.1	<i>Keep</i> Jumping Rope R1 (with Counter)	33,179	6,372	19.2	High Protein Dark Chocolate Crunchy Balls	26,290	10,110	38.5
8 <i>Keep</i> Fascial Gun G1	12,891	3,488	27.1	<i>Keep</i> Smart Scale SE (Bluetooth Edition)	22,446	5,415	24.1	<i>Keep</i> Wristband B2 <sup>(1)</sup>	25,358	(4,764)	(18.8)
9 <i>Keep</i> Walking Machine W1	12,401	3,685	29.7	Pre-cooked Chicken Breast	14,952	5,346	35.8	<i>Keep</i> Smart Scale SE (Bluetooth Edition)	24,222	3,273	13.5
10 Fitness Map with Alignment Lines	10,474	5,661	54.0	<i>Keep</i> Wristband B3	14,520	2,049	14.1	<i>Keep</i> Bike Benchmark Version 22	19,775	5,062	25.6

Note:

(1) We generally provide discounts to previous editions of the *Keep Wristband* after the launch a new edition of the wristband, resulting in gross loss of certain editions of the wristband during relevant period.

### OUR FITNESS-CENTRIC MONETIZATION MODEL

We generate revenue primarily through (i) sales of smart fitness devices, (ii) sales of complementary fitness products, (iii) membership and online paid content, and (iv) advertisements on our platform. We generated a majority of our revenue from the sales of self-branded fitness products and invested significantly in the research and development of platform design and fitness content.

#### Smart Fitness Devices

Our fitness content is enhanced by our smart fitness devices, including *Keep Bike*, *Keep Wristband*, treadmill and smart scale. Users who purchase our smart fitness devices can link our devices to the fitness content on our platform to enable an enhanced experience. Our online fitness content encourages users to explore our smart fitness devices for a more immersive and effective fitness experience, while people who purchase our smart fitness devices are directed to *Keep* platform to browse our broad range of fitness content. Our fitness content and smart fitness devices reinforce each other, contributing to a comprehensive, personalized and intelligent fitness solution to our users.

#### Complementary Fitness Products

To complement our comprehensive fitness solution, we also offer fitness gear, apparel and fitness food under our *Keep* brand. We operate an online store directly in our *Keep* mobile app, where users can easily explore our products at their fingertips and enjoy a shopping experience elevated by detailed product descriptions, peer reviews and multi-angle illustrations to ensure informed purchasing decisions. In addition, when users join the fitness courses on our platform that require particular fitness gear such as stretching bands or dumbbells, they can conveniently explore the related products through

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the *Gear* button under the course description. We also direct users from product description pages of smart fitness devices or fitness gear to those fitness courses related to the use of such products. The product offerings in our *Keep* online store seamlessly connect with our comprehensive fitness courses and curriculums, forming an integrated one-stop fitness destination for users. Users can also purchase our products across major e-commerce platforms in China, including JD.com and Tmall. Through engaging users across multiple sales channels, we direct more users to our platform and greatly expand our user base.

In 2022, the average monthly revenue generated from self-branded fitness products per fitness product customer was RMB172.4. We plan to further enrich product offering by introducing products of different price levels and features to cater to a broader purchase base with different fitness demand and purchasing power.

### Membership and Online Paid Content

We provide our users with a wide variety of online fitness content and we monetize through membership subscriptions that unlock many privileged features on our platform, paid fitness courses, and paid curriculums addressing varied fitness goals. Online fitness content on our platform can be categorized, in terms of monetization, as (i) free content available to all users, (ii) subscribing member exclusive content that can be accessed through membership subscription, and (iii) online paid content that can be purchased on a la crate basis. The majority of the pre-recorded courses on our platform and curriculums, whether produced in-house or by other parties, are free content available to all of our users, including our subscribing members, who also have exclusive access to live streaming classes and AI-assisted personalized curriculums. Our membership can be subscribed on a monthly, quarterly, or yearly basis, and users may elect to renew the subscription automatically. As of the Latest Practicable Date, our listed monthly, quarterly and yearly subscription fees were RMB25-RMB40, RMB68-RMB98 and RMB248-RMB328, respectively. We also expand the content offerings to users by providing paid courses and curriculums that focus on various fitness goals, and users can access these courses and curriculums repeatedly after purchasing them on an a la carte basis. The fees for these a la carte paid courses and curriculums on our platform typically range from RMB28 to RMB512. Subscribing members can enjoy discounts on paid courses and curriculums. In 2022, the average monthly revenue generated from membership per subscribing member was RMB13.0.

### Advertisements on our Platform

We display advertisements on our platform for a selected collection of brands and merchants. We have an experienced advertising sales team consisting of professionals with extensive experience in the internet advertising industry in China and with deep insights on our brand values. We offer a variety of advertising services via the *Keep* app without compromising user experience, primarily including (i) display advertisement that pops up after the app is loaded, and banners on the homepage, (ii) native advertising placement in the community feed, and (iii) collaboration with advertisers during fitness content development.

In 2020, 2021 and 2022, we worked with 36, 78 and 75 advertising customers, respectively. Our advertisers consist of a variety of brands attracted by our platform and user base, including automobiles, luxury brands, fast moving consumer goods, and advertisers in other fitness related

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industries. For specific types of advertisements such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals, and veterinary pharmaceutical, we implement internal procedure to check or verify that the advertisers have fulfilled requisite government requirements, including the advertiser’s operating qualifications, proof of quality inspection of the advertised products and services, and, with respect to certain industries, government approvals of the content of the advertisement and filings with the local authorities. See “Risk Factors—Risks Related to Our Business and Industry—Advertisements in our app may subject us to penalties and other administrative actions”.

Since the inception, we have been a firm believer that everyone, including those new to fitness, should be able to enjoy fitness anytime and anywhere. In other words, we started off focusing on the fitness needs of mass population (i.e., “bottom-up” approach) as opposed to a specific segment of fitness niche market. Fitness product sales is a natural extension of our online fitness business model to address the needs of users when viewed in holism — this sets us apart from players that take a “top-down” approach in their go-to-market strategy and philosophy. Therefore, users and their diversified fitness needs are the real propulsion power behind our business model. With our evolving technology, we break traditional constraints and bring users to the forefront of fitness by providing a comprehensive, accessible and affordable fitness solution. Our business and monetization model has been focusing on and gradually built upon our users’ demand, which stems from online fitness content that can be accessed by the mass. As a result, we consider MAU a key indicator to assess our business performance as it demonstrates the efficacy of our fitness solution, including the quality of our content, the satisfactory level of user experience, and the effectiveness of marketing campaigns. A healthy MAU trend signals that we are executing our business strategies effectively and are sufficiently attracting and retaining users. Along with the growth of the MAUs, our platform has experienced a steady increase in our membership penetration rate, being the average number of monthly subscribing members as a percentage of the average MAUs, from 6.4% in 2020 to 9.5% in 2021, and further to 10.0% in 2022.

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According to the CIC Report, China’s fitness market presents substantial growth potential as both the size of the fitness population and the annual spending of the fitness population are expected to continue to increase. In particular, the online fitness market in China is expected to grow from RMB455.6 billion in 2022 to RMB1,285.4 billion in 2027, with a CAGR of 23.1%, driven by the growing prevalence of home fitness and a large and growing digital-native population, according to the CIC Report. We are founded in 2014 to provide a comprehensive, accessible and affordable online fitness solution and redefine people’s relationship with fitness. As an innovative and fast-growing company with relatively short monetization history, we have been focusing on exploring a suitable and sustainable business model instead of seeking immediate financial returns or profitability so as to lay a solid foundation for our long-term development.

Since our inception, we have been devoting resources to build a massive and ever-growing content library and improve our technology innovation to optimize user experience as their needs evolve. Benefiting from such efforts, our *Keep* brand has become highly influential in China and we have accumulated the largest online fitness user base in China as of December 31, 2022, according to the CIC Report. In 2020, 2021 and 2022, our platform recorded average MAUs, which include both paying and non-paying users, of 29.7 million, 34.4 million and 36.4 million, respectively. In 2022, our MAUs collectively recorded approximately 2.1 billion workout sessions on our platform.



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We constantly develop and launch new products and services to cover people’s entire fitness lifecycle, including membership services, smart fitness devices and complementary fitness products. By thoughtfully weaving our offerings together, we have developed an integrated business model with strong synergies across different segments. During the Track Record Period, we witnessed strong and robust growth in our business operation and financial condition. Our revenue grew by 46.3% from RMB1.1 billion in 2020 to RMB1.6 billion in 2021, and further increased by 36.6% to RMB2.2 billion in 2022, mainly attributable to the increased revenue from self-branded fitness products and membership and online paid content. Our revenue from self-branded fitness products increased during the Track Record Period due to an increase in our fitness product customers and increased revenue generated from non-DTC channels. Our revenue from membership and online paid content increased during the Track Record Period as a result of an increase in our average monthly subscribing members and growing membership penetration rate. Our revenue per MAU, defined as the total revenue of a given period divided by the average MAUs of that period, was RMB37.2, RMB47.1 and RMB60.8 in 2020 and 2021 and 2022, respectively. Our gross profit grew by 35.5% from RMB499.4 million in 2020 to RMB676.6 million in 2021, and further increased by 33.1% to RMB900.4 million in 2022. We recorded gross margins of 45.1%, 41.8% and 40.7% in 2020, 2021 and 2022, respectively. We have incurred net losses in 2020, 2021 and 2022 as we have been in a high-growth stage and strategically focused on growing our user base via investing in our brand as well as innovative, high quality fitness content and product offerings to pave the way for long term profitability. As our confidence in long-term profitability strengthened, we strategically increased our spending in traffic acquisition and branding to further acquire, activate and retain users in 2021. As a result, our adjusted net loss (non-IFRS measure) increased from RMB106.4 million in 2020 to RMB826.5 million in 2021. In 2022, we reduced our investment in marketing activities and made more efficient spending on user acquisition. Our adjusted net loss (non-IFRS measure) narrowed from RMB826.5 million in 2021 to RMB666.9 million in 2022. We expect to continue incurring net loss and net operating cash outflow in the near future as we continue to invest in user growth and vertical skills to capture the substantial opportunities in the industry and strengthen competitive moats.

To grow our revenue and achieve profitability, we plan to further (i) grow our user base and deepen our user engagement; (ii) enhance our monetization capabilities leveraging multiple growth levers; and (iii) improve our gross margin and operating leverage.

### **Grow User Base and Deepen User Engagement**

Driven by our focus on mass population and compelling content offerings, we have built an extensive user base on our platform. We plan to further expand our addressable market by appealing to users across different ages, areas of interest, and locations and grow our user base. In 2022, on average approximately 76.6% of our total MAUs who provided their age information are below the age of 30. In addition, approximately 54.2% of our total MAUs on average who provided their location information come from first-, new first- and second-tier cities in China in 2022. Approximately 45%, 48% and 46% of our total MAUs on average who provided their location information come from third-tier and below cities in 2020, 2021 and 2022, respectively. As these users have different purchasing power and willingness to pay, we plan to strategically launch more offerings at different price points. In addition, we have been continuously diversifying our content offerings to include content captivating to the mass population. For example, we started to offer extensive content in martial arts and dancing in 2021 and ball game content in 2022. We will also introduce a wider variety of content and product offerings at different price levels to cater to the diversified needs of the mass population. For example, for each type of the smart fitness devices, we have rolled out multiple models at different price points. In the meantime, we will continue to refine our content and user interface to make it easier for users to follow fitness instructions. Leveraging our deep insights on users’ preferences and market



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trends, we will also dynamically shape our content development strategy and produce more diversified content that can attract targeted user groups. For example, we were one of the first in China to launch virtual coach, the computer-generated coach that can lead dancing and other fitness courses using AI technology, according to the CIC Report. We also plan to further improve user engagement and experience by making our fitness solution more personalized and interactive, such as introducing new gamified features to our online fitness content through integration with smart fitness devices and enriching the library of live-streaming classes and AI-assisted curriculums. As we continuously enhance user engagement and stickiness, we believe users’ general willingness to subscribe to memberships and purchase our self-branded products will grow over time, resulting in improved monetization potential. Our average monthly membership retention rate 73.3%, 71.7% and 65.3% in 2020, 2021 and 2022, respectively. In 2020, 2021 and 2022, our monthly average workout sessions per MAU was 5.0, 4.1 and 4.8, respectively, and our monthly average workout sessions per subscribing member was 10.9, 7.2 and 7.8, respectively.

### Enhance Monetization Capabilities Leveraging Multiple Growth Levers

We have developed a diversified monetization model and currently generate revenue primarily from (i) membership and online paid content, (ii) self-branded fitness products, and (iii) advertising and others, which reinforce one another. Leveraging our vertical integration capabilities and deep insights accumulated from our large user base, we believe we will be able to further enhance our current monetization avenues and create new monetization channels.

- **Membership and Online Paid Content.** Our subscribing members increased by 71.8% from 1.9 million in 2020 to 3.3 million in 2021 and further increased by 10.4% to 3.6 million in 2022. Our MAUs to members conversion ratio, or the membership penetration rate, increased from 6.4% in 2020 to 9.5% in 2021 and further increased to 10.0% in 2022. Our revenue from membership and online paid content increased from RMB338.0 million in 2020 to RMB557.6 million in 2021, and further increased to RMB894.2 million in 2022.

We recorded membership and online content income per subscribing member of RMB177.0, RMB170.0 and RMB246.9 in 2020, 2021 and 2022, respectively. We experienced a decrease in membership and online content income per subscribing member in 2021 as we enhanced our promotional efforts and expanded our subscribing member base. Our membership and online content income per subscribing member increased in 2022 as a result of our new initiatives. For example, we collaborated with more renowned IPs and launched an increasing number of themed virtual sports events. Our online paid content revenue per MAU increased from RMB1.10 in 2020 to RMB2.03 in 2021, and further increased to RMB9.1 in 2022.

Unlike fitness training videos from key opinion leaders on online video platforms that are typically generated at will as a type of “content creation” by these individual users who may not possess professional knowledge and structured training or do not organize their fitness content creation in a systematic manner, our content features professional training sessions developed by fitness training experts across multiple fitness categories, is organized in a systematic way with different levels of difficulty and structured combination of fitness moves for various fitness purposes, and can be easily customized based on specific users’ progression and feedback. In addition, we offer highly interactive content, such as live streaming classes and gamified features, to stimulate users’ willingness to participate, and our content is also adjustable and customizable through AI technology to provide users with individual experience. We also continue to optimize our content based on user feedback and activities. In China’s fitness market where the

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majority of fitness population work out at home or outdoor rather than going to gym regularly according to the CIC Report, professional, systematic and structured fitness content on *Keep* greatly expands the diversity and possibility of home fitness in a systematic and scientific way. *Keep* platform aims to encourage users to actually participate in and complete workout sessions rather than browsing fitness videos casually, for example, through helping users analyze and visualize their complete workout session histories and rewarding them with badges and ranks. We plan to continue to enhance our value propositions to our users through more innovative and enriched content as shown in the following initiatives, and evolving membership rights and privileges, which we believe will help to increase membership penetration and subscribing members’ spending. Our major initiatives include the following:

- We intend to expand into more fitness categories. Our existing fitness content offerings are primarily focused on workout activities, and we will continue to monitor industry trends and expand into more niche fitness categories, such as dancing, martial art, jump rope workout and outdoor activities to further diversify our expansive offerings. For example, we have expanded our “Fat Burning Cardio Dance” fitness courses, which contain beginner-friendly fitness content, from 200 courses in 2020 to over 1,000 courses in 2021 and over 4,000 courses in 2022. “Fat Burning Cardio Dance” fitness courses have been well received by our users demonstrated by the increase in workout sessions. Workout sessions completed for “Fat Burning Cardio Dance” courses were approximately 17 million, 70 million and 165 million in 2020, 2021 and 2022, respectively.
- We will introduce more PUGC content on our platform to increase user engagement and stickiness, by establishing partnerships with more fitness content providers and strengthening the relationships with existing partners. In addition to maintaining our strong partnership with well-known fitness influencers, we were also successful in developing in-house fitness influencers such as An An Xiaoyu (安安小雨) and Zhao Meili (趙沒力), who were among the top 10 fitness influencers on the *Keep* platform in 2021 based on the number of workout sessions completed. We closely monitor and manage our PUGC creators and offer them regular trainings, collaborate with them to produce high quality content and accelerate their growth by actively promoting their content on our platform. We target to not only attract new PUGC creators, but also provide compelling value propositions to retain them. With growing PUGC content, we expect to see continued growth in user engagement. The number of PUGC courses has increased significantly from 2,900 as of December 31, 2020, to 7,600 as of December 31, 2021, and further increased to approximately 17,800 as of December 31, 2022. Workout sessions completed for PUGC courses were 184 million, 441 million and 771 million in 2020, 2021 and 2022, respectively.
- We plan to introduce new features in our recorded courses, live-streaming classes and AI-assisted curriculums. According to the CIC Report, we were the pioneer in China to introduce gamified features in fitness live streaming classes to bring more fun and excitement, and thus elevate user experience. We will improve the connectivity between our content offerings and smart fitness devices to deliver immersive experience and elevate fitness outcome for users. For example, *Keep Wristband* can play a more important role in these interactive courses to detect heart rate. In addition, in May 2022, we introduced an innovative feature that shows recommended

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heart rate in real time to maximize metabolic efficiency. We will also upgrade our online courses to enhance the interactivity between users and content. For example, we plan to introduce virtual coaches presented by real people to simulate face-to-face fitness environment during structured courses. Such virtual coaches will ask users to provide feedback during training sessions. This enables our system to better understand individualized fitness needs through constant user interactions during trainings to adjust course content and workout intensity and provide real-time training instructions, feedback and increase user engagement.

- We intend to introduce creative formats amid the latest macro and industry trends. For example, we initiated virtual sports events as an innovative and engaging format to encourage users to achieve different milestones for customized awards. Since then, we have cooperated with a number of renowned IPs and launched a series of themed events along with creative marketing campaigns on social media and short video platform that continue to drive the growth of our revenue from virtual sports events. For example, we cooperated with a renowned international cartoon IP and launched a series of online themed running events in 2022. The number of paying users who participated in the events in 2022 exceeded 1.5 million and the GMV generated from event registration fees exceeded RMB90 million. In 2022, we witnessed a continued growth in revenue from virtual sports events, which recorded year-over-year growth of more than 500%. We will cooperate with more IPs and introduce more similar activities that help to grow user base and improve monetization in the future.
- ***Self-branded Fitness Products.*** Driven by a successful track record of developing and launching popular fitness products and a growing number of fitness product customers, the sales of our self-branded fitness products grew significantly over the Track Record Period from RMB636.7 million in 2020 to RMB872.5 million in 2021, and further increased to RMB1,137.0 million in 2022. Our valuable insights through years of operation enable us to continuously identify users’ unmet needs for more intelligent fitness experience and more compact product design, and thus enhance and expand our self-branded product offerings. Our smart fitness device and complementary fitness product business lines are more than conventional online sales of fitness products. We develop and manage our fitness devices and products based on (i) insights on users’ fitness activities and performances through their engagement with fitness content, (ii) personalized presentation and recommendation based on users’ specific needs, and (iii) users’ feedbacks in the *Keeper* community. In addition, demand for fitness products require certain level of fitness experience, and we provide such guidance to our users through the professional fitness content. For example, users may discover that they need to buy a dumbbell if they want to gain the access to relevant content that requires a dumbbell on *Keep* platform. A link to purchase our self-branded dumbbell is present in course description and users may also purchase the requisite gear when they join the workout session. The subscribing members and users are not required to purchase our fitness products to participate in our fitness content.
- We plan to continuously improve our self-branded fitness products based on user feedback and industry developments. Since we introduced our first model of *Keep Bike* in October 2019, we have developed three new models with additional functionalities and features. Similarly, we introduced three models of *Keep Wristband*, three models of treadmill and three models of smart scale during the Track Record Period. In the first quarter of 2022, we successfully introduced new

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models of treadmill and *Keep Bike*. We are also in the process of researching and developing other types of smart fitness devices. In August 2021, we launched smart skipping ropes as an upgrade to traditional skipping ropes with sleek, ropeless design, and can be seamlessly connected with the *Keep* app, which offers diversified skipping rope courses and makes personalized workout recommendation powered by real-time performance tracking. As of December 31, 2022, we cumulatively shipped over 600 thousand smart skipping ropes. We will continue to upgrade our products, and introduce more models to cater to different user preferences and use case scenarios. In particular, for each type of products, we will offer models at different price points to attract users with different purchasing power. We launched and plan to launch a total of five to six new smart fitness device models in 2023.

- We intend to research and develop new fitness products and enrich our product portfolio leveraging our deep industry insights and understanding of fitness demand. In 2021, we launched approximately 300 SPUs, including strength training balance boards and protein bars, which are widely welcomed by our users. In 2022, we launched 313 SPUs. We will launch new categories of smart fitness devices and complementary fitness products to further enrich our offering portfolio, thus appeal to new users and capture more wallet share of our existing users.
- We will further diversify our distribution channels to maximize touch points to reach our target end users, and boost revenue generated from non-DTC channels. We have expanded into DTC channels such as Douyin since the second half of 2021. For example, we successfully launched product promotion for our self-branded Black Chocolate Crispy Ball in our fitness food category on Douyin to expand our end user reach. In each of the fourth quarter of 2021 and 2022, the GMV for Black Chocolate Crispy Ball generated from Douyin accounted for more than 10% of the GMV of total fitness food from all of our DTC channels. For non-DTC channels, wholesale revenue generated through JD self-owned stores and third-party distribution channels grew by 197.3% and 12.0% year-over-year, and contributed to 25.7% and 22.1% of total self-branded fitness products revenue in 2021 and 2022, up from that of 11.8% in 2020. We will continue to assess and expand sales and distribution channels based on our business objectives, product offerings and channel efficiency.
- **Advertising and Others.** We offer online advertising services to brands and merchants. In addition, we launched *Keepland* fitness centers and offline classes to enable users to experience our online content at offline locations. We believe such offline fitness experience can deepen user engagement and enhance users' loyalty to our brand. During the Track Record Period, we generated revenue of RMB132.0 million, RMB189.5 million, and RMB180.4 million from advertising and other services in 2020, 2021 and 2022, respectively. We recorded revenue from advertising income per advertiser of RMB3.1 million, RMB2.0 million and RMB2.1 million in 2020, 2021 and the 2022, respectively. The decrease in advertising income per advertiser in 2021 was the result of us further expanding and diversifying our advertising customer base, especially the influx of advertisers that purchased short-term advertising services. Customers that purchase short-term advertising services, such as one-off promotion of their brands, generally contribute less revenue per customer compared to advertising customers that purchase long-term advertising services, leading to a decrease in advertising income per advertiser. We recorded average monthly advertising income per MAU of RMB0.15, RMB0.32,

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RMB0.35 and RMB0.42 for each of the quarter in 2020, respectively, RMB0.25, RMB0.40, RMB0.40 and RMB0.49 for each of the quarter in 2021, respectively, and RMB0.34, RMB0.33, RMB0.36 and RMB0.41 for each of the quarter in 2022, respectively. Our development plans for the segment include the following:

- With online content, self-branded products and offline fitness centers, the opportunity for multi-channel marketing that resonates with our large user base will naturally attract brands and merchants to our platform, thus enhancing the growth potential of our advertising services.
- We have introduced new format of offline fitness classes through the offering of *Keep* selected fitness classes. In addition to operating self-owned *Keepland* fitness centers, since 2021, we launched *Keep* selected fitness classes in collaboration with third-party offline gyms. For collaboration with third-party offline gyms, we only provide our fitness content and services from our coaches to hold *Keep* fitness classes in these gyms from time to time, and we are not involved in the operation of these gyms. We plan to further expand such *asset-light format* in the future. We target to collaborate with more offline gyms in Beijing and other first-tier cities. We believe this asset-light format of engaging with our users enables us to expand our presence quickly and efficiently, deliver an integrated online and offline fitness experience, and address the diverse fitness needs of our users.
- We plan to increase the penetration rate of advertisements in health-related industries, especially those that are highly relevant to fitness, sports, and health, and industries promoting low-carbon society, such as electric cars. We believe working with advertising customers from health-related industry create synergies due to the overlap of user base and target users. Our users are also generally more health-conscious and are thus more likely to purchase health related products, making us the ideal partners for such advertising customers. In addition, we believe we are more well-positioned to serve advertising customers that promote sustainable business as our business inherently promotes low-carbon lifestyle. We have collaborated with several businesses in such industries to develop fitness course series with their brand logos in course backgrounds. We have designed courses with electric vehicle company that help drivers increase attention and focus, lower stress and reduce anxiety while driving. Our advertising customer has the courses built-in the entertainment system of their electric cars. The courses also well-integrate with other in-car devices to provide users with a holistic experience. For example, the courses allow for the automatic adjustment of interior lighting to create a more relaxing atmosphere. We also plan to launch a series of promoting activities centered around the slogan “Calorie for Battery”. We will encourage users to complete more workout sessions on our platform in exchange for free charging of their electric cars or electric car test drive opportunities in collaboration with electric vehicle companies. We will continue to strengthen our collaboration with advertisers in the selected industries and continue to expand our advertising customer base. In addition, as we grow our MAUs and explore marketing scenarios for users, we expect to see increased revenue brought by the advertisements on our platform, which helps retain our advertising customers and enhance the value of our advertising services, thereby increasing our monetization results.



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### Improve Gross Margin and Operating Leverage

We believe our gross margins demonstrate the effectiveness of our innovative business model and lay a solid foundation for future profitability. We expect to experience an increase in gross margin. During the Track Record Period, selling and marketing expenses accounted for the largest portion of our operating expenses. As we are at an early stage of operations, we invested in our brand awareness to solidify our first-mover advantage. In early 2021, we strategically decided to increase spending in user acquisition and branding to increase mindshare, enhance brand awareness, further expand user base and solidify our market leading position. As a result, our selling and marketing expenses as a percentage of total revenue increased to 59.0% in 2021 from that of 27.3% in 2020. Due to such increased efforts, we experienced an increase in our user base and membership penetration. Starting from late 2021, we have gradually increased the efficiency of our selling and marketing initiatives and reduced expenses. Our selling and marketing expenses as a percentage of our total revenue decreased from 59.0% in 2021 to 29.2% in 2022. Despite the decrease in selling and marketing expenses as percentages of total revenue, our average MAUs increased by 5.9% year-over-year to 36.4 million in 2022. In addition, membership penetration rate reached 10.0% in 2022. This trend demonstrates our improved marketing efficiency, as we launched more optimal mix of marketing channels and strategies, including advertisements on app stores and short-video platforms, fitness influencers’ marketing and other marketing campaigns on social media platforms, among others, to effectively reach target user groups, increase paying user conversion, which in turn enhance our user acquisition efficiency and improve our monetization capabilities. For example, we strategically reduced spending for general branding activities in collaboration with variety shows and user acquisition on short video platforms and increased promotion and user acquisition efforts in app stores. We also expanded our presence on social media to promote our content and services, including virtual sports events. Going forward, we expect to continuously evaluate and monitor the effectiveness and efficiency of our promotional campaigns and marketing spending. Our administrative expenses as a percentage of revenue increased from 6.2% in 2020 to 13.6% in 2021. The increase was primarily due to the increase in share-based compensation expense and [REDACTED]. Our administrative expenses as a percentage of revenue decreased from 13.6% in 2021 to 11.1% in 2022 as a result of our operating leverage. Our research and development expenses as a percentage of revenue was 15.2%, 22.0% and 24.3% in 2020, 2021, and 2022, respectively. The increase in 2022 was mainly due to the increase in research and development personnel to support our business expansion, which lead to increases in personnel costs and related share-based compensation expenses, and our higher investment in software and new fitness products as we continue to strengthen our technological capabilities. Going forward, we expect to continue to invest in research and development to improve our technology infrastructure and innovate our offerings. We also plan to further improve our research and development efficiency. Our fulfillment expenses accounted for 8.3%, 7.9%, and 9.1% of total revenue in 2020, 2021 and 2022, respectively. Our fulfillment expenses as a percentage of total revenue decreased in 2021 as we optimized our supply chain management capabilities and efficiency. The slight increase in fulfillment expenses as a percentage of revenue in 2022 was primarily due to the growth in the sales volume of our self-branded fitness products and the expansion of our virtual sports events business. We periodically review the geographical distribution of inventory and shipments to optimize the warehouse locations and storing structure. For example, we started to use a new warehouse in Dongguan to shorten the shipment distance in South China in April 2021. We also adopt fitness product inventory management policies to include the inventory level, turnover periods, duration from ordering to shipment as metrics to evaluate internal operation, thereby increasing the use rate of warehouse areas. In addition, we optimize our supply chain system, including enhancing our order fulfillments methods to allow automatic combination of orders to the same address from the same customer within two hours. Going



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forward, we intend to efficiently manage costs and expenses as a percentage of total revenue and further benefit from operating leverage. In addition, we expect to enjoy greater economies of scale on our platform as we continue to improve our one-stop, integrate fitness solution to unlock synergies across segments and increase flexibility in managing expenses. We have established an integrated business model. Through our professional fitness content, our *Keep* platform attracts new users to our community, and then encourages them to complete workout sessions regularly, which improves user engagement. By gauging users’ interest and guiding them in their fitness journey leveraging our comprehensive fitness content offerings, we further convert these users to subscribing members. Online fitness content also brings traffic to our self-branded fitness products, as users tend to purchase smart fitness devices and complementary fitness products, such as fitness gear, apparel and food, to enhance their performance and experience during workouts. At the same time, fitness products redirect traffic to online fitness content. We provide incentives, such as free membership, to customers who purchase our smart fitness devices and complementary products through third-party channels to join the *Keep* platform and experience our fitness content. Offline fitness centers also allow visitors to take part in fitness courses with instructors and try out smart fitness devices, which also enhances users’ engagement with our fitness content and products. With a continuously growing user base supported by core competencies in online content, fitness products and offline fitness centers, the opportunity for multi-channel marketing that can capture an online and offline user base at scale will continuously attract brands and merchants to our platform, thus enhancing the growth potential of advertising services. Our integrated business model is not a simple combination of different segments. Leveraging our integrated business model and cross-selling opportunities, we have achieved continued and balanced revenue growth.

In summary, we experienced losses during the Track Record Period as we prioritized strategic path formulation and business model optimization over immediate breakeven. As we continue to scale up our business, invest in marketing and branding to grow user base, expand content and product offerings to enhance monetization capabilities, as well as optimize cost structure and improve operating leverage, we expect to grow revenue and narrow our adjusted net loss (non-IFRS measure). Upon the successful implementation of the aforementioned measures, our Directors believe that we are effectively paving the way for long-term sustainable profitability.

### Working Capital Sufficiency

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, short-term time deposits, financial assets at fair value through profit or loss, and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. We also proactively review and adjust our cash management policy and working capital needs according to general economic conditions and our short-term business plans. In addition, in view of our net cash outflows, net liabilities position and net losses during the Track Record Period, we plan to ensure our working capital sufficiency by taking advantage of above-mentioned measures to narrow down our net loss and improve our profitability. Further, as evidenced by our historical equity financing activities, we are able to obtain investment from well-known institutions. This also signifies the confidence of prominent investors in our Company. We currently do not have plans to issue new shares to [REDACTED] shortly after the Listing and in the near future. We believe that potential external financing sources, including those to which we will gain access after the [REDACTED], will provide additional funding to fuel our business operation and expansion until we achieve profitability. Taking

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into account the above, and based on the written confirmation from the Company in respect of working capital sufficiency, review of the accountants’ report, the financial due diligence conducted on the historical financial information of the Group during the Track Record Period and the discussion with the Directors, nothing material has come to the attention of the Joint Sponsors that would cast doubt on the Company’s conclusion that the Company has sufficient working capital to meet its present needs, that is for the next twelve months from the date of this document.

### TECHNOLOGY, RESEARCH AND DEVELOPMENT

We aspire to lead the innovation in the new era of China’s fitness industry leveraging our insights and technologies. The success of our business is supported by our strong technological capabilities that enable us to deliver a holistic and seamless fitness experience for our users. Our research and development team, coupled with our proprietary artificial intelligence technology, the large volume of fitness activities generated on our platform and collected through smart fitness devices each day, and our track record of successful product design and development, have created opportunities for continued improvements in our technology capabilities, enabling reliability, scalability and flexibility.

We invest substantial resources in research and development to improve our technology, refine our online platform, and develop new technology-enabled fitness products that are complementary to our content offerings and find ways to better serve the users on our platform. We incurred research and development expenses of RMB167.9 million, RMB355.6 million and RMB536.9 million for the years ended December 31, 2020, 2021 and 2022, respectively.

Our dedicated research and development team mainly includes AI algorithm engineers that conduct modeling and algorithm research, security engineers that focus on cybersecurity and quality control, platform development engineers that develop and implement services on our platform, and product development engineers that specialize on designing and developing smart fitness devices and complementary fitness products. As of December 31, 2022, over 31% of our employees engaged in research and development and technology hold a master’s degree.

#### Insights and Artificial Intelligence

We have accumulated user fitness information, interactions and transactions on our platform, which provide us with valuable industry insights on user preference and demand, and fitness content trends, and help us develop AI-assisted customized fitness content, products and services that enable an integrated fitness experience for our users. For example, during a fitness course, we record what moves the user completes or skips, whether the user extends or shortens the breaks in between, and the associated heart rate records from our *Keep Wristband*. On the behavioral level, we record information such as user interactions, browsing history, page views and clicks, and transactions on our platform. Our system delivers speed and scalability, providing insights and analytics support across the fitness content, products and services on our platform. We have optimized our technology structure to make it more suitable for artificial intelligence and machine learning processes.

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Based on our cumulative insights, we are well-positioned to develop various advanced AI applications to enhance the user experience and help them achieve their fitness goals more effectively on our platform. Examples of the AI applications on our platform include:

- *Personalized experience.* We have developed comprehensive profiles for users on our platform based on the information they provide, such as fitness goals and body measurements, results from fitness tests, and users’ viewing and interaction histories. We use advanced machine learning technology to offer personalized content feeds within our community and provide courses and curriculums that are suitable for their fitness goals.
- *AI-assisted courses and curriculums.* We are among the first in China to introduce AI-assisted fitness curriculums to provide users with a more systematic and personalized fitness solution, according to the CIC Report. Based on user profiles, feedback during fitness activities, changing body measurements from smart scale and real-time heart rate from the *Keep Wristband*, we offer intelligent courses and curriculums that are tailored to users’ needs and can dynamically adapt to their fitness progressions using AI technology. See “—Our Content Offerings—Our recorded fitness content—Our structured courses” and “—Our Content Offerings—Personalized curriculum planning”.
- *Dynamic food planning tools.* We offer food planning tools for our subscribing members, where we offer specific food and recipes for each meal within the day based on users’ fitness goals and training on that day. Our proprietary food planning technology empowered by AI not only calculates target calories, but also takes into account macronutrient composition, fitness activities received from the *Keep Wristband* and smart scales, and other fitness factors. Our smart food planning tools, together with our AI-assisted curriculums, ensure a comprehensive and dynamic fitness experience while helping users achieve their fitness goals efficiently and effectively.
- *Running route mapping.* Our platform provides powerful running assistance to runners, and they can use our mobile app to track their outdoor running with detailed recording of route, pace, elevation, and other fitness information. We have accumulated a significant amount of running routes personalized for users based on their locations, fitness goals and past running experience. We are the first in China to map personalized running routes, according to the CIC Report.
- *Automatic music playlist generation.* When a user has finished running, *Keep* can generate a corresponding piece of music based on the running records, such as pace, cadence and heart rate. We introduced the concept of “composing while running” to enhance user engagement by offering a brand-new running experience. We are the first in China to enable automatic music playlist generation in fitness industry based on data insights, according to the CIC Report.
- *Gamified features in live streaming classes.* We are the pioneer of introducing gamified features in fitness live streaming classes in China, according to the CIC Report. One example is “Burger Challenge”, an innovative and interactive feature of the live streaming classes. For each live streaming class, based on the participants, *Keep* automatically assigns different types of food, such as burger or donuts, with an amount to consume as the challenge for users. Users may start their challenge during the live streaming classes and track their food consumption progress. Burger Challenge helps provide our users with additional sense of success during their workouts.

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### Product Design and Development

We are committed to providing users with an innovative, immersive and highly interactive experience through integrating our industry-leading smart fitness devices and complementary fitness products with our comprehensive content offerings. With our strong product design and development personnel and our deep and specialized understanding of fitness and user demands, we are well equipped with capabilities that cover the end-to-end process of product development. Our capabilities allow us to develop a new fitness product from concept to online launch in less than eight months.

Our product team supports the fitness product design and the development of key fitness product components, including the six-axis accelerometer and gyroscope in our *Keep Wristband* and the intelligent resistance adjustment system in *Keep Bike*, among others. We strive to design our fitness products to meet users’ preferences for elevated fitness experiences. For example, because the flat buttons on a traditional treadmill are inconvenient to control during running, we designed our treadmill with a rotating button spiral. Our intelligent resistance adjustment system allows users to ride freely following the rhythms without worrying about adjusting resistance level. We are also devoted to integrating the appearance of our fitness products with our brand. Our product design shows our attitude towards esthetic appearance and compatible function at the same time, and conveys our deep understanding of fitness experience. Our design esthetics value simplicity, clean lines, smooth curves and simple elegance, distinguishing us from our competitors. We believe that our esthetically unified product design and deep understanding of fitness will help build a club of brand-loyal *Keepers*.

We develop and manage our fitness devices and products based on (i) insights on our users’ fitness activities and performances through their engagement with fitness content, (ii) personalized content presentation based on users’ specific needs, and (iii) users’ real-time feedbacks in the community. In product development, we mainly focus on the development of features that provide immersive interaction between our fitness products and content offerings. For example, our intelligent resistance adjustment system embedded in *Keep Bike* offers real-time resistance adjustment based on course target, users’ athletic level and fitness progression. We always perform product validation to ensure that our products function in the expected manner when placed in the intended environment. For example, we rigorously test the performance of our *Keep Wristband* at different settings, especially in the water to make sure that its strong water-resistance capability can support the monitoring and tracking of fitness activities such as swimming.

### Technology Infrastructure

We have developed a secure, efficient and cost-effective cloud-based core system to operate our business. Cloud-based technology allows us to process large amounts of complex information in-house, which significantly reduces cost and improves operation efficiency. We partner with third-party cloud service providers so that we enjoy the instant scalability and robustness of cloud-based services. Cloud service allows us to handle traffic spikes that are significantly higher than our normal traffic reliably.

### OUTSOURCING, SUBCONTRACTING, SUPPLY AND LOGISTICS

We closely collaborate with a network of third-party outsourcing and subcontracting partners, suppliers and logistics service providers to produce and deliver the fitness products on our platform. We cooperated with 15, 28 and 30 contract manufacturers for our smart fitness devices in 2020, 2021 and 2022, respectively, and 49, 52 and 56 contract manufactures for fitness gear, 8, 14 and 12 for fitness apparel, and

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30, 29 and 35 for fitness food in these periods, respectively. We also engaged five, five and six third-party storage providers, and five, five and six third-party logistics service providers in 2020, 2021 and 2022, respectively. The large scale of our business allows us to work with first-class partners and establish more favorable contract terms with them. Our robust supply chain capabilities and powerful logistics network allow us to produce and deliver high-quality products, drive user satisfaction and achieve operational efficiency.

### **Outsourcing and Subcontracting**

We outsource and subcontract the manufacturing of our products to multiple contract manufacturers located in China. We believe that outsourcing the manufacturing of our products enables greater scale and flexibility at lower costs than establishing our own manufacturing facilities. We select third-party outsourcing and subcontracting partners based on factors such as quality, capacity, price, years of operation, reputation and compliance with applicable laws and regulations. Most of our outsourcing and subcontracting partners have extensive industry experience and have cooperated with other fitness brands in China and globally. All of our outsourcing and subcontracting partners are independent third parties located in China.

Our outsourcing and subcontracting partners produce our products using design specifications and standards that we establish. We then enter into framework agreements with outsourcing and subcontracting partners to place orders. The terms of our agreements with our outsourcing and subcontracting partners are generally one year with automatic annual renewal. The outsourcing and subcontracting partners will be responsible for the production, preservation and transportation of the products within the scope of their responsibility. The outsourcing and subcontracting partners shall ensure that the products provided must meet the quality standards as mutually agreed with us and in compliance with the relevant industry and national standards. They shall also ensure that the raw materials used in production are consistent with the descriptions in the production order. We conduct quality check on the products that we receive from outsourcing and subcontracting partners and will only proceed with payments if the products pass the quality check. The outsourcing and subcontracting partners also provide product warranty for the smart fitness devices subject to terms and conditions. The product warranty period is generally 12 months after users receive the products. During the product warranty period with our outsourcing and subcontracting partners, we can request outsourcing and subcontracting partners to fulfill the obligations of return, exchange and repair at any time in accordance with relevant national laws and regulations, and mutual agreement. The outsourcing fee varies based on different production orders. Although we generally do not restrict our outsourcing and subcontracting partners to supply fitness products to other parties, they are required to supply exclusively to us the fitness products that are protected under our intellectual properties, such as smart fitness devices and certain fitness gear collections.

*Quality Control.* We are committed to maintaining the highest level of quality in our products, including fitness food products. We seek to ensure quality control by carefully reviewing the production process and rigorously testing the products produced by our outsourcing and subcontracting partners. We have adopted strict quality control measures that follow customary industry practice, including a full process quality control and final product inspection to ensure product quality. We have a quality control team that regularly inspects our outsourcing and subcontracting partners' facilities and is involved throughout the entire development process. Although we do not have employees stationed at the facilities of our outsourcing and subcontracting partners, our quality control team performs sampling inspection to ensure that our outsourcing and subcontracting partners fully adhere to our



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quality standards. For our new products to be produced, we conduct thorough examinations of product samples and each of their components at the product verification testing stage to make sure they satisfy all the technical requirements set forth in our design before the beginning of commercial production. We also periodically review the performance of our third-party outsourcing and subcontracting partners to secure sufficient manufacturing capacity and quality production of our products.

### **Raw Materials and Components**

Our raw materials and components for our self-branded fitness products segment mainly include electronic control system, treadmill bodies, LCD, chips, and silicone case, among others. The raw materials and components used in our products are sourced either directly by us or on our behalf by our outsourcing and subcontracting partners from a variety of component suppliers. We mainly purchase raw materials and components from China. We and our outsourcing and subcontracting partners procure raw materials and components that meet particular specifications into our products based upon a forecasted production plan.

Raw materials and components essential to our products are generally available from multiple sources. To ensure that we continue to offer products incorporating high quality materials and components, we seek to work with major material and component suppliers directly to foster long-term and in-depth cooperation. We typically enter into framework agreements with suppliers for our key materials and components and take measures to ensure that they meet particular specifications, including belt size and motor for smart fitness devices and characteristics such as stretch ability, capability to wick moisture and durability for gear and apparel. The terms of the agreements with our component suppliers are generally one year with automatic annual renewal. See “—Suppliers”.

*Quality Control.* We also actively coordinate the relationships between our outsourcing and subcontracting partners and component suppliers to continue to provide users with leading fitness technology and quality fitness products. We seek to guarantee the quality of raw materials and components sourced by outsourcing and subcontracting partners through regular inspection to confirm that they comply with our internal standards.

Some of the raw materials and components needed for the production of our products, including those that are available from multiple sources, may at times subject to industry-wide shortages and may experience significant commodity pricing fluctuations. Historically, we have not experienced material shortages of our raw materials and components as we have pre-stocked inventory according to manufacturing plan. Our cost of raw materials and components are subject to industry-wide commodity pricing. In particular we have experienced increased cost of chips historically in line with industry price fluctuations. See “Industry Overview—Raw Material and Components Price Analysis of China’s Online Fitness Market.” We aim to maintain a steady supply of necessary components or raw materials at reasonable prices by expanding our supply channels, developing long-term relationship with major suppliers, and increasing our inventory to meet the needs of our production.

### **Logistics and Fulfillment**

We primarily work with third-party storage providers and logistics service providers for warehousing, logistics and fulfillment of our products. We collaborate with third-party storage providers and leverage their warehouse and geographical coverage. Our small packages are distributed



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nationally through three warehouses in three cities in China and our large packages are stored in cloud warehouses distributed in various cities. We also have a distribution and sorting center for after-sales services. We have established a comprehensive enterprise resource planning (ERP) system for warehouse management with our storage providers to closely monitor each step of the fulfillment process from the time a purchase order is confirmed to when the product is packaged and picked up by delivery service providers. We also keep track of the real-time inventory level to mitigate inventory risk. We usually enter into agreements with our storage providers for a term of one year.

We engage third-party logistics service providers to collect our products from warehouses and deliver them to users. We usually negotiate and enter into logistics agreements with our logistics service providers for a term of one year with automatic annual renewal. For our *Keep Bike* and treadmill, our logistic service providers also offer professional installation services so that the users can start using our devices right away. With the assistance of third-party logistics companies and the wide geographic distribution of our warehouses, we are able to ensure speedy and reliable delivery and setup. Our average shipping duration from payment to the delivery of orders is approximately three days.

## SALES AND MARKETING

### Sales

We sell our smart fitness devices and complementary fitness products primarily through direct sales channels and wholesale channels. Under the direct sales channels, we sell our products through our online store and our official stores on third-party e-commerce platforms. The online store on *Keep* platform offers the full line-up of our products directly to users with insightful product descriptions. Under the wholesale channels, we distribute our products through wholesalers to expand our user reach and drive sales.

### Pricing Policy

Our products and services are offered under fixed price with consideration of various factors. On one hand, we adopt a user-oriented approach to consider the budget of our target user group and the competitive market position of our products and services at a given price. On the other hand, we price our products and services with reference to market dynamics and our financial performance, and consider our research and development expenses, outsourcing costs and the gross profit of the products that we may achieve taking into the relevant costs and expenses. In particular, we set the membership subscription fees based on market rate and target user survey on fitness budget. For fitness devices and products, we take into account the cost and our expected gross profit, as well as the price range of similar products in the market. For advertising services, we also consider the format and duration of the advertisement, display location, market pricing, among others.

### Marketing

We benefit significantly from our large and engaged user base, word-of-mouth referrals and a continued increase in user subscriptions driven by content and growing branding awareness. Our unique and well-established brand spirit has helped us establish our community and build a large and engaging user base. At *Keep*, we believe in the power of branding and are committed to creating a new fitness culture that inspires users in China, and further enhancing brand awareness to drive the sale of our fitness content and products. We promote our platform and raise brand awareness through a variety

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of online and offline marketing and brand promotion activities. Our content, product and technology teams collaborate closely with our sales and marketing team to align and execute our sales and marketing strategies and ensure optimized user acquisition. We have launched various branding initiatives and acquired users through a variety of marketing channels:

- *Influencer marketing.* We work closely with influencers on our platform who capture the passionate, enthusiastic and persistent message we try to deliver through our brand to generate creative and professional fitness related content. The influencers we collaborate with usually have an extensive number of followers on our platform and other social networks. They help us attract new users and retain existing users by uploading fitness courses on our platform and actively engaging with users. Users are not only attracted by the professional fitness content delivered by the influencers, but also the fitness experience they share within the *Keeper* community. This allows the creation of a strong bond and the building of deep emotional connections between influencers and users which in turn help increase user retention.
- *General branding.* We conduct general branding activities primarily in the form of fitness events, outdoor bulletin boards, television commercials, and through our offline fitness centers. We have hosted branded fitness contests and sponsored world-class fitness events, such as city marathons, Spartan races and Ultimate Fighting Championships. We also regularly organize pop-up events across China to build close connection with our fans and users. Some of our users would fly thousands of miles to meet other users, and share the stories of how they progress and succeed together with us. We also expand our user reach and increase our brand awareness by displaying captivating ads with powerful slogans in coveted places in public transportation, high-end residential buildings and core business districts. In addition, as a trial initiative, we operate *Keeland* fitness centers to encourage visitors to take part in group courses with its instructors. Participants can also try out our smart fitness devices such as *Keep Bike* and *Keep Wristband* during the exercise. Such trial initiative enables users to experience our online content at offline locations, promote integrated fitness training and enable holistic fitness experience with the help of smart fitness devices. We believe that the offline fitness experience provided by *Keeland* fitness centers and our *Keep* selected fitness classes deepen our brand engagement and loyalty, increase user touchpoints and further drive subscribing member conversion. We owned and operated 9, 9 and 7 *Keeland* fitness centers in Beijing, China as of December 31, 2020, 2021 and 2022, respectively, to provide offline fitness services. We also launched *Keep* selected fitness classes in collaboration with third-party offline gyms in August 2021. We only provide our fitness content and services from our coaches to hold *Keep* fitness classes in these gyms from time to time, and we are not involved in the operation of these gyms. We expect to greatly expand the offline fitness class exposure to our customers while steering away from the heavy physical operations of the gym, which aligns with our overall strategy and initiatives for offline business. In 2021 and 2022, we collaborated with 8 and 90 gyms to offer *Keep* selected fitness classes, respectively. The pricing for both *Keeland* fitness centers and *Keep* selected fitness classes was RMB49 per person per class as of the Latest Practicable Date.
- *Other initiatives.* We use a unique combination of brand and product-specific marketing to build brand awareness and strengthen our reputation in the fitness industry. For example, we held a Chinese New Year calories exchange event in 2021, which allows users to exchange their calories burnt through workout on our platform for New Year gifts, such as

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steak and other groceries, *Keep Wristband*, and membership. The event efficiently promoted our brand and attracted approximately two million participants within two weeks and caused several user traffic spikes. We also leverage our presence on major e-commerce platforms which enables us to market our products and reach a wider group of users. We join e-commerce platforms’ major promotion activities during China’s online shopping festivals on June 18, November 11, and December 12. In addition, we publish promotional materials related to our products on social media platforms to acquire new users. We attract new users through ads on various third-party apps, such as short video platforms.

### PRODUCTS AND SERVICES

Providing responsive and helpful user service is our high priority. In our ongoing efforts to maintain user satisfaction and improve our products and content, we maintain a dedicated user service team. We provide timely, attentive and upbeat user service to our users through instant online messaging and call centers. Our platform service representatives answer users’ questions with regard to our *Keep* platform, including questions on fitness curriculums, membership subscription and software malfunctions. Our sales representatives for smart fitness devices and complementary fitness products handle user inquiries at all stages of the shopping experience and assist users with questions regarding delivery, product particulars, payment and checkout. Users can engage with these user service representatives through functionalities embedded in our mobile apps. We train our user service representatives to answer user inquiries and proactively educate potential users about our content, products and promotional events.

#### Customer Complaints Policy

We collect user feedback through multiple channels. Users can submit their feedback through our mobile app or Weixin mini program. We channel such feedback to different teams and utilize valuable insights provided by users to guide the improvements of user experience and empower fitness content, products and services optimization. We also integrate user feedback into our decision-making process by conducting in-depth user survey before we launch new content and products. Our customer service personnel also responds to customer complaints and suggestions. During the Track Record Period and up to the Latest Practicable Date, we had not received any material customer complaints.

#### Warranty and Product Return Policies

We provide warranty programs for our smart fitness devices. We generally offer one-year product warranties to users. Users can generally request free replacement or free repair of defective products if the product malfunctions within one year of purchase.

We also strictly abide by the seven-day return policy for our fitness products. Users can return the products within seven days of delivery subject to certain terms and conditions. Users can rely on our one-stop after-sales services in our online store to submit online application for product exchange, on-site repair and maintenance. Users can also take advantage of our self-service feature to manage their orders and request after-sales services easily and conveniently. We promptly process such applications or requests to improve user satisfaction. For the allocation of liability for product defects between us and our suppliers, please see “—Outsourcing, Subcontracting, Supply and Logistics—Outsourcing and subcontracting”.

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During the Track Record Period, we have not experienced material product recalls or product returns. There have been some immaterial product complaints from time to time. We incurred warranty expenses, which cover the cost of providing warranty services, of RMB2.6 million, RMB7.6 million and RMB11.8 million for the years ended December 31, 2020, 2021 and 2022, respectively.

### SEASONALITY

Our results of operations are subject to seasonal fluctuations. Normally, the first quarter of each calendar year contributes to the smallest portion of our annual revenue, primarily due to a decrease in users’ willingness to exercise during the winter season and reduced sales of our self-branded fitness products during the Chinese New Year holiday period in the quarter. We usually observe an increase in revenue in the second and third quarters of each year, mainly because we experience relatively higher average MAUs and average monthly subscribing members in the second and third quarters as people are more willing to exercise during spring and summer, and upticks in the sales of our self-branded fitness products after the Chinese New Year. Furthermore, when e-commerce platforms hold special promotional campaigns during China’s online shopping festivals on June 18, November 11, and December 12, we typically observe an increase in sales of our fitness products immediately following these campaigns. In addition, we generally recorded lower advertising revenue for the first quarter of each year as advertising customers usually make plans for their yearly advertising spending at the start of each year and therefore tend to lower their advertising and promotional spending before their advertising budget is set. Seasonal fluctuations have not thus far posed material operational and financial challenges to us. However, the seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results. See “Risk Factors—Risks Related to Our Business and Industry—Our results of operations are subject to fluctuations due to seasonality”. We also experienced relatively higher average MAUs and average monthly fitness product customers in the first half of 2020 mainly due to the increased demand for at-home fitness content as a result of the COVID-19 pandemic. See “Financial Information—Impact of COVID-19 on our operations and financial performance.”

### INTELLECTUAL PROPERTY

We regard our patents, trademarks, copyrights, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success. As of December 31, 2022, we have 346 patents registered and 154 pending patent applications in China. We also own 1,027 registered trademarks, 416 copyrights including 57 software programs developed by us relating to various aspects of our operations, and 30 registered domain names, including *keep.com*.

We seek to protect our technology and associated intellectual property rights through a combination of patent, copyright and trademark laws, fair competition laws, as well as license agreements and other contractual protections. In addition, we enter into confidentiality and non-disclosure agreements with our employees, our manufacturers and suppliers and others to protect our proprietary rights. The agreements we enter into with our employees also provide that all patents, software, inventions, developments, works of authorship and trade secrets created by them during the course of their employment are our property. For example, under our agreements with our instructors, we are the owner of the intellectual property arising out of live streaming classes on our platform.

We own the intellectual property rights of fitness content we produced in-house and we typically obtain the intellectual property arising from live streaming on our platform and certain fitness

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courses which we created in collaboration with third parties, such as instructors. We maintain an extensive amount of PUGC primarily consisting of fitness content created by influencers and other licensed content from fitness content providers. We obtain licenses to display recorded fitness content generated by influencers and content providers with whom we maintain a collaborative relationship. In addition, we combine fitness content with a broad catalog of music to create an immersive and motivating fitness experience for our users. To secure the rights to use music in our content, we enter into agreements to obtain licenses from rights holders such as music publishers, artists, and other copyright owners or their agents. Under these agreements, we typically obtain the music use right for our fitness content with a use term ranging from one year to permanent and pay royalties to the copyright owners or their agents. We may also request these parties to choose or customize the right music based on the context that we provide. The terms of these agreements range from one to two years. We also partner with third parties for their services to screen music of different genres and obtain licenses.

We intend to protect our technology and proprietary rights vigorously. We have employed internal policies, confidentiality agreements, encryptions and data security measures to protect our proprietary rights. During the Track Record Period and up to the Latest Practicable Date, we did not initiate any material litigations for the infringement of our intellectual property rights, and no material claims or disputes were brought against us in relation to any infringement of trademarks, copyrights or other intellectual property. However, there can be no assurance that our efforts will be successful. Even if our efforts are successful, we may incur significant costs in defending our rights. From time to time, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. See “Risk Factors—Risks Related to Our Business and Industry—We and our content providers have been and may be subject to intellectual property infringement claims or allegations, which may be expensive to defend and may disrupt our business” and “Risk Factors—Risks Related to Our Business and Industry—We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position”.

## OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INITIATIVES

With our evolving technology, we break traditional constraints and bring users to the forefront of fitness by providing a comprehensive, accessible and affordable fitness solution. We believe that the power of sports and fitness is pervasive, and everyone can be an influencer to set his or her community in motion.

As a company offering a comprehensive fitness solution to the society, we believe that our business inherently promotes low-carbon lifestyle and healthy living following the ESG principles. We believe our continued growth depends on our integration of ESG values into our corporate strategies and operations. With the unprecedented challenges regarding climate change and the COVID-19 pandemic, we have become more active to take on social responsibilities and we will continue to bring fitness to everyone in our society. We are committed to operating on an ethical and compliant basis and elevating user experience through technological innovation. We will continue to promote a diverse and inclusive environment for talents, and pursue environmentally friendly operations following the principles of low carbon economy, thereby contributing to public welfare and helping build a sustainable community.



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### **Identification, Assessment and Mitigation of our ESG Risks**

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance in relation to health, work safety, social or environmental regulations, and have not had any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

We have identified the following ESG risks which we consider material and may have an impact on our business, strategy or financial performance.

#### ***Safety Issues related to Fitness Activities and Food Quality***

As an inherent risk in the fitness market, we may face disputes or legal actions for injuries or other health or safety related issues suffered by our users while exercising following our content or utilizing our fitness products due to improper usage or an individual’s health conditions, among other reasons. We may also face disputes or legal actions for injuries or other incidents that may happen to our users while they are on our premises. Selling food for human consumption involves inherent legal and other risks, and there is increasing governmental scrutiny and public awareness regarding food safety. Unexpected side effects, illness or injury related to allergens, food-borne illnesses or other food safety incidents (including food tampering or contamination) caused by products we sell, or involving suppliers that supply us with ingredients and other products, could expose us to product liability, negligence or other lawsuits. See “Risk Factors—Risks related to our business and industry—We could be subject to claims related to health or safety arising from the use of our fitness content or products, consumption of our fitness food and exercising on our premises”.

Set forth below are the various measures that we undertake to manage and mitigate risks relating to product quality and safety:

- We have established comprehensive internal policies and procedures related to outsourcing partner quality control, research and development quality control, and manufacturing quality control, among others.
- We regularly sample and test food products manufactured by our suppliers, monitoring production conditions, and filter nonconforming ingredient and finished food products.
- We require detailed food quality and hygiene standards in our fitness food suppliers, including inspection of raw materials, storage temperature control, equipment sanitization and cleansing, staff health certificate management and personal hygiene, among others.
- We strictly require the qualification and professionalism of in-house instructors and fitness content developers and third-party influencers and content providers.
- We follow customary industry practice to control the product quality of our smart fitness devices and fitness gear, including, among others, manufacturing process, inspection and final product quality check.
- We have developed a proprietary manufacturing execution system, or MES, to manage the manufacturing details of our fitness products. Our outsourcing partners and suppliers can connect to our MES to streamline the whole production quality control process.



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- We impose mandatory training and tests to our staff to enable them to give appropriate guidance and proper warnings to our users.
- We have obtained product liability insurance for our smart fitness devices, fitness gear and fitness food.

### ***Supply Chain Management***

Responsible sourcing and sound supply chain management are essential for us to ensure reliable product quality and sustainability along our supply chain. If we are unable to select quality third-party outsourcing manufacturers and suppliers, or monitor, audit and manage different parties in the supply chain may expose us to risks of suppliers’ non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation.

We have established a supply chain approval process, through which suppliers and outsourcing manufacturers must provide relevant qualifications or certifications, such as their business licenses, food production and operation licenses, among others, and demonstrate legal compliance with environmental and social policies prior to approval. If the suppliers or outsourcing manufacturers are not compliant with the applicable laws and regulations regarding safety and quality or commit misconducts, we may terminate our contracts with them. We require that all the products we obtain from outsourcing manufacturers fully comply with applicable national industrial standards. We also hire third-party quality testing companies to check the compliance of each product and display the testing report to our users.

### ***Environmental Protection***

We monitor environmental, social and climate-related risks and opportunities that may impact on our business, strategy and financial performance and evaluate the magnitude of resulting impact over the short, medium and long-term horizon. We take these issues into account when developing our business strategy and may adjust our strategy in a particular region in response to changing environmental, social and climate-related landscape. See “—Our Environmental, Social and Governance (ESG) Initiatives—Environmental Protection”.

### **Environmental Protection**

We recognize the importance of contributing to sustainable development for the benefit of our society and environment. With this in mind, we strive to minimize the impact of our operations on the environment and promote sustainability and environmental awareness at all levels of our organization. For example, we moved our public welfare project of *Dream Sports Ground* online in 2021 so that all users could contribute to the project by completing virtual fitness tasks in a low-carbon way.

We are committed to sustainability as part of our corporate strategy, and we strive to cultivate a sustainable mindset among our employees and work environment. We have conducted a series of campaigns that aim to reduce waste and carbon emissions of both our company and our employees, including trash-sorting in all of our offices, water reduction, and carbon emission reduction. We have established several protocols in our offices in our effort to reduce water-usage. We placed signs to remind our employees to reduce their water usage.

We are also committed to carbon mitigation measures and will continue to explore ways to further improve energy efficiency. To improve energy efficiency, we closely monitor and evaluate our

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power usage level. In 2022, our average annual power usage was approximately 676 thousand kWh. We have implemented a series of measures to reduce power usage and save energy, including daily inspection to turn off electronic devices when not in use, limiting temperature setting range or setting standard office temperature when using the air conditioning system and implementing “office power saving mode” when our offices are closed. We intend to lower our office electricity consumption through such measures. We also ask our employees to be mindful of the environment when consuming office supplies, such as using double-sided printing, only printing when necessary, archiving files digitally and using scrap paper. We consumed a total of 1.5 tons of paper in 2022. We will continue to raise the paper consumption awareness of our employees through trainings and continue to improve paper consumption efficiency. In addition, we continually evaluate our water usage level. In 2022, we recorded annual water usage of approximately 4,958 tons. We strive to foster a conservation culture in our Company and will continue to monitor and control energy and water usage level in our daily operation.

We aim to create fitness that leaves a mark on the world, equipment that doesn't. We will continuously improve the environmental impacts of our products, from materials to manufacturing, and we always bear environmental impact in mind when selecting raw materials, components, and outsourcing manufacturers. For example, all of our apparel packagings use recycled materials to ensure environmental sustainability. Our apparel meets relevant national standards in terms of durability and chemicals, among others, which would promote sustainable consumer purchase pattern with reduced waste and result in less likelihood to pollute the environment with hazardous substances. We also thrive to choose more natural materials in making our fitness products, such as yoga mat, and we ensure that the procedures to process these materials follow the relevant national standards. We also place great emphasis on supply chain sustainability and have been promoting a responsible, low-carbon and bio-diversity paradigm along our value chain. We have strict requirements on our outsourcing manufacturers and regularly inspect whether the manufacturing facilities adopt the production standards related to environmental protection.

We are also devoted to increasing environmental awareness in the society. For example, we held earth day cycling fat loss event in 2018 and offer a special “earth day knight” badge to all users who completed the tasks. Over 30,000 users registered for this event. In September 2021, together with hundreds of other companies in China, we joined an initiative for digital space and green, low-carbon activities at the first China Digital Carbon Neutrality Summit.

### **Social Responsibility**

Social responsibility has been central to how we do business. We carry out our purpose and instill our belief through contributing to the wide community. Leveraging what we are best at, we have mainly centered our efforts in the fitness industry, as follows.

- We believe that fitness has the power to positively shape the future of the young generation. We have been constantly making donations to the construction of fitness infrastructures and facilities for young children. We have donated fitness equipment to and built fitness facilities for schools in less developed regions in China to help more children get off the sidelines and enjoy fitness. In August 2016, our first *Dream Sports Ground* landed in an elementary school in Qinghai Province, providing children with better sports conditions. In November 2019, we, together with one of our business partners, built a brand new and high level sports ground for the children in Xinjiang Tahekureke Elementary School to facilitate their daily physical exercises. In June 2021, the latest

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*Dream Sports Ground* was completed in cooperation with the China Internet Foundation for Public Welfare in an elementary school in Shaanxi Province.

- We invited visually impaired runners and their guide runners to shoot a public welfare short film named “*I Am Your Eyes*”. By exploring their stories and recording their mental journeys, we helped raise the public awareness of the hardship the visually impaired people of our society have been enduring in their everyday lives.
- We have also invited nonprofit organizations such as WildAid and celebrity ambassadors to join our *Keeper* community to raise nutrition awareness among public and help them maintain a healthy and balanced diet. In addition, we advocate reducing meat consumption and making fresh fruits and vegetables a bigger part of people’s diet to develop a healthy lifestyle and contribute to a healthy planet.

We believe it is our responsibility to stand out in difficult times and our commitment to society is embodied in our efforts during the COVID-19 outbreak. We proactively supported China’s nationwide efforts to contain the spread of COVID-19 and took responsibility to support the communities. In 2020, we rolled out a seven-day curriculum together with General Administration of Sport of China to encourage people to stay indoor to combat the spread of the pandemic. In March 2022, *Keep* cooperated with the Chinese Red Cross Foundation to send out 100,000 bi-weekly membership subscription packages to residents in Changchun, China during the quarantine periods due to the COVID-19 pandemic. *Keep* also offers free 14-day membership for people subject to home quarantine across China and we have sent out over 73,000 membership packages up to the Latest Practicable Date. We believe our supportive efforts in this special time strengthened our ties with the communities we serve and consolidated our long-standing value in being socially responsible.

### Corporate Governance

We are on a continuous journey to the improvement of wellbeing of everyone working with and for us. We foster inclusion and equality among employees from all backgrounds, regardless of employment type (full-time or part-time), religion, age, gender, sexual minorities, disability, sexual orientation, citizenship status and parental status, among others. We believe that diversity, including but not limited to gender diversity, is important to us in thriving in the business environment. Hence, we consider diversity in determining the composition of our personnel. For example, as of December 31, 2022, approximately 46% of our employees are female.

We are committed to fostering a vibrant and encouraging environment where employee can engage in fitness training every day at workplace. We have implemented a comprehensive gym and a *Keepland* offline fitness center inside our main office building, which allow employees to join our courses and curriculums conveniently. We also provide our employees with holistic training programs to help them advance on their career paths. We treat the health and safety of our employees as our top priority and have taken additional measures to protect the physical and mental health, safety and wellbeing of our employees during the COVID-19 pandemic.

We comply with the laws and regulations in the PRC regarding anti-corruption. In addition, we have adopted and strictly implemented our internal anti-corruption policies as stipulated in our employee handbook, which is signed by all our employees. Pursuant to our anti-corruption policies,

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any employee who takes a bribe from any business partner for the purpose of getting business will be subject to penalties or termination of labor contracts. In addition, we have imposed a whistleblowing procedure that allows employees to report actual or suspected wrongdoing. The identities of the whistle blowers are kept strictly confidential.

We have built a sound corporate governance structure to ensure the effectiveness of our management. The board of directors are overseeing ESG-related issues and perform relevant ESG governance responsibilities on behalf of the board. See “Directors and Senior Management—Corporate Governance—Environmental, Social and Governance (‘ESG’)”.

## COMPETITION

The online fitness industry in China is rapidly evolving and increasingly competitive. We face competition for users in each area of our business from various market players in the specific area. In terms of online fitness content, we may compete with other market players such as video apps and live streaming apps for advertising revenue and fitness product brands and smart fitness device brands and manufacturers for product sales. Fitness training videos from key opinion leaders on free video-streaming platforms are typically generated at will as a type of “content creation” by these individual users who may not possess professional knowledge and structured training in fitness. Nor do they produce their fitness content creation in a systematic manner. Fitness content from key opinion leaders on other free online platforms also lacks quality and consistency in terms of video editing, language/subtitles, audio quality, recording background, disruption from advertisement, video length, among others, which leads to less desirable fitness experience that discourages users to follow or complete a workout. Meanwhile, the fitness content on our platform caters into users’ strong exercise intent when they log on the app and focus on an interactive “work-out” experience. Our online fitness content is designed to encourage users to actually participate in and complete workout sessions rather than browsing fitness videos casually. For the smart fitness device segment, we mainly compete with consumer electronics brands and fitness device brands. We integrate our online fitness content with smart fitness devices for better user engagement and more immersive fitness experience that other video and live-streaming apps cannot offer. For complementary fitness products, the market is highly fragmented considering the variety of products in this segment. Major competitors include globally well-known sporting goods brands.

We believe that we are strategically positioned in the online fitness industry and we can compete favorably with our competitors primarily on the following factors: (i) our leading market position, (ii) diverse and quality of content offerings, (iii) breadth of product offerings, (iv) our comprehensive fitness solution that integrates online content and offline experience, (v) our established brand and engaging community, and (vi) our technology and innovation. However, some of our current or future competitors may have greater technical or distribution resources than we do and it is difficult for us to predict our competitors’ actions in these areas or the timing and impact of new entrants into the market. See “Risk Factors—Risks Related to Our Business and Industry—We operate in a fast-evolving industry and may not be able to compete effectively”.

## CUSTOMERS

Our customers include users who purchase our fitness content and products and participate in our *Keep* offline fitness classes, advertisers who post advertisements of their content, products and services on our online platform and wholesale channels that we use for selling our self-branded fitness

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products and services. See “— Wholesale Channels”. Our main customers are individuals seeking our self-branded fitness products. Substantially all of these customers are located in China. All of our five largest customers are independent third parties. We do not believe that we have customer concentration risks or counterparty risks.

None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest customers during the Track Record Period that is required to be disclosed under the Listing Rules.

During the Track Record Period, sales from our five largest customers in each year during the Track Record Period accounted for 12.0%, 16.2% and 11.2% of our total sales in each year ended December 31, 2020, 2021 and 2022, respectively, and sales from our largest customer accounted for 5.8%, 10.1% and 6.4% of our total sales in each year ended December 31, 2020, 2021 and 2022, respectively. The top five customers are primarily wholesale channels that purchased our self-branded products and advertising companies who purchased our online advertising service, while our largest customer in each year during the Track Record Period was wholesale channel that purchase our self-branded products. In general, we enter into framework agreements with customers to provide advertising services. Under these agreements, our customers will typically pay us within six months upon the acceptance of our services. The terms of agreements vary from one month to a year. For the agreements with our largest customer who purchases our self-branded products, see “—Wholesale Channels”.

Name of Customers	Products/Services Sold	Sales Amount (In RMB Millions)	% of Total Sales	Length of Relationship	Credit Period Granted by Us
<b>For the Year Ended December 31, 2020</b>					
Customer A <sup>(1)</sup>	Self-branded fitness products	63.8	5.8%	Since 2018	Within three months
Customer B <sup>(2)</sup>	Advertisements	22.3	2.0%	Since 2019	Within three months
Customer C <sup>(3)</sup>	Advertisements	20.1	1.8%	Since 2018	Within three months
Customer D <sup>(4)</sup>	Advertisements	17.4	1.6%	Since 2019	Within three months
Customer E <sup>(5)</sup>	Advertisements	8.7	0.8%	Since 2017	Within three months

Name of Customers	Products/Services Sold	Sales Amount (In RMB Millions)	% of Total Sales	Length of Relationship	Credit Period Granted by Us
<b>For the Year Ended December 31, 2021</b>					
Customer A	Self-branded fitness products	163.3	10.1%	Since 2018	Within three months
Customer F <sup>(6)</sup>	Self-branded fitness products	36.3	2.2%	Since 2020	Within three months
Customer D	Advertisements	22.3	1.4%	Since 2019	Within three months
Customer E	Advertisements	22.0	1.4%	Since 2017	Within three months
Customer G <sup>(7)</sup>	Advertisements	18.1	1.1%	Since 2021	Within three months



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Name of Customers	Products/Services Sold	Sales Amount (In RMB Millions)	% of Total Sales	Length of Relationship	Credit Period Granted by Us
<b>For the Year Ended December 31, 2022</b>					
Customer A	Self-branded fitness products	141.1	6.4%	Since 2018	Within three months
Customer F	Self-branded fitness products	38.6	1.7%	Since 2020	Within three months
Customer H <sup>(8)</sup>	Self-branded fitness products	32.0	1.4%	Since 2022	Within three months
Customer I <sup>(9)</sup>	Self-branded fitness products	20.7	0.9%	Since 2022	Within three months
Customer D	Advertisement	18.0	0.8%	Since 2019	Within three months

*Notes:*

- (1) Located in Beijing, Company A is an e-commerce retail platform that sells electronics, computers, accessories, household supplies, beauty and personal care products, food products, apparel and other products.
- (2) Located in Beijing, Company B is a high-tech company that is involved in technology development, technology consulting, technology transferring, advertising and other service.
- (3) Located in Tianjin, Company C is a media company that provides service including advertising, broadcasting, digital marketing and motion pictures.
- (4) Located in Shanghai, Company D is a media company that provides service including social media marketing and branding, photograph and video production and other service.
- (5) Located in Guangzhou, Company E is an advertising company that provides advertising, marketing, consulting and other service.
- (6) Located in Hangzhou, Company F is a retail company that sells apparel, lingerie, jewelry, cosmetics, shoes and other products to consumers.
- (7) Located in Guangzhou, Company G is an advertising company that offers advertising, brand marketing, image designing and other service.
- (8) Located in Hangzhou, Company H is an e-commerce company that sells apparel, shoes, accessories, household supplies and other products to retail and wholesale customers.
- (9) Located in Hangzhou, Company I is an e-commerce company that sells apparel, shoes, accessories, household supplies and other products to retail and wholesale customers.

## WHOLESALE CHANNELS

We sell our self-branded fitness products to wholesale channels, such as JD.com, that purchase our self-branded fitness products and then sell to end-users through their online platforms or offline channels.

We had 44, 69 and 82 wholesale customers as at December 31, 2020, 2021 and 2022, respectively. Revenue from our wholesale customers (“**Wholesale Revenue**”) represented approximately 6.8%, 13.8% and 11.3% of our total revenue for the years ended December 31, 2020, 2021 and 2022, respectively. We have a seller-buyer relationship with our wholesale customers. Revenue is recognized when control of the products is transferred, i.e. when products are delivered to and accepted by our wholesale customers, or, in rare cases, when orders are placed by the wholesale party’s end customer and the products are subsequently delivered out of wholesale channels’ warehouse to end customers.

Under the wholesale agreements, we invoice our wholesale customers on a periodic basis based on the actual amount of goods sold, subject to any deductions requested by our wholesale customers (e.g., for damaged goods or adjustments for discounts in sale price) within a short period of time following delivery of the goods, typically within three months; such deductions are reflected in the sales amount recorded in the same period as delivery of goods, meaning that such deductions are already excluded from the revenue amount recorded for that period. Accordingly, the aging analysis for receivables from Wholesale Revenue is typically within 90 days. Typically, adjustments for discounts



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are based on wholesale customers’ actual amount of goods purchased or sold. In general, our wholesale customers are allowed to refund excess inventory, slow-selling products, defects and products returned within seven days upon the receipt of their retail customers. We incurred product returns of RMB2.2 million, RMB6.7 million and RMB7.7 million through Customer A in 2020, 2021 and 2022, respectively, and RMB903 thousand, nil and RMB141 thousand through other wholesale channels in 2020, 2021 and 2022, respectively. The product returns represented 4.1%, 3.0% and 3.1% of our wholesale revenue in 2020, 2021 and 2022, respectively. For clarity, revenue from our wholesale channels customers are recognized *net of* these product return amounts, and therefore, these product return amounts are not recognized in our sales figures for the respective calendar period. Products returned during the Track Record Period were mainly slow-selling products and fitness foods approaching expiration date.

We enter into different sales arrangements with wholesale channels based on the time the control of the products is being transferred. There are mainly two types of arrangements with wholesales channels. Under type I arrangements, the wholesale channels take ownership of the products upon delivery of the products to the wholesale channels’ warehouses. Revenue is recognized when control of the products is transferred to the wholesale channels’ warehouses. Under type II arrangements, the wholesale channels take ownership of the products when orders are placed by end customers and the products are subsequently delivered out of the wholesale channels’ warehouse. Revenue is recognized once orders are placed by end customers and the products have left the wholesale channels’ warehouse. We conducted most of the sales with wholesale channels under type I arrangement. We only entered into type II arrangement with few wholesale channels. Except for the differences in the transfer of control, there are no other terms or conditions in the agreements with the wholesale channels that would significantly affect the time revenue from the sales of self-branded fitness products is recognized. We recorded revenue recognized under type I arrangements of RMB67.4 million, RMB221.2 million and RMB248.3 million in 2020, 2021 and 2022, respectively, and RMB7.9 million, RMB2.8 million and RMB2.6 million in revenue recognized under type II arrangements in 2020, 2021 and 2022, respectively.

As of December 31, 2022, we had 82 wholesale customers with operating history range from around 1 to 64 years. All of the wholesale customers are corporate entities, with registered capital ranging from RMB30 thousand to US\$1,398 million. Our corporate wholesale customers contributed substantially all of our wholesale revenue as of December 31, 2022. They are all duly established and have operating history from around 1 year to 64 years. JD.com, our largest wholesale customer, contributed revenue of RMB63.8 million, RMB163.3 million and RMB141.1 million in 2020, 2021 and 2022, respectively, and is not subject to minimum sales targets or minimum price requirements. The terms of our arrangements with our largest wholesale customer are, according to the CIC Report, consistent with the industry practice. Our wholesale customers other than JD.com contributed revenue of RMB11.5 million, RMB60.7 million and RMB109.8 million in 2020, 2021 and 2022, respectively. See Note 2.19.1(a)(ii) to the Accountant’s Report (Appendix I) for more information on the accounting policy of the revenue recognition of the wholesale customers, and Note 21 to the Accountant’s Report (Appendix I) for information on our accounts receivables. To our best knowledge, as of the date of this document, each wholesale customer is an Independent Third Party and there is no other material relationship with our Group that would required to be disclosed.

## SUPPLIERS

Our suppliers primarily consist of raw materials, components and finished goods suppliers, advertising and marketing service providers, warehousing, packaging and delivery suppliers, third-

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party application stores and other payment channels, third-party platform suppliers, data storage, server hosting, and bandwidth providers and fitness content providers. Substantially all of these suppliers are located in China. All of our five largest suppliers are independent third parties. We do not believe that we have supplier concentration risks or counterparty risks.

None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest suppliers during the Track Record Period that is required to be disclosed under the Listing Rules.

During the Track Record Period, purchases from our five largest suppliers in each year during the Track Record Period accounted for 21.7%, 16.0% and 15.8% of our total purchases in each year ended December 31, 2020, 2021 and 2022, respectively, and purchases from our largest supplier accounted for 5.5%, 4.9% and 3.8% of our total purchases in each year ended December 31, 2020, 2021 and 2022, respectively.

Name of Suppliers	Products/Services Purchased	Purchase Amount (In RMB Millions)	% of Total Purchase Costs	Length of Relationship	Credit Period Granted to Us
<b>For the Year Ended December 31, 2020</b>					
Supplier A <sup>(1)</sup>	Raw materials, components and finished goods	68.6	5.5%	Since 2019	Within three months
Supplier B <sup>(2)</sup>	Marketing channels, sales channels and information technology service	57.0	4.6%	Since 2018	Within three months
Supplier C <sup>(3)</sup>	Raw materials, components and finished goods	56.4	4.6%	Since 2019	Within three months
Supplier D <sup>(4)</sup>	Finished goods	48.7	3.9%	Since 2018	Within three months
Supplier E <sup>(5)</sup>	Platform fees	38.0	3.1%	Since 2019	Within three months

Name of Suppliers	Products/Services Purchased	Purchase Amount (In RMB Millions)	% of Total Purchase Costs	Length of Relationship	Credit Period Granted to Us
<b>For the Year Ended December 31, 2021</b>					
Supplier A	Raw materials, components and finished goods	126.9	4.9%	Since 2019	Within three months
Supplier B	Marketing channels, sales channels and information technology service	100.7	3.9%	Since 2018	Within three months
Supplier F <sup>(6)</sup>	Channel promotion services	73.8	2.8%	Since 2020	Within three months
Supplier G <sup>(7)</sup>	Advertisement placement	59.8	2.3%	Since 2021	Within three months
Supplier H <sup>(8)</sup>	Raw materials, components and finished goods	54.8	2.1%	Since 2019	Within three months

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Name of Suppliers	Products/Services Purchased	Purchase Amount (In RMB Millions)	% of Total Purchase Costs	Length of Relationship	Credit Period Granted to Us
<b>For the Year Ended December 31, 2022</b>					
Supplier I <sup>(9)</sup>	Raw materials, components and finished goods	111.3	3.8%	Since 2018	Within three months
Supplier B	Marketing channels, sales channels and information technology service	100.7	3.4%	Since 2018	Within three months
Supplier A	Raw materials, components and finished goods	92.7	3.2%	Since 2019	Within three months
Supplier J <sup>(10)</sup>	Logistics service	89.2	3.0%	Since 2022	Within three months
Supplier K <sup>(11)</sup>	Finished goods	69.5	2.4%	Since 2022	Within three months

*Notes:*

- (1) Located in Shenzhen, Company A is a high-tech company that designs, develops, manufactures and sells electronic products, computer hardware, digital accessories, online software and other products.
- (2) Located in Hangzhou, Company B is a technology company specializing in e-commerce, retail and information technology. Company B provides marketing channels, sales channels, information technology service and other service to customers.
- (3) Located in Kunshan, Company C is a high-tech company that specializes in designing, developing, manufacturing and selling smart electronics, sports equipment, and other fitness products.
- (4) Located in Fuqing, Company D specializes in design, develops, manufactures, and sells plastic fitness products, apparel, shoes and other plastic products.
- (5) Located in the United States, Company E is a high-tech company that designs, develops and sells consumer electronics, computer software, online services, personal computers and other hardware products.
- (6) Located in Shanghai, Company F is a media company that provides advertising, marketing, event planning, consulting and other service.
- (7) Located in Hangzhou, Company G is a media company that is involved in advertising, marketing, broadcasting, production and performance brokerage services.
- (8) Located in Shenzhen, Company H is a high-tech company that designs, develops and sells smart electronic devices, computer hardware, online software and other smart devices.
- (9) Located in Xiamen, Company I is a manufacturing company that designs, develops, manufactures and sells fitness products, sports equipment, steel products, furniture, electronic devices and other products.
- (10) Located in Shanghai, Company J is mainly engaged in logistics service, supply chain management service, warehouse service and other services.
- (11) Located in Shenzhen, Company K is a manufacturing company, specializing in metal products, printing materials and other products.

We believe we have sufficient alternative suppliers that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in the supply of the products we sourced from our suppliers.

We generally enter into framework agreements with major suppliers for our raw materials, components and finished goods, marketing and information technology services. We will pay the suppliers on the agreed terms in effect at time of purchase order. Our suppliers usually grant us a credit period within three months. The payment terms for our suppliers vary on a transaction basis. The terms of the agreements with our raw materials, components and finished goods suppliers are generally one year. The agreements can generally be terminated upon mutual agreements. Under the framework agreements with our suppliers of raw materials, components and finished goods, we are allowed to return or get refund for products defects.

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### EMPLOYEES

We had a total of 1,243 full-time employees and 547 part-time employees as of December 31, 2022. The following table sets forth the numbers of our full-time employees categorized by function as of December 31, 2022.

<u>Function</u>	<u>Number of Employees</u>
Technology .....	395
Sales and marketing .....	346
Research and development .....	232
Management .....	116
Platform and other operations .....	49
Content production .....	105
<b>Total</b> .....	<b><u>1,243</u></b>

Our success depends on our ability to attract, motivate, train and retain qualified personnel. We believe we offer our employees competitive compensation packages and an environment that encourages self-development and, as a result, have generally been able to attract and retain qualified personnel and maintain a stable core management team. As of December 31, 2022, 46% of our management function employees are female. In addition, our employees are also users in our community. We are committed to fostering a vibrant and encouraging environment where employee can engage in fitness training every day at workplace. We have implemented a comprehensive gym and a *Keepland* offline fitness center inside our main office building, which allow employees to join our courses and curriculums conveniently. We also have a number of self-organized fitness teams and host a variety of fitness activities each year. For example, we organize an employee athletic event every year and display an employee league board in terms of workout activities on *Keep*.

As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have granted, and plan to continue to grant, share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

We enter into standard labor contracts and confidentiality agreements with our employees. To date, we have not experienced any significant labor disputes. None of our employees are represented by labor unions. In addition to employees, we also work with labor outsourcing agencies to place their outsourced personnel to perform live streaming services, marketing and promotion services and content services to meet our temporary staffing demand with flexibility. Under the labor outsourcing agreement, the labor outsourcing agencies are responsible for recruiting and arranging their own workers to undertake the above service as required by us. Generally, we enter into a one-year term labor outsourcing agreement with the labor outsourcing agencies. The outsourcing agreement comprises the sections including but not limited to the service matters, rights and obligations of all parties, service methods, service fees, legal liabilities, and contract period. The PRC Legal Advisor is of the view that execution of the labor outsourcing arrangements will not violate current PRC laws and regulations. See “Regulations—Regulations related to employments, social insurance and housing

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provident fund”. We do not count these outsourced personnel towards our total labor force as these personnel do not enter into employment arrangements with us.

During the Track Record Period, we engaged third-party service providers to pay social insurance and housing provident funds for a small portion of our employees (the “**Third-Party Arrangement**”), and as of Latest Practicable Date, none of the our employees’ social insurance and housing provident funds were paid through the Third-Party Arrangement. During the Track Record Period, none of the third-party service providers that our Company cooperates with had failed to pay, or delayed in paying, any social insurance premiums or housing provident fund contributions for our employees and we have not received any inquiry from relevant government authorities in this regard.

The Third-Party Arrangement, although not uncommon in China, are not in strict compliance with relevant PRC laws and regulations. If the Third-Party Arrangement is challenged by government authorities, we may be deemed to fail to discharge our obligations in relation to the payment of social insurance and housing provident funds through our own accounts as an employer. However, given that there is no PRC law and regulations explicitly stipulate whether such Third-Party Arrangement would be penalized or fined or not, we may face uncertainties as to the application and implementation of laws and regulations in this regard and thus may not be practical for us to estimate the maximum potential fine or penalty quantitatively.

Additionally, we have established new entities or branches in the cities where the employees involved in the Third-Party Arrangement work or reside, so as to cease the Third-Party Arrangement and to rectify such non-compliance. We have also transferred all the employees involved in the Third-Party Arrangement to the entities or branches newly established.

Based on the above, our PRC Legal Adviser is of the view that the risk of the Company being subject to material penalties and thus having a material adverse impact on the business and results of operations by reason of the adoption of the Third-Party Arrangement during the Track Record Period is relatively low, further considering that (i) the third-party service providers have confirmed in writing that they have paid such contributions in full in a timely manner and none of them has been subject to any administrative penalty in this regard; (ii) we have obtained written compliance certificates from relevant competent authorities confirming that the Company has not been subject to any administrative penalty from relevant government authorities in this regard during the Track Record Period; and (iii) the Company has confirmed that it has not received labor arbitration notices from any of their employees in relation to the Third-Party Arrangement during the Track Record Period and up to the Latest Practicable Date. Please also see “Risk Factors—Risks Related to Our Business and Industry—Enforcement of stricter labor laws and regulations and increases in labor costs in the PRC may adversely affect our business and our profitability”.

## FACILITIES AND PROPERTIES

We are headquartered in Beijing and have several offices in China. As of December 31, 2022, we had leased an aggregate of approximately 14,948 square meters of office space. We have also leased a total size of approximately 2,714 square meters for warehousing and offline fitness centers in China. We lease our premises under operating lease agreements from independent third parties. These leases vary in duration from three to five years. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth.

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As of December 31, 2022, none of the properties leased by us had a carrying amount of 15% or more of our combined total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of [REDACTED], this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We continually review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency.

#### **Financial Reporting Risk Management**

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

#### **Internal Control Risk Management**

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our legal, finance and business departments to: (a) perform risk assessments and advise risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our Company. We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our internal control team conduct regular reviews to monitor the status and effectiveness of those licenses and approvals. Our in-house legal department works with relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

#### **Data and Technology System Risk Management**

We consider the protection of the personal privacy of users to be of paramount importance. To ensure the confidentiality and integrity of our data, we maintain a comprehensive and rigorous data protection program. We gain access to fitness activities data through our platform and our smart fitness devices and we encrypt and store certain sensitive personal data on our own and third-party cloud servers, which are protected by firewalls. We collect personal information from users only with their prior consents.

During the Track Record Period, our app users may provide us with certain of their personal data that can be used to provide functions in the platform and better serve our users, including their



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phone number, profile photo, name, location, among other things. We also obtain users’ personal information related to their devices when they are using *Keep app*, such as the device information, the logs, the IP address, etc. Some of these personal data are likely to be regarded as sensitive personal data, so we obtain users’ separate consent in each category by requiring them to enable the permission in the operation system of their devices. In addition, we have taken several measures to protect sensitive data against potential unauthorized access. For example, we have established a strict approval mechanism, pursuant to which each category of user data can only be accessed by certain designated and authorized personnel to the extent that is necessary after internal approval. Also, after collecting the personal information, we will promptly de-identify certain sensitive personal data by using mask code and other means.

In addition, users have the right to revoke their consent to privacy policy and permissions in the operation system previously granted to us or to delete their data in our app. Once the users send us the request to revoke any prior consent, we will process such request within a reasonable time and cease to process their personal information thereafter.

We may provide information to third parties data processors in our daily operations. In doing so, we will inform the users of the recipient, purpose and method of processing and type of personal data, and obtain the users’ separate consent before providing personal information to such processors.

We have set forth certain data destruction rules in our policies. We delete user data through data erasure and physical destruction. Our policy requires us to regularly evaluate the effectiveness of our data destruction practice.

We have not suffered from any material data leakage during the Track Record Period and up to the Latest Practicable Date. We place great importance to users’ personal data, and we use encryption technology to protect users’ privacy and formulate strict policies to manage all data we have. We continually evaluate the effectiveness of our data security and privacy protection procedures, monitor our compliance status in accordance with the latest changes in applicable regulatory requirements and regularly update our privacy policy and internal procedures to better protect our users’ privacy and interests.

Our PRC legal adviser in respect of PRC data compliance law is of the view that the personal data collection, data usage, data process, data storage, provision of data to third parties, disclosure of personal information, data transfer and output and internet security system of the *Keep app* are in compliance with PRC laws and regulations in all material aspects pursuant to effective laws and regulations.

The CAC issued a notice on June 11, 2021, or the CAC Notice, requiring 129 named apps, including our app, to rectify the non-compliance with the necessity principle in the collection of personal information and the Necessary Personal Information Rules. We have refined the scope of basic functions and services of our *Keep* mobile app so that users may use such basic functions and services without providing any personal information. In late June 2021, we submitted a written report within the prescribed time-frame to show rectification we had adopted as required under the CAC Notice. We also updated our data privacy policy to clarify how we collect and use the users’ data, the scope of basic functional services that the users may use without providing any personal information for implementation throughout our mobile app, and we may only use such data and information to provide and improve our services, content and advertising in strict compliance with such policies. As

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of the Latest Practicable Date, we have not been informed by the CAC of any further requirements of rectification with respect to the foregoing incident. To prevent the recurrence of the non-compliance with the Necessary Personal Information Rules, we have refined the scope of basic functions and services of *Keep* app. Users do not need to provide us with any personal information when using basic functions and services. We will continually monitor the Group’s compliance status and regularly update our privacy policy and internal procedures to better protect our users’ privacy and interests.

We employ a variety of technical solutions to prevent and detect risks and vulnerabilities in user privacy and data security, such as encryption, firewall, data backup system, vulnerability scanning and database audit. For instance, we store and transmit users’ certain sensitive data in encrypted formats and obtained the network security protection certificate (grade 3, certificate number: 11010513071-20001). We maintain data logs that record all attempted and successful processing of personal data. We also have clear and strict data authorization and authentication procedures in place. Our employees only have access to data that are directly relevant and necessary to their job responsibilities and for limited purposes and are required to get approval upon every hyper-privileged access attempt. See “Risk Factors—Risks Related to Our Business and Industry—Our business generates, processes, collects and stores a large amount of data, and the unauthorized access, improper use or disclosure of such data could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential users from using our services”.

### **Human Resources Risk Management**

We provide regular and specialized training tailored to the needs of our employees in different departments. Through these trainings, we ensure that our staff’s skill sets remain up-to-date and enable them to discover and meet users’ needs. We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanism, negligence and corruption. We also provide employees with resources for explanation on guidelines contained in the employee handbook.

We also have in place a code of business conduct and ethics, and an anti-bribery and corruption policy approved by our board of directors, providing to our employees the best commercial practice and work ethics as well as our anti-bribery guidance and measures. We make our internal reporting channel open and available to our staff for any wrongdoing or misconduct. Reported incidents and persons will be investigated and appropriate measures will be taken in response to the findings.

### **Audit Committee Experience and Qualification and Board Oversight**

We [have established] an audit committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing, and mitigating risks involved in our business operations. The audit committee consists of three members, namely Ge Xin, Shan Yigang and Wang Haining, all being independent directors. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management—Directors”.

We will also maintain a risk management department that is responsible for reviewing the effectiveness of internal controls and [reporting to the audit committee on any issues identified.] Our risk management department members will hold regular meetings to discuss any internal control issues we

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face and the corresponding measures to implement toward resolving such issues. The risk management department will report to the audit committee to ensure that any major issues identified thus are channeled to the committee on a timely basis. The audit committee will then discuss the issues and report to the board of directors if necessary.

### INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events. In addition to social security insurance for our employees as required by PRC law, we also provide supplemental commercial medical insurance for our employees. We have also obtained product liability insurance for our smart fitness devices, fitness gear and fitness food. We consider our insurance coverage to be sufficient for our business operations in China and other countries where we operate, and we believe our insurance coverage is in line with the industry norm. However, any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material and adverse effect on our results of operations. See “Risk Factors—Risks Related to our Business and Industry—We may not have sufficient insurance to cover our business risks, so that any uninsured occurrence of business disruption may result in substantial costs to us and the diversion of our resources, which could have an adverse effect on our results of operations and financial condition”.

### LEGAL PROCEEDINGS AND COMPLIANCE

We are involved in disputes and legal or administrative proceedings in the ordinary course of our business. We are not a party to any material legal or administrative proceedings during the Track Record Period and up to the Latest Practicable Date. However, litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management’s time and attention. See “Risk Factors—Risks Related to Our Business and Industry—We have in the past been subject to legal and regulatory proceedings and may continue to be subject to these proceedings from time to time in the ordinary course of our business”.

During the Track Record Period, we have been ordered by the competent authorities to stop publishing certain advertisements and imposed a fine for RMB30,000 by using dictions on the product sales page on both *Keep* mobile app and third-party platforms without identifying the source of data. Further, we were given an administrative punishment of warning, confiscation of illegal income of RMB596.48 and a fine of RMB1,192.96 by the competent authorities for selling fitness food with misleading ingredient descriptions. And we have taken measures in place to avoid the re-occurrence of similar incidents, including: (i) engaging a third-party consultant to conduct compliance check on product description pages before release; (ii) conducting selective inspections on product description pages on a weekly basis by our in-house legal team; and (iii) holding periodical trainings to business departments regarding recent regulatory development and practice related to product advertising, consumer protection and other relevant regulatory compliance.

During the Track Record Period and up to the Latest Practicable Date, neither we nor our directors had been and were involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. However, we could be subject to fines and orders requiring that we change our practices, which could have an adverse effect

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on our business and results of operations if our practice fails to comply with laws and regulations, especially with data laws and regulations. See “Risk Factors—Risks Related to Our Business and Industry—Our business generates, processes, collects and stores a large amount of data, and the unauthorized access, improper use or disclosure of such data could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential users from using our services”. There are no similar non-compliance incidents after we strengthen the cybersecurity measures and enhance the internal control in respect of product advertising and consumer protection.

### LICENSES, PERMITS AND APPROVALS

As of the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals and certificates from the relevant government authorities that are material for the business operations of our major subsidiaries and major Consolidated Affiliated Entities, except the Audio-Visual License and Internet Publishing License as disclosed in “Risk Factors—Risks Related to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC laws and regulation, and any lack of requisite approvals, licenses, permits or registrations applicable to our business may have a material adverse effect on our business, financial conditions and results of operations”. Our business is subject to evolving regulation, and we are required to obtain and maintain applicable licenses, permits and approvals to conduct our business. In the opinion of our PRC Legal Adviser, except as otherwise disclosed in “Risk Factors—Risks Related to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC laws and regulation, and any lack of requisite approvals, licenses, permits or registrations applicable to our business may have a material adverse effect on our business, financial conditions and results of operations”, all of our major subsidiaries complied in all material aspects with relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth details of our material licenses, permits and approvals:

License/Permit	Holder	Issuing Authority	Grant Date	Expiration Date
ICP License	Calorie Technology	Beijing Communications Administration	September 18, 2021	December 29, 2027
Internet Cultural Business License	Calorie Technology	Beijing Municipal Bureau of Culture and Tourism	July 10, 2019	July 9, 2025
Radio and Television Production Operation License	Calorie Technology	Beijing Municipal Radio and Television Bureau	May 11, 2021	May 11, 2023
Registration on the National Internet Audio-visual Platforms Information Registration Management System	Calorie Technology	National Radio and Television Administration	March 15, 2023	June 30, 2024
Food Operating License	Calorie Technology	Administration for Market Regulation of Chaoyang District Beijing	February 16, 2022	September 3, 2025
Food Operating License	Hangzhou Calorie Sports Co., Ltd.	Administration for Market Regulation of Yuhang District Hangzhou	November 19, 2021	November 18, 2026

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### AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for the quality and popularity of our fitness content, products and services. Some of the significant awards and recognition that we or our senior management have received are set forth below.

Award/Recognition	Award Year	Awarding Institution/Authority
National Sports Industry Demonstration Project (國家體育產業示範項目)	2022	State Administration of Sports
Interesting brands in 2022 (2022年度有意思品牌)	2022	China News Weekly
Public Welfare Partner of the Year (年度公益合作夥伴)	2022	China Social Assistance Foundation
Prominent brand - ranked first in the category for three consecutive years (金字招牌 - 連續三年位列所在品類第一)	2022	First Finance
The Third iSEE Innovation Technology Award (第三屆iSEE創新技術獎)	2021	FOODAILY, FOODAILY FBIC2021
Annual Growth Brand (年度增長力品牌)	2021	CBNDATA
Best Growth To C Company (最佳成長力To C企業)	2021	iResearch
Best Dessert Award in Global Innovative Food Appraisal Competition (全球創新食品評鑒大賽最佳甜品獎)	2021	Food and Beverage Innovation Forum
Application Tool Award (應用工具獎)	2020	Golden Reward
China Business Network's 2020 Golden Sign: shortlisted for five consecutive years and ranked first in terms of consumer popularity in its category (《第一財經》雜誌2020年度金字招牌：連續五年入圍榜單並蟬聯所在品類消費者喜愛度第一)	2020	China Business Network
Tmall Golden Laurel Award: Tmall AI Intelligent Fitness Leader (天貓金桂冠獎：天貓AI智能健身引領者)	2020	Tmall
Digital Innovation Award (數字創新獎)	2020	Beijing Business Today
2020 Top 100 China New Economy Unicorn Enterprises (2020中國新經濟獨角獸企業: Top 100)	2020	36Kr
The King of New Economy: The Most Competitive Enterprise (新經濟之王最具競爭力企業)	2020	36Kr
Original Content Gold Award (原生內容金獎)	2020	TOPDIGITAL



## CONTRACTUAL ARRANGEMENTS

### BACKGROUND

Certain businesses currently operated or will be operated by us in the PRC are subject to foreign investment restrictions and license requirements (the “**Relevant Businesses**”). We operate Relevant Businesses through our Onshore Holdco (Calorie Technology) and its subsidiaries. We do not directly own equity interest in Onshore Holdco, which is held by the Registered Shareholders.

The agreements underlying the Contractual Arrangements provide a mechanism through which: (a) economic benefits of Onshore Holdco are able to be transferred to us through the Consulting and Services Agreement and the Business Cooperation Agreement (each defined below); and (b) we are able to control Onshore Holdco through the Option Agreement, the Share Pledge Agreements, and the Powers of Attorneys (each defined below). Pursuant to this arrangement, all substantial and material business decisions of Onshore Holdco (and its subsidiaries) will be instructed and supervised by our Group, through our WFOE (Beijing Calorie Information Technology Co., Ltd.), and all risks arising from Onshore Holdco’s (and its subsidiaries’) business are also effectively borne by our Group as a result of the Consolidated Affiliated Entities being treated as our controlled subsidiaries; accordingly, we are entitled to economic benefits generated by the Consolidated Affiliated Entities business through the Contractual Arrangements.

During each of the financial years ended December 31, 2020, 2021 and 2022, the revenue contribution of the Consolidated Affiliated Entities to our Group accounted for approximately 98.0%, 99.6% and 40.7%, respectively. The decrease in revenue contribution between 2021 and 2022 is the result of moving business operations from our Consolidated Affiliated Entities to other subsidiaries in the Group (those in which we directly hold equity interest) in order to narrowly tailor our Contractual Arrangements. Substantially all of the revenue generated from the Relevant Businesses are recorded under the Group’s “membership and online paid content” reportable segment.

### PRC LAWS RELATING TO FOREIGN INVESTMENT RESTRICTIONS

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for Foreign Investment Market Access (2021 Version) (外商投資准入特別管理措施 (負面清單) (2021 年版) ) and the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (鼓勵外商投資產業目錄(2020年版)) (collectively, the “**Investment Restrictions**”), which were promulgated and are amended from time to time jointly by the MOFCOM and the NDRC. The Investment Restrictions sets out a list of industries in which foreign investment is restricted or prohibited.

A summary of our businesses that are subject to foreign investment restriction or prohibition are set out below:

#### **Prohibited Business** *Transmission of audio-visual programs*

Each of our recorded fitness video courses and live streaming business constitutes “internet audio-visual program services” (網絡視聽節目服務), which requires an Audio-Visual License or registration on the “National Internet Audio-Visual Platforms Information Management System” (全國網絡視聽平台信息登記管理系統). According to the Investment Restrictions and other applicable PRC Laws, foreign investors are prohibited from holding equity interest in an enterprise carrying out the business of transmission of audio-visual programs via information network. As of the Latest Practicable Date, our *Keep* app, operated by Onshore Holdco, has been registered in the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息登記管理系統).



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### *Internet culture business*

Our recorded fitness video courses and live-streaming business and *Keeper* community classify as commercial internet cultural activities, which require an internet cultural business license (網絡文化經營許可證). As of the Latest Practicable Date, Onshore Holdco holds an internet cultural business license for commercial internet cultural activities issued by the Beijing Municipal Bureau of Culture and Tourism. According to the Investment Restrictions and other applicable PRC Laws, foreign investors are prohibited from holding equity interest in an enterprise carrying out internet cultural business (except for music).

### *Radio and television program production*

Our recorded fitness video courses fall within the scope of “radio and television program production and operation business” (廣播電視節目製作經營業務), which requires a radio and television production operation license (廣播電視節目製作經營許可證). As of the Latest Practicable Date, Onshore Holdco holds a radio and television production operation license for production and operation of radio and television programs issued by the Beijing Municipal Radio and Television Bureau. According to the Investment Restrictions and other applicable PRC Laws, foreign investors are prohibited from holding equity interest in an enterprise engaging in radio and television program production and operation business.

Based on the above, the PRC Legal Adviser is of the view that the Group’s recorded fitness video courses, live streaming business and *Keeper* community fall within the scope of the prohibited business category under the Investment Restrictions.

### **Restricted Business**

#### *Value-added telecommunication services*

Operation of the *Keep* app is a restricted business.

Additionally, each of our recorded fitness video courses, live-streaming business, our membership subscriptions and *Keeper* community, which are operated on the *Keep* app, constitutes, or shall constitute in the future, value-added telecommunications (“VAT”) services, which requires an ICP License. As of the Latest Practicable Date, Onshore Holdco holds an ICP License for the operation of its VAT business.

On March 29, 2022, the State Council promulgated the Decision of the State Council on Revising and Repealing Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》), which amended the then-FITE Regulations with the amendments taking effect on May 1, 2022 (the “**New FITE Regulations**”). Under the New FITE Regulations, foreign investors are permitted to hold up to 50% (but not more) equity interest in entities requiring an ICP License to operate, provided that the foreign investor first satisfies qualification requirements, including registered capital and other requirements or proof required under the new FITE Regulations (“**VAT Qualification Requirements**”). However, the New FITE Regulations removed the requirements that the foreign-investor would need to have a good track record

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and experience in operating VAT businesses overseas. Additionally, the New FITE Regulations do not further elaborate on the proof, record or documentation required to constitute the necessary proof for satisfying the VAT Qualification Requirements. As of the Latest Practicable Date, no applicable PRC laws had provided clear guidance or interpretation on the VAT Qualification Requirements, there are uncertainties as to whether the overseas entities within our Group (including its shareholders or other overseas subsidiaries) will meet the VAT Qualification Requirements by virtue of their investment experience in the VAT business, and thereby be able to hold not more than 50% of the equity interest in the Consolidated Affiliated Entities.

As noted above, the operation of our online recorded fitness video courses, live-streaming, our *Keeper* community and membership subscriptions, which are offered through our *Keep* app, involves a mixture of engaging in: (i) audio-visual program services; (ii) internet cultural business; (iii) radio and television program production business; and (iv) VAT business. Since these businesses fall within both “foreign-prohibited” and “foreign-restricted” business categories under the Investment Restrictions, we are unable to set up an alternative structure to our current corporate structure through the Contractual Arrangements that would allow us to partially control, and derive substantially all of the economic benefits from, these entities. Additionally, the VAT business provided by the relevant entities are integrated into the operation of online recorded fitness video courses, live-streaming and our *Keeper* community and cannot be separated from our transmitting audio-visual program services and providing internet cultural business and radio and television program production business, which falls under the “foreign-prohibited” business category.

In addition, we operate certain services that are not restricted under PRC Laws but are ancillary to, and inseparable from, prohibited businesses, and hence such services cannot be operated outside of our Contractual Arrangement structure. This includes: (a) customer service (i.e., providing customer communication channels, through which users of the *Keep* app can contact our customer service officers to communicate feedback or queries) and other maintenance services (i.e., customer account maintenance services and after-sales service and maintenance, as well as back-end functions such as data storage, security and server side functions) for our *Keep* app, which is embedded within, and accessible through, our *Keep* app, and is closely linked to and is an inseparable part of operating our online recorded fitness video courses, live-streaming and our *Keeper* community, which falls under the “foreign-prohibited” business category; (b) operating a traditional e-commerce business (i.e., selling products through our self-operated online store on the *Keep* app) that is embedded within, and accessible through, our *Keep* app; and (c) operating live streaming e-commerce business (i.e., selling products through links embedded or presented in live streaming courses, and where broadly defined, also includes selling access to live streaming courses) that is embedded within, and accessible through, our *Keep* app, and that is fully integrated into and forms an inseparable part of our live streaming business, which, as mentioned above, falls under the foreign-prohibited business category.

Our traditional e-commerce and live streaming e-commerce businesses on the *Keep* app (i.e., selling directly through our own platform) are separate from, and do not form part of, our Group’s e-commerce business conducted on third-party platforms (“**e-commerce activity on third-party platforms**”), which includes sales to our wholesale channels online and direct-to-customer sales on online third party platforms.

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E-commerce (i.e., the act of selling through an online medium) is not, in itself, a “foreign-prohibited” or “foreign-restricted” business. However, our operation of traditional e-commerce and live streaming e-commerce activities must remain within our VIE structure because: (a) it is operated by the same entity (Onshore Holdco) and platform (our *Keep* app) that also operates “foreign-prohibited” and “foreign-restricted” businesses; and (b) both traditional and live streaming e-commerce activities are fully integrated into and cannot be divorced from activities constituting “foreign-prohibited” or “foreign-restricted” businesses (e.g., our traditional e-commerce is conducted through our *Keep* app, while our live streaming e-commerce is embedded in and accessed through our live streaming sessions).

Our e-commerce activity on third-party platforms operate outside of our VIE structure and are not subject to the Contractual Arrangements and are not considered “foreign-prohibited” or “foreign-restricted” businesses for our Company. This is because, as mentioned above, it is not the e-commerce activity itself that is required to be within our VIE structure, but rather, it is its fusion with other “foreign-prohibited” and “foreign-restricted” businesses that renders it inseparable from activities that are required to be within our VIE structure. Since our e-commerce activity on third-party platforms can be operated separately from our “foreign-prohibited” or “foreign-restricted” businesses, following our reorganization, this business is operated outside of our VIE structure.

In respect of the VAT Qualification Requirements, our PRC Legal Adviser has advised us that the foreign investor’s fulfillment of the VAT Qualification Requirements is ultimately subject to MIIT examination of the substance and merits. Given that our VAT business is integrated into, and forms part of, the business that falls under the “foreign-prohibited” business category, we and our PRC Legal Adviser are of the view that it is not viable for our Company to hold any equity interest in those Consolidated Affiliated Entities that currently, or will in the future, engage in VAT business operations, other than through our Contractual Arrangements.

Furthermore, given that the “foreign-restricted” business (being the VAT business) is operated by, and is completely integrated into and cannot be divorced from, the above-mentioned three “foreign-prohibited” businesses, a regulatory confirmation with respect to our satisfying the VAT Qualification Requirements would not have any affect on our Company’s ability to hold any equity interest in Onshore Holdco since we would, irrespective of meeting the VAT Qualification Requirements, still be prohibited from holding any equity interest in Onshore Holdco (or another entity operating our VAT business) under current PRC laws as Onshore Holdco (or such other entity) would also be operating “foreign-prohibited” businesses. As at the date of this document, the Company has not received any enquiries or notices from the relevant authorities with regards to the Contractual Arrangements and VIE structure, or their compliance with applicable PRC Laws.

The remaining Consolidated Affiliated Entities, namely Beijing Calorie Sports Co., Ltd., Shanghai Calorie Sports Co., Ltd, Calorie Sports Management (Beijing) Co., Ltd., and Shenzhen Calorie Technology Co., Ltd., do not have any business operations and are not expected to commence any operations before Listing. These entities provide our Group with greater flexibility to operate or invest in future foreign-prohibited and/or foreign-restricted businesses should an appropriate opportunity arise and enable our Group to better organize and structure our corporate and business activities, including facilitating in acquisitions or disposals in the PRC. To the maximum extent permissible under PRC laws, we will not operate or control any business that is not foreign-prohibited or foreign-restricted through these entities and, in respect of any business operations conducted through

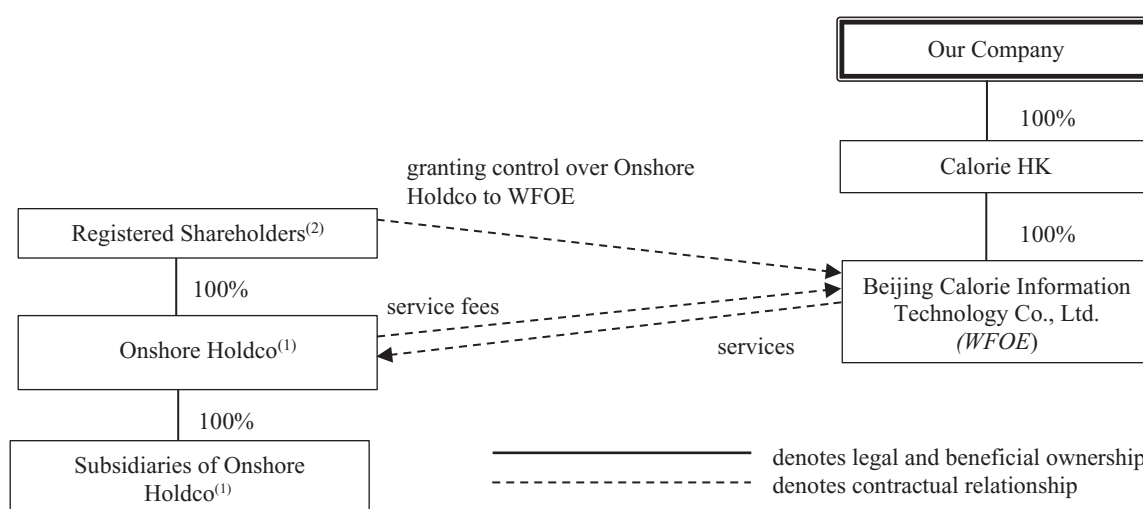
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these entities in the future, we will hold the maximum percentage of equity interest permissible under PRC laws by our subsidiaries outside of the VIE structure such that our VIE structure, as a whole, remains narrowly tailored.

Based on the above reasons, we and our PRC Legal Adviser are of the view that the Contractual Arrangements and VIE structure are narrowly tailored. We will unwind and terminate the Contractual Arrangements wholly or partly once our businesses are no longer prohibited or restricted from foreign investment and to the extent permissible under PRC Laws.

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The following simplified diagram illustrates our VIE structure under the Contractual Arrangements:



*Notes:*

- (1) These constitute our Consolidated Affiliated Entities.
- (2) The Registered Shareholders are four individuals. Mr. Wang Ning, Mr. Peng Wei, Mr. Wen Chunpeng and Mr. Liu Dong, who each holds 85.4%, 8.1%, 4.8% and 1.7% equity interest in Onshore Holdco, respectively. Mr. Wang is our founder and serves as the chairman of our Board and executive officer of our company. Mr. Peng and Mr. Liu are our co-founders, Directors and part of senior management of our Company. Mr. Wen is our co-founder, an employee and a director of certain subsidiaries that operate our *Keeland* business.

### Arrangements that allow us to receive economic benefits from our Consolidated Affiliated Entities

#### *Consulting and Services Agreement*

Under the amended and restated exclusive consulting and services framework agreement dated December 27, 2021 entered into by WFOE and Onshore Holdco (the “**Consulting and Services Agreement**”), WFOE will provide (a) support services to Onshore Holdco based on the needs of its three main businesses; and (b) administrative support services (e.g., finance, legal and human resources services) to Onshore Holdco, based on the needs of its daily operations. The three main businesses are membership subscriptions, advertising business and e-commerce business. In consideration, Onshore Holdco will pay WFOE service fees based on the cost of services with a markup determined by the parties. Additionally, all intellectual property rights (including copyrights, patents, technical know-how and trade secrets) arising from the performance of this agreement would exclusively belong to and be the right of WFOE, and WFOE shall be held harmless by Onshore Holdco. This agreement is for an

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initial term of three years, and automatically renewed by two-year periods thereafter, unless otherwise expressly provided by law (in which case the WFOE may, at its sole discretion, determine whether to renew this agreement). Onshore Holdco may not terminate this agreement except as expressly required by law.

### *Business Cooperation Agreement*

Under the amended and restated exclusive business cooperation agreement dated December 27, 2021 entered into by WFOE, Onshore Holdco and the Registered Shareholders (the “**Business Cooperation Agreement**”), among other things, (a) the Registered Shareholders undertook that the Onshore Holdco will not to engage in transactions that could materially affect the assets, business, personnel, rights, obligations or operations of Onshore Holdco without the written consent of WFOE or its designated party; and (b) Onshore Holdco and the Registered Shareholders agree to appoint WFOE’s candidate as Onshore Holdco’s director or remove or replace any director or senior manager, and accept WFOE’s recommendation on employment, daily management of operations, and financial management matters in respect of Onshore Holdco. This agreement is for an initial term of fifteen years, and may be extended upon WFOE’s request. Additionally, WFOE may terminate this agreement at any time; but neither Onshore Holdco nor the Registered Shareholders has a right to terminate this agreement. Additionally, all rights and obligations under this agreement will be binding on the parties’ successors and assignees, and in particular, WFOE’s successors (including administrators and liquidators) may inherit WFOE’s rights and obligations under this agreement.

### **Arrangements that provide us with effective control over our Consolidated Affiliated Entities**

#### *Option Agreement*

Under the amended and restated exclusive transfer option agreement dated December 27, 2021 entered into by WFOE, Onshore Holdco and the Registered Shareholders (the “**Option Agreement**”), each Registered Shareholder granted to WFOE or its designated person an irrevocable and exclusive option to acquire, at any time, all their equity interests in Onshore Holdco at the minimum price permissible under PRC Laws. The option period is from the agreement date until all Registered Shareholders have transferred all their equity interests in Onshore Holdco to WFOE or its designated person.

To better manage our Group’s loss exposure, if any:

- (a) the Registered Shareholders undertook to WFOE that, unless with prior consent of WFOE or its designated person, the following matters, among others, would not take place: (i) supplement, modify or amend constitutional documents of Onshore Holdco that would materially adversely affect Onshore Holdco’s assets, operations, liabilities, equity interests, other legitimate rights or performance of this agreement, or procure Onshore Holdco to enter into transactions that will materially adversely affect the assets, operations, equity interests and other legitimate rights of Onshore Holdco; (ii) changing the board or senior management composition of Onshore Holdco; (iii) approving any dividend or bonus distributions; (iv) disposing of or otherwise encumbering Onshore Holdco’s equity interest; (v) taking any act relating to restructuring (e.g., mergers and acquisitions, investing in third-parties, liquidating or dissolving Onshore Holdco);
- (b) the Registered Shareholders additionally undertook to, among others: (i) immediately notify WFOE of any litigation, arbitration or administrative procedure occurring or likely



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- occurring that is related to or may materially adversely affect the equity interests of Onshore Holdco; (ii) comply with this agreement and any other agreement with WFOE and perform their obligations thereunder; (iii) cooperate and take necessary actions to assist in the performance of the Option Agreement (e.g., amending Onshore Holdco’s constitutional documents and make relevant registrations to reflect any transfer under this agreement); (iv) ensure that any proceeds distributed by Onshore Holdco received by Registered Shareholders (e.g., as profit or dividend distribution or proceeds from liquidation) will be gifted in the manner designated by WFOE as permissible under PRC Laws; and
- (c) Onshore Holdco undertook to WFOE that, unless with prior consent of WFOE or its designated person, the following matters, among others, would not take place: (i) taking actions that would materially adversely affect its assets, operations, liabilities, equity interest and other legitimate rights (e.g., incurring any debts or entering into any material contracts) (other than those arising out of the ordinary course of business); (ii) distributing dividends or bonuses to its shareholders; (iii) disposing of or otherwise encumbering its assets, business or income (other than those arising out of the ordinary course of business); and (iv) amending its constitutional documents, entering into any merger, or acquiring or investing in third-parties.

### *Share Pledge Agreements*

On December 27, 2021, each Registered Shareholder entered into an amended and restated share pledge agreement with WFOE and Onshore Holdco (“**Share Pledge Agreements**”). Under these agreements, each Registered Shareholder pledged all their equity interest in Onshore Holdco, held from time to time, to WFOE to guarantee performance under the Contractual Arrangements by the shareholder and Onshore Holdco. The pledge period is from the agreement date until all contractual obligations are fulfilled or guaranteed debts fully paid off.

To preserve the pledged interests, each Registered Shareholder undertook that, among others: (i) the pledged interests will not be transferred or encumbered without WFOE’s prior written consent; and (ii) any rights over the pledged interests enjoyed by WFOE shall not be prejudiced by the Registered Shareholder or their successor or any other person at any time and in any manner, and the Registered Shareholder shall take all necessary and required measures and execute all necessary and required documents to assist WFOE in realizing its rights over the pledged interests.

### *Powers of Attorney*

On December 27, 2021, each Registered Shareholder granted an amended and restated power of attorney (the “**Powers of Attorney**”), under which the Registered Shareholder irrevocably appointed WFOE or its designated person to act as the Registered Shareholder’s attorney-in-fact (“**attorney-in-fact**”) with respect to all rights attached to equity interests in Onshore Holdco held by the Registered Shareholder from time to time. These rights include, among others: (i) proposing to convene and attend a shareholders’ meeting or signing any relevant shareholders’ resolutions; (ii) exercising all rights attached to the equity interests at law and under Onshore Holdco’s constitutional documents (including voting rights and transferring or pledging relevant equity interests in Onshore Holdco); and (iii) nominating and appointing Onshore Holdco’s legal representative, chairpersons, directors and senior management. To avoid conflicts of interest, the attorney-in-fact shall



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not be Onshore Holdco’s shareholder or persons who are not independent or may have conflicts of interest. Other than this, the attorney-in-fact may be a director of our Group (who does not have a material conflict of interest) and an administrator or liquidator of WFOE. Each Power of Attorney remains in effect until the Registered Shareholder ceases to be a shareholder of Onshore Holdco.

### *Spousal consents*

Each spouse of the Registered Shareholders has, where applicable, undertaken: (i) not to take any action with the intent to interfere with the arrangements under the Contractual Arrangements, including making any claim that such equity interest constitutes the property or community property; (ii) to unconditionally and irrevocably waive any and all rights or entitlements whatsoever to such equity interest that may be granted to the spouse according to any applicable laws; and (iii) to the extent the spouse acquires any equity interest in Onshore Holdco, to enter into a set of contractual arrangements with the same or comparable terms as the Contractual Arrangements.

### **Further information about our Contractual Arrangements**

#### *Onshore Holdcos’s subsidiaries*

The Contractual Arrangements are entered into among WFOE, Onshore Holdco and its Registered Shareholders. Nevertheless, there are sufficient protective measures in place with respect to our Company’s interests over Onshore Holdco’s subsidiaries, including: (a) the subsidiaries are wholly-owned and controlled by Onshore Holdco, over which we have extensive control including over the composition of Onshore Holdco’s board of directors and senior management (under the Option Agreement); and (b) both Onshore Holdco and its Registered Shareholders have undertaken to WFOE under the Option Agreement that, without the prior consent of WFOE, no actions would be taken that would materially adversely affect the assets, operations, liabilities, equity interest and other legitimate rights of Onshore Holdco, the scope of which covers Onshore Holdco’s subsidiaries given that their operations, business and financials are consolidated into those of Onshore Holdco.

### *Dispute resolution*

Disputes arising from the Contractual Arrangement agreements shall be resolved through good faith negotiations. If a dispute is not resolved within 30 days after one party issues a notice to negotiate, either party to the agreement may submit the dispute to the China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration in Beijing in accordance with the then-effective arbitration rules of CIETAC. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that to the extent permitted by PRC Laws, the arbitral tribunal may award remedies over the shares or assets of our Onshore Holdco or injunctive relief (e.g., limiting the conduct of business, limiting or restricting transfer or sale of assets) or order the winding up of Onshore Holdco. Any party may apply to a court with competent jurisdiction to: (i) grant interim measures while the arbitration tribunal is being established (including specific performance and relief over Onshore Holdco’s assets); and (ii) enforce an arbitral award after it becomes effective. “Competent jurisdiction” includes Cayman Islands, Hong Kong, the PRC and any other jurisdiction in which Onshore Holdco’s main assets are located. During arbitration, except for the disputed areas that are subject to arbitration, the parties shall continue to perform their other obligations under the Contractual Arrangements.

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However, our PRC Legal Adviser advises that: (i) the tribunal would not normally grant injunctive relief or order the winding up of Onshore Holdco under current PRC Laws; and (ii) interim remedies or enforcement orders granted by overseas courts, such as those of Hong Kong or Cayman Islands, may not be recognizable or enforceable under the current PRC Laws. As such, if a breach occurs under the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, which may materially and adversely affect, among others, our ability to control the Consolidated Affiliated Entities and their businesses and continue to consolidate their financials into our Group. See “Risk Factors—Risks Related to Our Corporate Structure”.

### *Conflict of Interests*

See “Share Pledge Agreements” and “Powers of Attorney” in “—Arrangements that provide us with effective control over our Consolidated Affiliated Entities” above.

### *Loss Sharing*

Under current PRC Laws, neither our Company nor WFOE is legally required to share losses of, or provide financial support to, Onshore Holdco. Further, Onshore Holdco is a limited liability company that is solely liable for its own debts and losses in relation to its assets and liabilities.

Notwithstanding this, WFOE intends to provide continuous support and assistance to Onshore Holdco and its subsidiaries, as necessary, and their financial performance will be consolidated into our Company’s accounts. As such, our operational and financial performance would be materially and adversely affected if Onshore Holdco suffers loss. To minimize the risk of loss, we have undertaken a number of measures under the Contractual Arrangements. In particular, see “Option agreement” and “Share pledge agreements” in the sub-section “—Arrangements that provide us with effective control over our Consolidated Affiliated Entities” above for more information.

### *Succession*

WFOE’s rights over Onshore Holdco may be survived by a liquidator in the event of winding-up, including through: (i) the administrator or liquidator being appointed the attorney-in-fact under the Powers of Attorneys and gaining control over Onshore Holdco as if they were the shareholders; and (ii) through the dispute resolution mechanism of the Contractual Arrangements, which provides the arbitral tribunal with power to, among other things, award remedies over the shares or assets of Onshore Holdco and grant injunctive relief.

In the event that Onshore Holdco is wound-up, WFOE’s interests in Onshore Holdco are protected, including through: (i) the Registered Shareholders undertaking in the Option Agreement that, among other things, proceeds received by them from liquidation would be gifted to WFOE’s designated person; (ii) the Registered Shareholders undertaking in the Share Pledge Agreements that, among other things, WFOE’s rights over the pledged shares would not be prejudiced by the Registered Shareholders or their successors; and (iii) each spouse of the Registered Shareholders undertaking, among other things, in the event of acquiring any equity interest in Onshore Holdco, to enter into a set of contractual arrangements with the same or comparable terms as the Contractual Arrangements to preserve WFOE’s rights as against such spouse.

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### *Insurance*

We do not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

### **Our confirmation**

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

### **LEGALITY OF THE CONTRACTUAL ARRANGEMENTS**

We believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC Laws.

In addition, our PRC Legal Adviser is of the opinion that:

- (a) parties to each of the agreements have obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements, and each of the agreements is binding on the parties thereto;
- (b) none of the Contractual Arrangements violates any provisions of the articles of association of WFOE or Onshore Holdco;
- (c) the Contractual Arrangements would not fall within the circumstances stipulated in the PRC Civil Code including in particular “impairing others’ legitimate rights and interests with malicious collusion”, which will lead the arrangements to be deemed an invalid act under the PRC Civil Code;
- (d) the execution and performance of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that:
  - (i) the exercise of the option by WFOE or its designee of its rights under the Contractual Arrangements to acquire all or part of the equity interests in and/or assets of Onshore Holdco is subject to the approvals of, consent of, filing with and/or registrations with the PRC governmental authorities;
  - (ii) any share pledge contemplated under the Share Pledge Agreements are subject to the registration and/or filing with competent administration bureau for market regulation; and
  - (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements and/or any ruling/judgment granted by overseas courts shall be recognized by the PRC courts before compulsory enforcement; and
- (e) the Contractual Arrangement is enforceable under the PRC Laws, except in relation to the provisions regarding the dispute resolution and the liquidation mechanisms under these agreements. These agreements provide that any dispute shall be submitted to the CIETAC for arbitration, in accordance with the then-effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of Onshore Holdco or injunctive relief (e.g., for the conduct of

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business or to compel the transfer of assets) or order the winding-up of Onshore Holdco; and the courts of Hong Kong, the Cayman Islands and the PRC also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies. However, our PRC Legal Adviser has advised that the tribunal normally would not grant such injunctive relief or order the winding-up of Onshore Holdco pursuant to current PRC Laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC Laws.

Our PRC Legal Adviser also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC Laws and regulations and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion.

See “Risk Factors—Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations”.

Nevertheless, based on the above analysis and advice from our PRC Legal Adviser, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the current applicable PRC Laws.

### DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

#### Background of the Foreign Investment Law

On March 15, 2019, the NPC approved the Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Rules of the Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Rules of the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

As advised by our PRC Legal Adviser, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law and the Regulations on the Implementation of the Foreign Investment Law, and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see “Contractual Arrangements—Legality of the Contractual Arrangements”.

#### Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of Onshore Holdco, by WFOE, through which we operate our business in the PRC. The Foreign Investment Law

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## CONTRACTUAL ARRANGEMENTS

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stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of Onshore Holdco will not be materially and adversely affected in the future due to changes in PRC Laws and regulations.

See “Risk Factors—Risks Related to Our Corporate Structure—Our current corporate structure and business operations may be substantially affected by the newly enacted Foreign Investment Law”.

### COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and Onshore Holdco to deal with specific issues or matters arising from the Contractual Arrangements.

### ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the Consulting and Services Agreement and the Business Cooperation Agreement, it was agreed that, in consideration of the services provided by WFOE, Onshore Holdco shall pay service fees to WFOE. The service fee shall equal the cost of the services provided and a mark-up determined by the parties. Additionally, WFOE has a right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities.

In addition, under the Option Agreement and Share Pledge Agreements, WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders given that WFOE’s prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay such income, profit distribution or dividend to WFOE or its designated person to the extent permissible under PRC Laws.

## **CONTRACTUAL ARRANGEMENTS**

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As a result of the Contractual Arrangements among WFOE, Onshore Holdco and the Registered Shareholders, WFOE is able to effectively control, recognize and receive the economic benefit of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled entities of our Company and consolidated by our Company. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 2.2.1 to the Accountant’s Report set out in Appendix I to this document.



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## REGULATIONS

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Substantially all of our business is located in PRC. The following is a summary of the principal PRC laws, rules and regulations relevant to our business and operations in the PRC or the rights of our shareholders to receive dividends and other distributions from us.

### REGULATIONS RELATED TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

The *Telecommunications Regulations of the People’s Republic of China* (《中華人民共和國電信條例》) (the “**Telecom Regulations**”), promulgated by State Council of the PRC on September 25, 2000 and amended on July 29, 2014 and February 6, 2016, is the primary PRC law governing telecommunications services, and set out the regulatory framework for the telecommunication service providers in the PRC. The Telecom Regulations categorizes telecommunications services as either basic telecommunications services, which we generally do not provide, or value-added telecommunications services. Providers of value-added telecommunications services are required to obtain a license for providing value-added telecommunications services. According to the *Catalog of Telecommunications Business* (《電信業務分類目錄》) (the “**Catalog**”), attached to the Telecom Regulations and amended in February 2003, December 2015, and June 2019, information services provided via public communication network or the Internet are value-added telecommunications services. We engage in business activities that are value-added telecommunications services as defined and described by the Telecom Regulations and the Catalog.

The *Administrative Measures for Internet Information Services* (《互聯網信息服務管理辦法》) (the “**Measures for Internet**”), was promulgated by State Council of the PRC on September 25, 2000 and later amended with immediate effect on January 8, 2011. Pursuant to the Measures for Internet, the Internet information services providers, also referred to as Internet content providers, or ICPs, that provide commercial services are required to obtain an operating permit (the “**ICP License**”) from the MIIT or its provincial counterpart before engaging in any commercial Internet information service operations in the PRC. On March 1, 2009, the MIIT issued the *Administrative Measures for Telecommunications Businesses Operating Permits* (《電信業務經營許可管理辦法》) (the “**Telecom License Measures**”), which initially became effective on April 10, 2009, and was amended on July 3, 2017 and came into effect on September 1, 2017, to supplement the Telecom Regulations. The Telecom License Measures set forth more specific provisions regarding the types of licenses required to provide value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Beijing Calorie Technology Co., Ltd. has obtained the ICP license which authorizes the provision of internet information services.

### REGULATION RELATED TO FOREIGN INVESTMENT RESTRICTIONS IN VALUE-ADDED TELECOMMUNICATIONS SERVICES

Foreign direct investment in telecommunications companies in the PRC is regulated by the *Regulations for Administration of Foreign-invested Telecommunications Enterprises* (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which became effective on February 6, 2016. The FITE Regulations requires foreign-invested telecommunications enterprises in the PRC, or the FITE, to be established as Sino-foreign joint ventures, and foreign investors shall not acquire more than 50% of the equity interest of such an enterprise. In addition, the foreign investor of the FITE engaging in value-added telecommunications services must satisfy a number of stringent performance and operational experience requirements, including demonstrating a track record and

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experience in operating a value-added telecommunications business overseas. The FITEs that meet these requirements must obtain approvals from the MIIT and the MOFCOM or their authorized local branches, before launching the value-added telecommunications business in the PRC.

The State Council promulgated the *Decision of the State Council on Revising and Repealing Certain Administrative Regulations* (《國務院關於修改和廢止部分行政法規的決定》) on March 29, 2022, according to which the FITE Regulations was amended and has come into effect on May 1, 2022 (the “**New FITE Regulations**”). The New FITE Regulations only requires foreign investors shall not acquire more than 50% of the equity interest of such FITE, except as otherwise provided, and do not further require stringent performance and operational experience for foreign investor of such FITE engaging in value-added telecommunication services. The FITEs that meet these requirements must obtain approvals from the MIIT or its authorized local branches, before launching the value-added telecommunications business in the PRC.

The Negative List, was promulgated by the NDRC and the MOFCOM jointly on December 27, 2021 and came into effect on January 1, 2022. According to the Negative List, the proportion of foreign investments in an entity engaging in value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%.

The Negative List further provides that the PRC domestic enterprise engaged in foreign investment prohibited business and intend to offer and list securities in overseas markets shall obtain approval from relevant government authorities, and any overseas investor in the enterprise shall not participate in the operation and management of the enterprise, and the equity ratio of overseas investor in the enterprise shall be governed mutatis mutandis by the relevant regulations of the domestic securities investments made by overseas investors, or the Requirement. At a press conference held on January 18, 2022, the NDRC clarified that the foregoing Requirement would only apply to PRC domestic enterprise’s direct overseas offerings. Therefore, the PRC Legal Adviser is of the view that due to the Group’s holding structure and Contractual Arrangements, the Listing constitutes PRC domestic company’s indirect overseas [REDACTED] and thus would not be prohibited from future fund raisings based on such Requirement, and the Listing would not be subject to the Requirement.

On July 13, 2006, the predecessor to the MIIT issued the *Notice of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services* (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Notice**”), which reiterates certain provisions of the FITE Regulations. Under the MIIT Notice, a domestic company that holds an ICP License is considered to be a type of value-added telecommunications business in China, and is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to conduct value-added telecommunications businesses illegally in China. Trademarks and domain names that are used in the provision of Internet content services must be owned by the ICP License holder or its shareholders. The MIIT Notice requires each ICP License holder to have appropriate facilities for its approved business operations and to maintain such facilities in the regions covered by its license. To comply with the above foreign investment restrictions, we operate our value-added telecommunications services in China through Beijing Calorie Technology Co., Ltd., our variable interest entity. However, due to lack of interpretative materials from the relevant PRC government authorities, there remain uncertainties with respect to whether PRC government authorities would consider our corporate structure and contractual arrangements to constitute foreign ownership of a value-added telecommunications business. See

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“Risk Factors—Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations”.

### REGULATIONS RELATED TO ONLINE CULTURAL ACTIVITIES

The *Interim Administrative Provisions on Internet Culture* (《互聯網文化管理暫行規定》) (the “**Internet Culture Provisions**”), promulgated by the Ministry of Culture (which is currently known as Ministry of Culture and Tourism), on May 10, 2003 and last amended with immediate effect on December 15, 2017, provides that Internet culture activities are classified into non-commercial Internet cultural activities and commercial Internet cultural activities. Under the Internet Culture Provisions, Internet culture activities include: (i) the production, reproduction, importation, distribution or streaming of Internet culture products (such as online program, online series, online performance, etc.); (ii) the dissemination of culture products via Internet; and (iii) the exhibitions, competitions and other similar activities concerning Internet culture products. To conduct commercial Internet culture activities, the Internet cultural business license is a prerequisite. If any entity engages in commercial Internet culture activities without approval, the cultural administration authorities or other relevant government may order such entity to cease operating Internet culture activities as well as impose other punishments including issuing administrative warning, levying fines up to RMB30,000 and listing such entity on the cultural market blacklist in the case of continued non-compliance. In addition, Internet cultural business (except for music) remains a prohibited area for foreign investment in the Negative List. Beijing Calorie Technology Co., Ltd. has obtained the Internet cultural business license.

### REGULATIONS RELATED TO PRODUCTION AND OPERATION OF RADIO AND TELEVISION PROGRAMS

On July 19, 2004, the State Administration of Radio, Film and Television, or the SARFT (currently known as National Radio and Television Administration), promulgated the *Regulations on the Administration of Production of Radio and Television Programs* (《廣播電視節目製作經營管理規定》), as last amended on October 29, 2020, which stipulates that any entities that engage in the production of radio and television programs are required to apply for a Radio and Television Production Operation License from the SARFT or its local level counterparts. Entities with the Radio and Television Production Operation License shall conduct their operations strictly within the approved scope of production and operation. Except for radio and television broadcasting institutions, the abovementioned permit holders shall not produce radio and television programs concerning current political news or special topics, columns and other programs of the same kind. Beijing Calorie Technology Co., Ltd. has obtained the Radio and Television Production Operation License for its business.

### REGULATIONS RELATED TO INTERNET AUDIO-VISUAL PROGRAM SERVICES

On April 13, 2005, the State Council promulgated *Decisions on the Entry of the Non-state-owned Capital into the Cultural Industry* (《國務院關於非公有資本進入文化產業的若干決定》), according to which non-state-owned capital and foreign investors are generally not allowed to conduct the business of transmitting audio-visual programs via information network.

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According to the *Administrative Regulations on Internet Audio-Visual Program Service* (《互聯網視聽節目服務管理規定》) (the “**Audio-Visual Regulations**”), promulgated by the SARFT and the Ministry of Information Industry, or the MII (which is currently known as MIIT), on December 20, 2007 and last amended on August 28, 2015, Internet audio-visual program service refers to activities of making, editing and integrating audio-visual programs, providing them to the general public via Internet, and providing audio-visual programs uploading and transmission services. An Internet audio-visual program service provider shall obtain an Audio-Visual Permit issued by the SARFT or complete certain registration procedures with the SARFT. On March 30, 2009, the SARFT promulgated the *Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs* (《關於加強互聯網視聽節目內容管理的通知》), which reiterates the pre-approval requirements for the Internet audio-visual programs, including those on mobile network (if applicable), and prohibits Internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other prohibited elements.

Pursuant to the Audio-Visual Regulations, providers of Internet audio-visual program services are generally required to be either state-owned or state-controlled. According to the *Official Answers to Press Questions Regarding the Internet Audio-Visual Program Regulations* (《就〈互聯網視聽節目服務管理規定〉答記者問》) published on the SARFT’s website on February 3, 2008, the SARFT and MII clarified that providers of Internet audio-visual program services who had legally engaged in such services prior to the adoption of the Audio-visual Regulations shall be eligible to re-register their businesses and continue their operations of Internet audio-visual program services so long as those providers have not been in violation of the laws and regulations. This exemption will not be granted to Internet audio-visual program service providers established after the adoption of the Audio-Visual Regulations. These policies have later been reflected in the *Notice on Relevant Issues Concerning Application and Approval of Audio-Visual Permit* (《關於做好〈信息網絡傳播視聽節目許可證〉申報審核工作有關問題的通知》), issued by SARFT on April 8, 2008 and amended on August 28, 2015.

According to the *Administrative Provisions on Online Audio-Visual Information Services* (《網絡音視頻信息服務管理規定》), promulgated jointly by the CAC, the MCT and the NRTA on November 18, 2019 and effective on January 1, 2020, online audio-visual information service providers shall authenticate user’s real identity information based on organization code, identity card number, mobile phone number, etc. Online audio-visual information service providers shall not serve users who fail to provide their real identity information. Online audio-visual information service providers shall strengthen the management of the audio-visual information posted by users, deploy and apply identification technologies for illegal and non-real audio and video; if any user is found to produce, post or disseminate content prohibited by laws or regulations, the transmission of such information shall be ceased, and disposal measures such as deletion shall be taken to prevent the information from spreading, and such service providers shall save relevant records, and report to the CAC, the MCT, the NRTA, etc. As of the date of this document, we have not obtained an Audio-Visual Permit. Uncertainties exist as to whether we will be required by relevant PRC government authorities to obtain the Audio-Visual Permit. For detailed analysis, see “Risk Factors—Risks Related to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC laws and regulation, and any lack of requisite approvals, licenses, permits or registrations applicable to our business may have a material adverse effect on our business, financial conditions and results of operations”.



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### REGULATIONS RELATED TO ONLINE LIVE STREAMING SERVICES

On November 4, 2016, the CAC issued the *Administrative Regulations on Online Live Streaming Services* (《互聯網直播服務管理規定》) (the “**Online Live Streaming Regulations**”), which came into effect on December 1, 2016. According to the Online Live Streaming Regulations, all online live streaming service providers shall take various measures during operation of live streaming services, including, but not limited to: (i) establish platforms for reviewing live streaming content, conducting classification and grading management according to the online live streaming content categories, user scale and others, add tags to graphics, video, audio or broadcast tag information for platforms; (ii) conduct verification on online live streaming users with valid identification information (e.g., authentic mobile phone numbers) and validate the registration of online live streaming publishers based on their identification documents (such as identity documents, business licenses and organization code certificates); (iii) examine and verify the authenticity of the identification information of online live streaming service publishers, classify and file such identification information records with the Internet information offices at the provincial level where they are located and provide such information to relevant law enforcement departments upon legal request; (iv) enter into a service agreement with the users of online live streaming services of which the essential clauses shall be under guidance of Internet information offices at the provincial level, to clarify the rights and obligations of the parties and require them to comply with the laws, regulations and platform conventions; and (v) establish a credit-rating system and a blacklist system, to provide management and services according to such credit rating, prohibit re-registration of accounts by online live streaming service users on the black list and promptly report such users to relevant Internet information offices.

On September 2, 2016, the State Administration of Press, Publication, Radio, Film and Television, or the SAPPRT (currently known as National Radio and Television Administration), issued the *Circular on Issues concerning Strengthening the Administration of Online Live Streaming of Audio-Visual Programs* (《關於加強網絡視聽節目直播服務管理有關問題的通知》) (the “**Online Live Streaming Circular**”). According to the Online Live Streaming Circular, appropriate Audio-Visual Permit is a prerequisite for online audio-visual live streaming of general cultural events of social communities, sports events, important political, military, economic, social, and cultural events. Relevant information about specific activities to be streamed shall be filled in advance to the provincial counterparts of the SAPPRT. Online audio-visual live streaming service providers shall censor and tape such programs and retain them for at least 60 days for future check by the administrative departments; and they shall have an emergency plan in place to replace programs in violation of laws and regulations. Bullet-screen comments shall be forbidden in the live streaming of important political, military, economic, social, sports and cultural events. Special censor shall be appointed for bullet-screen comments in the live streaming of general cultural events of social communities and sports events. Hosts, guests and targets hired or invited by online audio-visual live streaming programs shall meet the following requirements: (i) patriotic and law-abiding; (ii) good public reputation and social image, no scandals and misdeeds; and (iii) dress, hairstyle, language and actions are consistent with public order and good morals, and not drawing topics with vulgar content or content inappropriate to discuss in public.

According to Circular 78 issued by the NRTA on November 12, 2020, platforms providing online show live streaming or e-commerce live streaming services shall, among other things, (i) register their information and business operations by November 30, 2020 on the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息登記管理系統), (ii) ensure real-name registration for all live streaming hosts and virtual gifting users, (iii) prohibit users

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that are minors or without real-name registration from virtual gifting, and (iv) set a limit on the maximum amount of virtual gifting per time, per day, and per month. The overall ratio of front-line content analysts to live streaming rooms shall be 1:50 or higher on such platforms. The training for content analysts shall be strengthened and content analysts who have passed the training shall be registered in the system. A platform shall report the number of its live streaming rooms, streamers and content analysts to the provincial branch of the NRTA on a quarterly basis. If celebrities or persons of non-PRC nationality intend to open live streaming rooms on a platform, it shall also report to competent authorities in advance. Online show live streaming platforms shall tag content and streamers by category. A streamer cannot change the category of the programs offered in his or her live streaming room without prior approval from the platform.

Opinions on Further Regulating the Profit-Making Behavior of Online Live Streaming to Promote the Healthy Development of the Industry (《關於進一步規範網絡直播營利行為促進行業健康發展的意見》) issued on March 25, 2022 by SAMR, SAT and CAC, reiterates that live streaming platforms and live streaming service providers shall perform their personal income tax withholding obligations in accordance with laws and regulations and shall not transfer or evade their personal income tax withholding obligations, and shall not plan or help live streaming publishers with tax evasion. Such regulation also stipulates that online live-streaming platforms shall verify and register online live-streaming publishers based on their identification information and ensure the authenticity and credibility of the verified information.

In order to further strengthen the standardized management of the online live streaming industry, the CAC, the National Office of Anti-Pornography and Anti-Illegal, the MIIT, the Ministry of Public Security, or the MPS, the MCT, the SAMR and the NRTA jointly issued the *Circular on the Guiding Opinions on Strengthening Standardized Management of Online Live Streaming* (《關於加強網絡直播規範管理工作的指導意見》) (the “**Guiding Opinions on Online Live Streaming**”) on February 9, 2021, which further stipulates several requirements on the online live streaming, including but not limited to: (i) online live streaming platforms which provide online audio-visual program services must obtain the Audio-Visual Permit (or complete the registration on the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息登記管理系統)) and complete the ICP filing procedure, (ii) online live streaming platforms providing live streaming information services shall strictly abide by laws, regulations, and the relevant provisions; strictly perform their statutory duties and obligations, implement primary responsibilities of online live streaming platforms, and (iii) online hosts carrying out online live streaming activities shall not engage in activities prohibited by laws and regulations. As of the Latest Practicable Date, we have completed the registration on the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息登記管理系統). Based on the consultation on November 25, 2021 with Beijing Municipal Radio and Television Bureau, the local competent authority that is responsible for the supervision and management of online audio-visual program services in Beijing, enterprises that have registered in the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息登記管理系統) are subject to the same supervision and management as an Audio-Visual License holder, and an applicant of Audio-Visual License shall be a wholly state-owned or state-controlled entity according to the current laws and regulations. Based on the above, we and our PRC Legal Adviser are of the view that the Group may not be eligible for applying the Audio-Visual License and the likelihood for the Group being subject to severe penalties due to the lack of the Audio-Visual License is relatively low as of the Latest Practicable Date. In addition, with respect to virtual gifting, Guiding Opinions on Online Live Streaming provides that online live streaming platforms shall (i) guide and regulate users’ consumption and rational rewards in accordance with the laws and



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regulations; (ii) keep records of live streaming images, interactive messages, recharge and virtual gifting in accordance with the laws and regulations; (iii) not provide recharge and virtual gifting services to minors; (iv) establish exclusive customer service teams for minors to give priority to the acceptance and timely handling of relevant complaints and disputes involving minors. If a minor fraudulently uses adult account and gives virtual gifts, the refund shall be made in accordance with the provisions after verification; (v) establish rules for the administration of live streaming virtual gifting services, specifying that the virtual gifting services provided by platforms to users are information and entertainment consumer services. A reasonable maximum amount of virtual gifting shall be set for the amount of single virtual consumer goods or a single virtual gifting and consumption reminders shall be given to users whose cumulative amount of virtual gifting in a single day triggers the corresponding threshold, and a virtual gifting cooling-off period and delayed pay-in period shall be set if necessary.

Furthermore, on June 1, 2021, the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法(2020修訂)》) took effect, which provides that, among others, live streaming service providers are not allowed to provide minors under age of 16 with an online live streaming host account registration service, and must obtain the consent from parents or other guardians and verify the identity of the minors before allowing minors aged 16 or above to register live streaming host accounts. In addition, on March 14, 2022, the CAC once again released the Regulations on the Protection of Minors on the Internet (Draft for Comment) (《未成年人網絡保護條例(徵求意見稿)》), or the Protection of Minors on the Internet Regulations, which are open for public comments until April 13, 2022 and has not become effective as of the date of this document. The Protection of Minors on the Internet Regulations stipulates that (i) online product and service providers are prohibited from providing minors with products and services that would induce minors to indulge, (ii) online service providers for products and services such as online games, live broadcasting, audio-video, and online social networking shall take measures to establish special management systems of user duration, access authority and consumption for minors, (iii) online live streaming service providers shall not provide minors under the age of 16 with the account registration service of online live streaming publishers; when providing account registration service of online live streaming publishers for minors reaching the age of 16, the service providers shall verify the identity information of the minors and obtain the consent of their parents or other guardians, (iv) when processing the personal information of minors online, information processors shall follow the principles of legitimacy, rightfulness and necessity, and (v) online services providers shall take measures to reasonably restrict minors of the amount of consumption each time and the accumulative amount of consumption per day in respect of online products and services, and shall not provide minors with any paid service which are inconsistent with their civil capacity.

We have implemented the following measures to ensure ongoing compliance with the Protection of Minors of the PRC: (i) minor protection mode will pop up on our apps which notifies minors could use it; (ii) our app’s privacy policies include policies and provisions that specifically designed to protect the privacy of minor under 18 and children under 14, which is in compliance with the requirements of current laws and regulations regarding data and privacy protection of minors; (iii) our app enables users to turn on minor protection mode which restricts the contents to what are suitable for minors; and (iv) we currently only allow in-house instructors or, in rare cases, contracted fitness influencers to host live streaming classes, and has not provided other users including minors with access to the function to hold livestreaming classes; further, we prohibit minors under 18 from giving virtual gifts during online live streaming and has set up a customer hotline and email dedicated for minor issues including potential complaints or disputes regarding minors’ virtual gifting. As of the

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Latest Practicable Date, we had not experienced any material adverse impact on our business operations due to the above-mentioned laws of protection minors and had not been subject to any penalties in connection with protection of minors.

In addition, the aforementioned existing laws and regulations currently in force have provided specific and refined guidance on fitness influencer management and minor protection for online product and service providers. For example, the Law of the PRC on the Protection of Minors (2020 Revision), provides refined protection in minors’ personal information, parents’ consent, anti-addiction mode, limitation on minors’ registration and consumption (especially on virtual gifting) in live streaming; and the Guiding Opinions on Online Live Streaming and the Profit-Making Behavior of Online Live Streaming to Promote the Healthy Development of the Industry requires the Company and the fitness influencer to strictly comply with such regulations, especially in tax matters, and the Company to verify the authenticity and credibility of the fitness influencer’s registered information. The Company’s PRC Legal Adviser also confirms that the recent regulatory developments on fitness influencer and minor protection, which include the Guiding Opinions on Online Live Streaming, the Regulations for the Protection of Minors of the PRC on the Internet (Draft for Comments), if become effective in their current forms, do not raise additional material compliance requirement and will not have material adverse effect on the Group’s operations because all major requirements which may apply to the Group has already been stipulated in existing PRC laws and regulations.

Furthermore, the Regulations for the Protection of Minors of the PRC on the Internet (Draft for Comments) have no age limit for registration in and membership subscription, except: (i) Internet operators who collect, store, use, transfer and disclose personal information of children under the age of 14 shall establish special rules and user agreements for the protection of children’s personal information, inform the children’s guardians in a noticeable and clear manner and obtain the consent of the children’s guardians; (ii) online live streaming service providers shall not provide minors under the age of 16 with the account registration service of online live streaming publishers; when providing account registration service of online live streaming publishers for minors reaching the age of 16, the service providers shall verify the identity information of the minors and obtain the consent of their parents or other guardians; and (iii) users under the age of 18 shall be prohibited from virtual gifting. We have implemented policies and measures that are required under the aforementioned PRC laws and regulations.

### REGULATIONS RELATED TO INTERNET PUBLISHING

On February 4, 2016, the SAPPRFT and MIIT jointly issued the *Rules for the Administration for Internet Publishing Services* (《網絡出版服務管理規定》) (the “**Internet Publishing Rules**”), which took effect on March 10, 2016. The Internet Publishing Rules define “Internet publications” as digital works that are edited, produced, or processed to be published and provided to the public through the Internet, including (a) original digital works, such as pictures, maps, games, and comics; (b) digital works with content that is consistent with the type of content that, prior to the Internet age, typically was published in media such as books, newspapers, periodicals, audio-visual products, and electronic publications; (c) digital works in the form of online databases compiled by selecting, arranging, and compiling other types of digital works; and (d) other types of digital works identified by the SAPPRFT. Under the Internet Publishing Rules, Internet operators distributing such Internet publications via information network are required to apply for an Internet publishing license with the relevant governmental authorities and submit the application, if approved, to the SAPPRFT for approval before distributing Internet publications. We currently do not hold an Internet Publishing License. As of the date of this document, there are no explicit interpretations from PRC government

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authorities or prevailing enforcement practice deeming the provision of our course materials through our platform as “online publishing services” which requires an Internet Publishing License. In December 2021, as confirmed in a telephone interview with officer in the publicity department of the CPC Beijing Municipal Committee, being the competent person of the competent regulatory authority in relation to the Internet Publishing License’s issuance in Beijing, a company would not be required to obtain Internet Publishing License if no paper media publication is involved, and it would not be deemed to violate or be punished for violating laws and regulations related to online publishing if we engage in our existing business without obtaining the Internet Publishing License. Based on the above and due to the ambiguity of the definition of “online publishing service” under the relevant laws and regulations, we and our PRC Legal Adviser are of the view that the risk of us being compelled by law and regulations to obtain the Internet Publishing License is relatively low as of the Latest Practicable Date. Nevertheless, it remains unclear whether the local PRC government authorities would adopt a different practice. In addition, it remains uncertain whether the PRC government authorities would issue more explicit interpretation and rules or promulgate new laws and regulations. See “Risk Factors—Risks Related to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC laws and regulation, and any lack of requisite approvals, licenses, permits or registrations applicable to our business may have a material adverse effect on our business, financial conditions and results of operations”.

### REGULATIONS RELATED TO E-COMMERCE SERVICES

On January 26, 2014, the SAIC promulgated the *Administrative Measures for Online Trading* (《網絡交易管理辦法》), which became effective on March 15, 2014. The *Administrative Measures for Online Trading* strengthen the protection of consumers and impose more stringent requirements and obligations on online trading or service operators. For example, online business operators are required to issue invoices to consumers for online products and services. Consumers are generally entitled to return products purchased from online business operators within seven days upon receipt, without giving any reason. Online business operators are prohibited from collecting any information on consumers or disclosing, selling or providing any such information to any third party, or sending commercial electronic messages to consumers, without their consent. Fictitious transactions, deletion of adverse comments and technical attacks on competitors’ websites are prohibited as well. On March 15, 2021, the SAIC promulgated the *Measures for the Supervision and Administration of Online Trading* (《網絡交易監督管理辦法》) (the “**New Online Trading Measures**”), which took effect on May 1, 2021, to replace the *Administrative Measures for Online Trading*. The New Online Trading Measures further regulates and refines the e-commerce supervision system, including, but not limited to (i) clarifying the characteristics and responsibilities of e-commerce operators; (ii) refining the requirements of the collection and use of personal information, expressly stating that consumers cannot be forced directly or in any disguised manner to consent to the collection or use of personal information that is not directly related to the business activities by means of a general authorization, default authorization, bundling with other authorization, and discontinuing installation, etc., and clarifying the obligation of the e-commerce operators and their staff to keep the personal information collected confidential; (iii) strengthening the protection of consumer rights, for example, if e-commerce operators provide services with auto-renewable subscriptions, e-commerce operators shall remind the consumers in a conspicuous way five days before each automatic renewal and let the consumers make the decisions; and (iv) reinforcing the liabilities of e-commerce operators.

On August 31, 2018, the SCNPC promulgated the *E-Commerce Law* (《電子商務法》), which became effective on January 1, 2019. The E-Commerce Law proposes a series of requirements on

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e-commerce operators including individuals and entities carrying out business online, e-commerce platform operators and merchants within the platform. Pursuant to the E-Commerce Law, an e-commerce operator shall (i) fulfill its tax obligations in accordance with laws; (ii) ensure commodities sold or services offered by it shall meet certain requirements to safeguard personal safety and property security and the requirements on environmental protection, and not supply or offer any commodity or service prohibited by laws and administrative regulations; (iii) issue purchase vouchers or service documentation, such as paper or electronic invoices for selling commodities or providing services; (iv) disclose information about commodities or services in a comprehensive, faithful, accurate and timely manner, so as to safeguard consumers’ right to know and right of choice, and not engage in false or misleading publicity activities by means of fictitious deals, fabricated user comments or otherwise to cheat and mislead consumers; (v) provide consumers with irrelevant to their personal characteristics, and respect and equally safeguard the lawful rights and interests of consumers, while displaying search results of commodities or services to consumers according to their interests, preferences, consumption habits and other personal characteristics; (vi) warn consumers about the tie-in nature of the commodities and services in a prominent position and cannot set the tie-in commodities or services as the default option, if to offer tie-in commodities or services; (vii) deliver commodities or services according to its promises or the ways and time limits as agreed upon with consumers, and bear the likely risks and responsibilities when commodities are in transit, except when the consumers select a courier service provider separately; and (viii) comply with applicable laws and regulations on the protection of personal information if the e-commerce operator collects and uses consumers’ personal information.

In addition, China has adopted a licensing system for food supply operations under the *Food Safety Law* (《食品安全法》) and its implementation rules. Entities or individuals that intend to engage in food production, food distribution or food service businesses must obtain licenses or permits for such businesses. Pursuant to the *Administrative Measures on Food Operation Licensing* (《食品經營許可管理辦法》) issued by the State Food and Drug Administration, or the SFDA, on August 31, 2015 and last amended on November 17, 2017, an enterprise needs to obtain a Food Operation Permit from the local food and drug administration, and the permits already obtained by food business operators prior to the effective date of these new measures will remain valid for their originally approved validity period. Pursuant to the *Measures for Investigation and Handling of Illegal Acts Involving Online Food Safety* (《網絡食品安全違法行為查處辦法》) issued by the SFDA on July 13, 2016 and amended on April 2, 2021, a food producer or food business operator which carries out business via self-established website shall, within 30 working days after obtaining the approval from competent authorities, file with the local food and drug administrative authorities. We sell food and nutritional supplements through our mobile apps and websites and third-party e-commerce platforms. Our PRC subsidiaries or their branches engaging in food operation business have obtained Food Operation Permits and have filed with the local food and drug administrative authorities and thus our sale of fitness food is in compliance with applicable laws and regulations in all material aspects.

## REGULATIONS RELATED TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

In addition to the Telecom Regulations and other regulations above, mobile Internet applications, or the APPs, are specifically regulated by the *Provisions on the Administration of Mobile Internet Applications Information Services* (《移動互聯網應用程序信息服務管理規定》) (the “**APP Provisions**”), which was promulgated by the CAC on June 28, 2016 and amended on June 14, 2022, and the latest amendment of which took effect from August 1, 2022. According to the APP Provisions,



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relevant qualifications required by laws and regulations shall be acquired for providing app information services and the engagement in app distribution services such as Internet app stores. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local APP information respectively.

APP providers shall fulfill their responsibilities of information security management, and perform the following duties, including, but not limited to: (i) in accordance with the principles of “real name at background, any name at foreground”, verify identities with the registered users through mobile phone numbers, identity document numbers or unified social credit codes; (ii) establish and improve the mechanism for regulating personal information processing and user information security protection, following the principle of “legality, legitimate, necessity and good faith” in processing personal information, with clear and reasonable purposes; (iii) establish a sound information content review and management mechanism, and establish and improve management measures for user registration, account management, information review, routine inspections, and emergency response, with professionals and technical capabilities commensurate with their service scale; (iv) adhere to the principle of being most beneficial to minors, and strictly implement the requirements for the registration and login of minors’ user accounts with real identity information in accordance with the law; (v) not induce users to download apps by means of false advertisement, bundled downloads, or other acts, or via machine or manual comment control, or by using illegal and harmful information; (vi) perform the obligation of ensuring data security, establish a sound whole-process data security management system, take technical measures to ensure data security and other security measures, strengthen risk monitoring, and shall not endanger national security or public interests, or damage the legitimate rights and interests of others.

### REGULATIONS RELATED TO ONLINE ADVERTISING BUSINESS

On April 24, 2015, the SCNPC enacted the *Advertising Law of the People’s Republic of China* (《中華人民共和國廣告法》) (the “**New Advertising Law**”), which became effective on September 1, 2015 and last amended on April 29, 2021. The New Advertising Law requires that advertisers, advertising operators and advertisement publishers shall abide by the laws and administrative regulations, and by the principles of fairness and good faith while engaging in advertising activities.

On July 4, 2016, the SAIC issued the *Interim Measures for the Administration of Online Advertising* (《互聯網廣告管理暫行辦法》) (the “**Internet Advertising Measures**”), effective on September 1, 2016. According to the Internet Advertising Measures, Internet Advertising refers to commercial advertising for direct or indirect marketing goods or services in the form of text, image, audio, video, or other means through websites, web pages, Internet apps, or other Internet media, including promotion through emails, texts, images, video with embedded links and paid-for search results. The Internet information service providers must stop any person from using their information services to publish illegal advertisements if they are aware of, or should reasonably be aware of, such illegal advertisements even though the Internet information service providers merely provide information services and are not involved in the Internet advertisement businesses. The Internet Advertising Measures specifically set out the following requirements: (a) advertisements must be identifiable and marked with the word “advertisement” enabling consumers to distinguish them from non-advertisement information; (b) sponsored search results must be clearly distinguished from natural search results; (c) advertisements shall be published or distributed by means of the Internet without affecting the normal use of the network by users, and it is forbidden to send advertisements or advertisement links by email without the recipient’s permission or induce Internet users to click on an

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advertisement in a deceptive manner; and (d) Internet advertisement publishers are required to verify relevant supporting documents and check the content of the advertisement and are prohibited from publishing any advertisement with unverified content or without all the necessary qualifications. On February 25, 2023, the SAMR promulgated the Measures for the Administration of Online Advertising (《互聯網廣告管理辦法》) (the “**New Internet Advertising Measures**”) which will become effective on May 1, 2023. The New Internet Advertising Measures states that all Internet Advertising activities will be regulated and clearly states that livestreaming room operators and livestreaming marketers must abide by the responsibilities and obligations of Internet Advertising operators. The New Internet Advertising Measures also provides that Internet advertisement publishers should not publish advertisements on vehicles or intelligence household electronic appliances without the users’ permission or request. The New Internet Advertising Measures further strengthens the one-click-to-close requirement and prohibits advertisements for certain items on Internet media that targets minors, including, among others, advertisements related to online games that are harmful to the physical or mental health of minors.

We have established training programs for employees, including regular training and specific training for New Advertising Law and Internet Advertising Measures, for clarifying the requirements for publishing advertisements on internet and all the requirements for verifying relevant supporting documents and checking the content of the advertisements. In addition, we monitor inappropriate and illegal contents by implementing internal procedure to check and verify the authenticity and content of the information on advertisements and product pages.

### REGULATIONS RELATED TO INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

PRC government authorities have enacted laws and regulations with respect to Internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in China is regulated and restricted from a national security standpoint. The SCNPC enacted the *Decisions on Maintaining Internet Security* (《關於維護互聯網安全的決定》) on December 28, 2000, which was further amended on August 27, 2009 and may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The MPS has promulgated measures that prohibit use of the Internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content. If an Internet information service provider violates these measures, the MPS and its local branches may shut down its websites and suggest the relevant authority to revoke its operating license if necessary.

Under the *Several Provisions on Regulating the Market Order of Internet Information Services* (《規範互聯網信息服務市場秩序若干規定》), issued by the MIIT on December 29, 2011 and became effective on March 15, 2012, an Internet information service provider must collect users’ personal information by obtaining the consent of users, expressly inform the users of the method, content and purpose of the collection and processing of such user’s personal information and properly maintain the user’s personal information.

In addition, pursuant to the *Decision on Strengthening the Protection of Online Information* (《關於加強網絡信息保護的決定》) issued by the SCNPC on December 28, 2012 and the *Order for the*



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*Protection of Telecommunication and Internet User Personal Information* (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT on July 16, 2013, any collection and use of a user’s personal information must be subject to the consent of the user and be within the specified purposes, methods and scopes. An Internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. An Internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

On November 7, 2016, the SCNPC issued the *Cyber Security Law of the PRC* (《中華人民共和國網絡安全法》) (the “**Cybersecurity Law**”), which took effect as of June 1, 2017. Pursuant to the Cybersecurity Law, a network operator, which includes, among others, Internet information services providers, must take technical measures and other necessary measures in accordance with the provisions of applicable laws and regulations as well as the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of the networks, effectively respond to the network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. Any violation of the provisions and requirements under the Cybersecurity Law may subject the Internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, shutdown of websites or even criminal liabilities.

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the MIIT, the MPS, and the SAMR jointly issued the *Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps* (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages app operators to conduct security certifications, and encourages search engines and app stores to clearly mark and recommend those certified apps.

On August 22, 2019, the CAC issued the *Regulation on Cyber Protection of Children’s Personal Information* (《兒童個人信息網絡保護規定》) effective on October 1, 2019. Network operators are required to establish special policies and user agreements to protect children’s personal information, and to appoint special personnel in charge of protecting children’s personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a prominent and clear way, notify and obtain consent from children’s guardians.

On November 28, 2019, the CAC, MIIT, the MPS and the SAMR jointly issued the *Measures to Identify Illegal Collection and Usage of Personal Information by Apps* (《App違法違規收集使用個人信息行為認定方法》), which lists six types of illegal collection and usage of personal information, including, but not limited to “not publishing rules on the collection and usage of personal information”, “not providing privacy rules”, and “collecting and using users’ personal information without consent”.

On May 28, 2020, the NPC adopted the Civil Code of the PRC (《中華人民共和國民法典》), effective on January 1, 2021. According to the Civil Code, individuals have the right of privacy. No organization or individual shall process any individual’s private information or infringe an individual’s right of privacy, unless otherwise prescribed by law or with the consent of such individual or such individual’s guardian.

On March 12, 2021, the CAC, the MIIT, the MPS and the SAMR jointly issued the *Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications*

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(《常見類型移動互聯網應用程序必要個人信息範圍規定》) (the “**Necessary Personal Information Rules**”), which came into effect on May 1, 2021. According to the Necessary Personal Information Rules, mobile app operators shall not deny users’ access to its basic functions and services on the basis that such user disagrees with the provision of their personal information that is not necessary. The Necessary Personal Information Rules further provides relevant scopes of necessary personal information for different types of mobile apps.

On June 27, 2022, the CAC promulgated the Administrative Provisions on the Account Information of Internet Users (《互聯網用戶帳號信息管理規定》), which took effect on August 1, 2022. The obligations of internet-based information service providers include but not limited to: (i) authenticate the identity information of the users who apply for registration of relevant account and verify the account information submitted by users upon registration; (ii) display the location information of IP addresses of internet users’ accounts on the information page of internet users’ accounts; and (iii) equip themselves with professional and technical capabilities appropriate to the scale of services.

On June 10, 2021, the SCNPC promulgated the Data Security Law, which took effect on September 1, 2021. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. In addition, it clarifies that the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility, data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security.

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the July 6 Opinion, which emphasizes on the prevention of illegal securities activities and tightened supervision on overseas listings by China-based companies. The opinions aim to achieve this by establishing a regulatory system and revising the existing rules and regulations for overseas listings by Chinese entities and affiliates, including potential extraterritorial application of China’s securities laws. As the opinions are new, official guidance and implementation rules have not been issued and the final interpretation of and potential impact from these opinions remain unclear at this stage.

On July 30, 2021, the State Council promulgated the CII Regulations, effective on September 1, 2021. According to the CII Regulations, a “critical information infrastructure” has the meaning of an important network facility and information system in important industries such as, among others, public communications and information services, energy, transport, water conservation, finance, public services, e-government affairs and national defense science, as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people’s livelihood, or the public interests in the event of damage, loss of function, or data leakage.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law, effective on November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various

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rules on consent, transfer, and security. Entities processing personal information bear responsibilities for their activities of processing personal information, and shall adopt necessary measures to safeguard the security of the personal information that they process. Otherwise, the entities processing personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

On July 7, 2022, the CAC promulgated the Cross-Border Data Transfer Measures which came into effect on September 1, 2022. The Cross-Border Data Transfer Measures provides four circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of cross-border data transfer. These circumstances include: (i) where a data processor transfers important data overseas; (ii) where a critical information infrastructure operator, or a data processor processing the personal information of more than one million individuals, who, in either case, transfers personal information overseas; (iii) where a data processor who has, since January 1 of the previous year cumulatively transferred overseas the personal information of more than 100,000 individuals, or the sensitive personal information of more than 10,000 individuals; or (iv) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration. Although our PRC legal adviser in respect of PRC data compliance law and our Directors are not of the view that the security assessment for cross-border data transfer would be applicable to us to date, there might be newly issued explanations or implementation rules, uncertainties with respect to applications to the CAC under the Cross-Border Data Transfer Measures still exist, and we will continually monitor our compliance status in accordance with the latest changes in applicable regulatory requirements. Our PRC legal adviser in respect of PRC data compliance law is of the view that the Company is in compliance with the Cross-Border Data Transfer Measures in all material respects.

On November 14, 2021, the CAC published a discussion draft of the Draft Data Security Regulations, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of network platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The Draft Data Security Regulations also state that data processors processing important data or going public overseas (境外) shall conduct an annual data security assessment by themselves or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of CAC at the municipal level before January 31, of each year. In addition, the Draft Data Security Regulations also require network platform operators to establish platform rules, privacy policies and algorithm strategies related to data, and solicit public comments on their official websites and personal information protection related sections for no less than 30 working days when they formulate platform rules or privacy policies or makes any amendments that may have a significant impact on users’ rights and interests. Further, platform rules and privacy policies formulated by operators of large Internet platforms with more than 100 million daily active users, or amendments to such rules or policies by operators of large Internet platforms with more than 100 million daily active users that may have significant impacts on users’ rights and interests shall be evaluated by a third-party organization designated by the CAC and reported to local branch of the CAC at the provincial level for approval. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted.

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We have taken several measures to comply with the Draft Data Security Regulations although it has not been formally adopted, including: (i) implementing comprehensive data security policies, including Guideline of Data Security Management System, Information Security Management Policy, Information Security Vulnerability Management Policy and Data Security Training Management Policy, and measures to cover the management of all key aspects of data lifecycle management; (ii) providing prior notices to individual users regarding the collection, usage, storage of their personal information and displaying the privacy policy in a manner for the users could easily access to; and (iii) taking technical measures to protect the personal data we collect and monitoring the data security practices. We have not suffered from any material data leakage during the Track Record Period and up to the Latest Practicable Date. Subject to the further interpretation of Draft Data Security Regulations by the competent authorities, we may be required to make further adjustments to our business operations to comply with the effective version of Draft Data Security Regulations in the future. Based on the above, our PRC legal adviser in respect of PRC data compliance law is of the view that the Company would be able to comply with the Draft Data Security Regulations in all material respects assuming the Draft Data Security Regulations are implemented in their current forms.

On December 31, 2021, the CAC together with other regulatory authorities published Administrative Provisions on Algorithm Recommendation for Internet Information Services (《互聯網信息服務算法推薦管理規定》), effective on March 1, 2022 which provides, among others, that algorithm recommendation service providers shall establish and improve the management systems and technical measures for algorithm mechanism and principle review, scientific and technological ethics review, user registration, information release review, data security and personal information protection, anti-telecommunications and Internet fraud, security assessment and monitoring, and security incident emergency response, formulate and disclose the relevant rules for algorithm recommendation services, and be equipped with professional staff and technical support appropriate to the scale of the algorithm recommendation service.

On December 28, 2021, thirteen regulatory authorities jointly released the Cybersecurity Review Measures. The Cybersecurity Review Measures provides that: (i) network platform operators that are engaged in data processing activities which have or may have an implication on national security shall undergo a cybersecurity review; (ii) the CSRC is one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review mechanism; (iii) network platform operators that master personal information of more than one million users and seek to list abroad (國外上市) shall file for a cybersecurity review with the Cybersecurity Review Office; and (iv) the risks of core data, material data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or transmitted to overseas parties, and the risks of critical information infrastructure, core data, material data or large amounts of personal information being influenced, controlled or used maliciously shall be collectively taken into consideration during the cybersecurity review process. Pursuant to the Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China, the Hong Kong Special Administrative Region is an inalienable part and a local administrative region, of the People’s Republic of China. We intend to list on the Hong Kong Stock Exchange. Therefore, the requirement regarding “listing abroad” (國外上市) shall not be applicable to us. In addition, considering the type and nature of the personal information we gathered is of less national security significance, the risk of us being required to undertake cybersecurity review for the Listing under the Cybersecurity Review Measures is relatively low.

We have adopted a strict data privacy policy for protecting the confidential information of our users to abide by network security requirements under such laws and regulations and we have taken



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several measures to better protect our users’ privacy and interests. See “Risk Factors—Risks Related to Our Business and Industry—Our business generates, processes, collects and stores a large amount of data, and the unauthorized access, improper use or disclosure of such data could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential users from using our services”. Based on the above, our PRC legal adviser in respect of PRC data compliance law is of the view that we are in compliance with the existing PRC laws and regulations in respect of data compliance in all material aspects, and our Directors are of the view that the existing laws and regulations in respect of data compliance will not have material adverse impacts on our business operations.

### REGULATIONS RELATED TO INTELLECTUAL PROPERTY PROTECTION

#### Copyright

On September 7, 1990, the SCPNC promulgated the *Copyright Law of the PRC* (《中華人民共和國著作權法》) (the “**Copyright Law**”), which was amended in 2001, 2010, and 2020, respectively. The Copyright Law provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners of protected works enjoy personal and property rights with respect to publication, authorship, alteration, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination via information network, production, adaptation, translation, compilation and other rights that shall be enjoyed by the copyright owners. Reproducing, publishing, performing, projecting, broadcasting or plagiarizing without permission from the owner of the copyright, unless otherwise provided in the Copyright Law of the PRC, shall constitute infringements of copyrights.

In order to further implement the *Computer Software Protection Regulations* (《計算機軟件保護條例》), promulgated by the State Council on December 20, 2001 and amended on January 8, 2011 and January 30, 2013 respectively, the National Copyright Administration, or the NCA, issued *Computer Software Copyright Registration Procedures* (《計算機軟件著作權登記辦法》) on February 20, 2002, which specify detailed procedures and requirements with respect to the registration of software copyrights.

To address the problem of copyright infringement related to content posted or transmitted over the Internet, on April 29, 2005 the NCA and the MII jointly promulgated the *Measures for Administrative Protection of Copyright Related to Internet* (《互聯網著作權行政保護辦法》), which became effective on May 30, 2005. Upon receipt of an infringement notice from a legitimate copyright holder, an ICP operator must take remedial actions immediately by removing or disabling access to the infringing content. If an ICP operator knowingly transmits infringing content or fails to take remedial actions after receipt of a notice of infringement harming public interest, the ICP operator could be subject to administrative penalties, including an order to cease infringing activities, confiscation by the authorities of all income derived from the infringement activities, or payment of fines.

On May 18, 2006, the State Council promulgated the *Regulations on the Protection of the Right to Network Dissemination of Information* (《信息網絡傳播權保護條例》), which was amended in 2013. Under these regulations, an owner of the network dissemination rights with respect to written works or audio or video recordings who believes that information storage, search or link services provided by an

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Internet service provider infringe his or her rights may require that the Internet service provider delete, or disconnect the links to, such works or recordings.

As of December 31, 2022, we have registered 57 computer software copyright in the PRC.

### Trademark

On August 23, 1982, the SCNPC promulgated the *Trademark Law of the PRC* (《中華人民共和國商標法》) (the “**Trademark Law**”), which was last amended on April 23, 2019. On August 3, 2002, the State Council promulgated the *Implementation Regulation for the Trademark Law* (《中華人民共和國商標法實施條例》), which was amended on April 29, 2014. Under the Trademark Law and the implementation regulation, the Trademark Office of China National Intellectual Property Administration, or the Trademark Office, is responsible for the registration and administration of trademarks in China. Registered trademarks are valid for a term of 10 years from the date of the registration. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

As of December 31, 2022, we have 815 registered trademarks in the PRC.

### Patent Law

The SCNPC promulgated the *Patent Law of the PRC* (《中華人民共和國專利法》) on March 12, 1984, which was amended in 1992, 2000, 2008, and 2020, respectively. On June 15, 2001, the State Council promulgated the *Implementation Regulation for the Patent Law* (《中華人民共和國專利法實施細則》), which was amended on December 28, 2002 and January 9, 2010. According to these laws and regulations, the State Intellectual Property Office is responsible for administering patents in the PRC. The PRC patent system adopts a “first to file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who filed the application first. To be patentable, invention or utility models must meet three conditions: novelty, inventiveness and practical applicability. Furthermore, patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. A patent is valid for twenty years in the case of an invention and ten years in the case of utility models and designs, starting from the application date. Except under certain specific circumstances provided by law, any third-party user shall obtain prior consent or a proper license from the patent owner to use the patent, otherwise, such third party may result in an infringement of the rights of the patent holder.

As of December 31, 2022, we have been granted 346 patents in the PRC.



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## REGULATIONS

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### Domain Names

Domain names are protected under the *Administrative Measures on the Internet Domain Names* (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the China Internet Network Information Center, or the CNNIC, is responsible for the daily administration of “.cn” domain names and Chinese domain names. CNNIC adopts the “first to file” principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the *Notice on Regulating the Use of Domain Names in Providing Internet-based Information Services* (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which became effective on January 1, 2018. Pursuant to the notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity’s shareholders), or the entity’s principal or senior manager.

As of December 31, 2022, we have held 30 domain names relating to our business.

### REGULATIONS RELATED TO PRODUCT LIABILITY AND CONSUMER PROTECTION

The *Product Quality Law of the PRC* (《中華人民共和國產品質量法》) applies to all production and sale activities in China. Pursuant to this law, products offered for sale must satisfy relevant quality and safety standards. Enterprises may not produce or sell counterfeit products in any fashion, including forging brand labels or giving false information regarding a product’s manufacturer. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes physical injury to a person or damage to another person’s property, the victim may claim compensation from the manufacturer or from the seller of the product. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer. Similarly, if the manufacturer pays compensation and it is the seller that should bear the liability, the manufacturer has a right of recourse against the seller.

The MIIT sets forth various requirements for consumer protection in the *Notice on Issues Concerning Short Message Service* (《信息產業部關於規範短信息服務有關問題的通知》), issued on April 15, 2004, which addresses certain problems in the telecommunications sector, including ambiguity in billing practices for premium services, poor quality of connections and unsolicited SMS messages, all of which impinge upon the rights of consumers. On May 26, 2016, the MIIT issued the *Measures on the Complaint Settlement of the Telecommunication Services Users* (《電信用戶申訴處理辦法》), or the Complaint Settlement Measures, which took effect on July 30, 2016. The Complaint Settlement Measures require telecommunication services providers to respond to their users within fifteen days upon the receipt of any complaint delivered by such users, the failure of which will give the complaining users the right to file a complaint against the service providers with the provincial branch offices of the MIIT. We are aware of the increasingly strict legal environment covering product quality and consumer protection in the PRC, and we strive to adopt all measures necessary to ensure that our business complies with these evolving standards in all material aspects.

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## REGULATIONS

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### REGULATIONS RELATED TO FOREIGN EXCHANGE

#### Regulations Related to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in PRC are the *Administrative Regulations for Foreign Exchange of the PRC* (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Regulations**”), which was promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008. Under the Foreign Exchange Regulations, the RMB is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of the PRC, unless the prior approval of the SAFE is obtained and prior registration with the SAFE or its local branches is made.

The SAFE released the SAFE Circular 19, on March 30, 2015 and it became effective on June 1, 2015. In accordance with the SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the “discretionary foreign exchange settlement” approach. The proportion of discretionary foreign exchange settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%, while SAFE can adjust the aforementioned proportion in due time based on the situation of international balance of payments. On June 9, 2016, the SAFE published the SAFE Circular 16, and it took effect at the same time. According to the SAFE Circular 16, enterprises that have registered in the PRC may also discretionally determine to convert their foreign debts from foreign currency to RMB.

The SAFE issued the SAFE Circular 13, on February 13, 2015, and it took effect on June 1, 2015. The SAFE Circular 13 requires PRC residents or entities to register with qualified banks rather than SAFE or its local branches with relation to the direct investment in foreign exchange beyond China.

#### Regulations Related to Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, SAFE promulgated the SAFE Circular 37, which has become effective on the same date.

Under SAFE Circular 37, PRC residents, including PRC individuals and institutions, shall register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents’ legally owned onshore or offshore assets or interests, as a “special purpose vehicle” under SAFE Circular 37. SAFE Circular 37 further requires amendment to the registration in the event of any significant or material changes with respect to the special purpose vehicle. In the event that a PRC shareholder holding equity interests in a special purpose vehicle fails to comply with the required SAFE registration, the PRC subsidiaries of such special purpose vehicle may be prohibited from making profit distributions to its offshore parent company and prohibited from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries.

Under SAFE Circular 37, if a non-listed special purpose vehicle uses its own equity to grant equity incentives to any directors, supervisors, senior management or any other employees directly employed by a domestic enterprise which is directly or indirectly controlled by such special purpose vehicle, or with which such an employee has established an employment relationship, related PRC

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## REGULATIONS

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residents and individuals may, prior to exercising their rights, apply to the SAFE for foreign exchange registration formalities for such special purpose vehicle. However, in practice, different local SAFE offices may have different views and procedures on the interpretation and implementation of the SAFE Regulation, and since SAFE Circular 37 was the first regulation to regulate the foreign exchange registration of a non-listed special purpose vehicle’s equity incentives granted to PRC residents, there remains uncertainty with respect to its implementation. These aforementioned regulations shall apply to our direct and indirect shareholders who are PRC residents and may apply to any offshore acquisitions and share transfer that we make in the future if our shares are issued to PRC residents. See “Risk Factors—Risks Related to Doing Business in China—PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries’ ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law”.

### REGULATIONS RELATED TO STOCK INCENTIVE PLANS

Under the SAFE Circular 7, which was enacted by SAFE on February 15, 2012 and became effective on the same date, and other relevant rules, domestic employees, directors, supervisors, consultants and other senior management taking part in any equity incentive plan of an overseas publicly listed company, who is a PRC citizen or non-PRC citizen residing in China for a continuous period of no less than one year, shall complete the registration and other several procedures with SAFE and its local branch. The PRC residents joining in the equity incentive plan must retain one domestic qualified agent to handle the registration in SAFE, opening of bank account, capital transfer and other procedures relevant to the equity incentive plan. At the same time, an overseas institution shall be entrusted, as well, to perform the exercise, trade the corresponding shares or equities, capital transfer and other issues. The income of foreign exchange PRC residents by selling out the shares according to the equity incentive plan and the dividend distributed by the overseas-listed company shall be distributed to the PRC residents after being remitted to the bank account in China opened by the domestic institutions. In addition, SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before he or she would exercise the rights of employee stock ownership plan. Failure to complete the SAFE registrations may result in fines and legal sanctions on such domestic individuals and may also limit their capability to contribute additional capital into the wholly foreign-owned subsidiary in China and further limit such subsidiary’s capability to distribute dividends. See “Risk Factors—Risks Related to Doing Business in China—Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions”.

### REGULATIONS RELATED TO DIVIDEND DISTRIBUTION

The principal laws and regulations governing distribution of dividends of foreign holding companies include the *Company Law of the PRC* (《中華人民共和國公司法》), which was last amended on October 26, 2018, the *Foreign Investment Law* (《中華人民共和國外商投資法》), which was promulgated on March 15, 2019, and the *Implementation Rules of the Foreign Investment Law* (《中華人民共和國外商投資法實施條例》), which was promulgated on December 26, 2019.

Under these laws and regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, foreign investment enterprises in the PRC are required to

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allocate at least 10% of their respective accumulated profits (after tax) each year, if any, to certain reserve funds until the amount of reserves has reached 50% of the registered capital of the enterprises. The amount of reserves is not distributable as cash dividends. Any PRC companies shall not distribute any profits until any losses from prior fiscal years have been offset. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC subsidiary to fund any cash and financing requirements we may have. Limitation on the ability of our VIE to make remittance to our wholly-foreign owned enterprise and on the ability of our wholly-foreign owned enterprise to pay dividends to us could limit our ability to access cash generated by the operations of those entities. See “Risk Factors—Risks Related to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business”.

### REGULATIONS RELATED TO M&A

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM and the CSRC, jointly issued the M&A Rules, which became effective on September 8, 2006 and amended on June 22, 2009. The M&A Rules includes provisions that purport to require that an offshore special purpose vehicle formed for purposes of the overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The M&A Rules also establish procedures and requirements that could make some acquisitions of PRC companies by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise.

In February 2011, the General Office of the State Council promulgated a *Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》) (the “**Circular 6**”), which established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire “de facto control” of domestic enterprises with “national security” concerns. In August 2011, the MOFCOM promulgated the *Rules on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《商務部實施外國投資者併購境內企業安全審查制度的規定》), effective from September 1, 2011, which provide that the MOFCOM will look into the substance and actual impact of a transaction and prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

### REGULATIONS CONCERNING OVERSEAS SECURITIES OFFERING AND LISTING

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and five related guidelines, which will become effective on March 31, 2023. The Overseas Listing Trial Measures will comprehensively improve and reform

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the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities through a filing-based regulatory regime.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either through direct or indirect means, are required to go through the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas offering and listing is explicitly prohibited, if: (i) such securities offering and listing is explicitly prohibited by laws, regulations or relevant rules; (ii) the intended overseas securities offering and listing may endanger national security as determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

The Overseas Listing Trial Measures also provides that if the issuer meets both of the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Where an issuer submits an application for [REDACTED] to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that (1) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas securities offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may arrange the timing for submitting their filing applications with the CSRC in a reasonable manner, and must complete the filing before the completion of their overseas securities offering and listing; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as companies that passed the Stock Exchange hearing), but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements. At the press conference, officials from the relevant CSRC department clarified that, as for companies seeking overseas offering and listing with contractual arrangements (VIE structure), the CSRC will solicit opinions from relevant regulatory authorities and file for overseas listing of enterprises with VIE structure that meet the compliance requirements.



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On February 24, 2023, the CSRC, together with the Ministry of Finance, the National Administration of State Secrets Protection Bureau and the National Archives Administration issued the “Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies” (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which sets forth the requirements for the confidentiality and archives requirements of direct or indirect overseas listing of domestic enterprises, and will come into effect on March 31, 2023.

### REGULATIONS RELATED TO EMPLOYMENT, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

On June 29, 2007, the SCNPC promulgated the *Employment Contract Law of the PRC* (《中華人民共和國勞動合同法》), which became effective as of January 1, 2008, and was amended on December 28, 2012, which requires employers to provide written contracts to their employees, restricts the use of temporary workers and aims to give employees long-term job security.

An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with its employees or by fulfilling the statutory conditions.

The PRC government authorities have passed a variety of laws and regulations regarding social insurance and housing funds from time to time, including, among others, the *PRC Social Insurance Law* (《中華人民共和國社會保險法》) and the *Regulation on the Administration of Housing Provident Funds* (《住房公積金管理條例》). Pursuant to these laws and regulations, companies registered and operating in China are required under the Social Insurance Law and the Regulations on the Administration of Housing Funds to apply for social insurance registration and housing funds deposit registration within 30 days of their establishment and to pay for their employees different social insurance including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to the extent required by law. Failure to comply with such laws and Regulation may result in various fines and legal sanctions and supplemental contributions to the local social insurance and housing fund governmental authorities. We have caused all of our full-time employees to enter into written employment contracts with us and have provided and currently provide our employees with proper welfare and employee benefits as required by the PRC laws and regulations.

On May 28, 2020, the NPC adopted the Civil Code of the PRC (《中華人民共和國民法典》), effective on January 1, 2021. According to the Civil Code, a work contract is a contract under which a contractor, in accordance with the requirements of a client, completes a work and delivers the work product to the client who pays remuneration in return. The contractor shall complete the principal part of the work with his own equipment, technology, and labor force, unless otherwise agreed by the parties. A contractor may entrust the accessory part of his contracted work with a third person, and the contractor shall be accountable to the client concerning the work product completed by the third person.

On January 24, 2014, the Ministry of Human Resources and Social Security promulgated the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》) (the “**Interim Labour Dispatch**”),



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effective on March 1, 2014, specified the scope and proportion of the usage of labourer, execution and performance of labour dispatch agreements and legal liability. According to the Interim Labour Dispatch, an employer shall strictly control the number of dispatched laborers which shall not exceed 10% of the total number of its workers. Where an employer uses laborers in the form of labor dispatch under the name of hired work, outsourcing, etc., the provisions hereof shall apply.

### REGULATION RELATED TO TAXATION

#### PRC Enterprise Income Tax Law

The *Enterprise Income Tax Law* (《中華人民共和國企業所得稅法》) which was enacted by the NPC on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, and the *Implementing Rules of the Enterprise Income Tax Law* (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007 and amended on April 23, 2019 (collectively, the “PRC EIT Law”). The PRC EIT Law applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. Enterprises qualifying as “High and New Technology Enterprises” are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The preferential tax treatment continues as long as an enterprise can retain its “High and New Technology Enterprise” status.

Under the PRC EIT Law, an enterprise established outside China with a “de facto management body” within China is considered a “resident enterprise”, which means it can be treated as domestic enterprise for enterprise income tax purposes. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income of which has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of 10%. Dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign enterprise investors are subject to a 10% withholding tax, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement.

#### PRC Value-added Tax and Business Tax

Pursuant to the *Provisional Regulations on PRC Value-Added Tax* (《中華人民共和國增值稅暫行條例》) promulgated by the PRC State Council on December 13, 1993 which was most recently amended on November 19, 2017 and its implementation regulations promulgated by the MOF on December 18, 2008, and subsequently amended by the MOF and the SAT on October 28, 2011, unless otherwise specified by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or VAT, for revenue generated from sales of products, while qualified input VAT paid on taxable purchase can be offset against such output VAT.

On December 30, 2022, the SCNPC has publicly solicited opinions on PRC Value-Added Tax Law (Draft) (《中華人民共和國增值稅法(草案)》) (the “Draft PRC Value-Added Tax Law”), which stipulates VAT tax payers, the territory of taxation, tax rate, tax payable, tax incentives and taxation administration. Except as otherwise stipulated by the Draft PRC Value-Added Tax Law, for general VAT taxpayers providing services and selling intangible assets, the value-added tax rate is 6%. The Provisional Regulations on PRC Value-Added Tax will be repealed on the same day the Draft PRC Value-Added Tax Law comes into effect.

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Pursuant to *the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to Value-added Tax Rates* (《關於調整增值稅稅率的通知》) issued on April 4, 2018, which came into effect on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

In accordance with *the Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (《關於深化增值稅改革有關事項的公告》) issued by the MOF, the SAT and the General Administration of Customs on March 21, 2019, which came into force on April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%; and the currently applicable VAT rate of 10% shall be adjusted to 9%.

### REGULATIONS RELATED TO ANTI-MONOPOLY

On August 30, 2007, the SCNPC adopted *the PRC Anti-Monopoly Law* (《中華人民共和國反壟斷法》) (the “AML”), which became effective on August 1, 2008 and provides the regulatory framework for the PRC anti-monopoly. Under the AML, the prohibited monopolistic acts include monopolistic agreements, abuse of a dominant market position and concentration of businesses that may have the effect to eliminate or restrict competition.

Pursuant to the AML, a business operator that possesses a dominant market position is prohibited from abusing its dominant market position, including conducting the following acts: (i) selling commodities at unfairly high prices or buying commodities at unfairly low prices; (ii) without justifiable reasons, selling commodities at prices below cost; (iii) without justifiable reasons, refusing to enter into transactions with their trading counterparts; (iv) without justifiable reasons, allowing trading counterparts to make transactions exclusively with itself or with the business operators designated by it; (v) without justifiable reasons, tying commodities or imposing unreasonable trading conditions to transactions; (vi) without justifiable reasons, applying differential prices and other transaction terms among their trading counterparts who are on an equal footing; and (vii) other acts determined as abuse of dominant market position by the relevant governmental authorities. The SCNPC decided to amend the AML on June 24, 2022. The amendment to the AML took effect from August 1, 2022, which further stipulates that undertakings which hold dominant market position shall not abuse their dominant market position to engage in the preceding activities by taking advantage of data, technology and platform rules.

Pursuant to *the Regulations on Filing Threshold for Concentration of Undertakings* (《國務院關於經營者集中申報標準的規定》) promulgated by the PRC State Council on August 3, 2008 and amended on September 18, 2018, when a concentration of undertakings occurs and reaches any of the following thresholds, the undertakings concerned shall file a prior notification with the anti-monopoly authorities, if (i) the total global turnover of all operators participating in the transaction exceeded RMB10 billion in the preceding fiscal year and at least two of these operators each had a turnover of more than RMB400 million within PRC in the preceding fiscal year, or (ii) the total turnover within PRC of all the operators participating in the concentration exceeded RMB2 billion in the preceding fiscal year, and at least two of these operators each had a turnover of more than RMB400 million within PRC in the preceding fiscal year are triggered, and no concentration shall be implemented without such filing. “Concentration of undertakings” means any of the following: (i) merger of undertakings; (ii) acquisition of control over another undertaking by acquiring equity or assets; or (iii) acquisition of control over, or exercising decisive influence on, another undertaking by contract or by any other means.

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In addition, pursuant to the AML and relevant regulations, entering into monopolistic agreements, which means agreements or concerted practices to eliminate or restrict competition, is prohibited, unless such agreements satisfy the specific exemptions prescribed therein, such as improving technologies or increasing the efficiency and competitiveness of small and medium-sized undertakings.

On February 7, 2021, the Anti-monopoly Commission of the State Council issued the *Anti-monopoly Guidelines on Platform Economy* (《關於平台經濟領域的反壟斷指南》) (the “**Guidelines**”), which became effective on the same day. The Guidelines provide that the AML and relevant regulations are applicable to internet platforms and businesses participating in platform economy.

In August 2021, the SAMR issued the Draft Provisions on Preventing Unfair Online Competition, which mainly regulates the production and operation activities of business operators through the Internet and other information networks, and specifically stipulates the general norms of online competition, prohibits the use of technical means to impede, interfere or conduct other unfair competition behaviors and prohibits the use of technical means to conduct other online unfair competition behaviors. As of the Latest Practicable Date, the Draft Provisions on Preventing Unfair Online Competition has not been formally adopted, and due to the lack of further clarification, there are still uncertainties regarding the interpretation and implementation of the Draft Provisions on Preventing Unfair Online Competition.

If business operators fail to comply with the AML or relevant regulations, the anti-monopoly authorities have the power to cease the relevant activities, unwind the transactions, and confiscate illegal gains and fines.

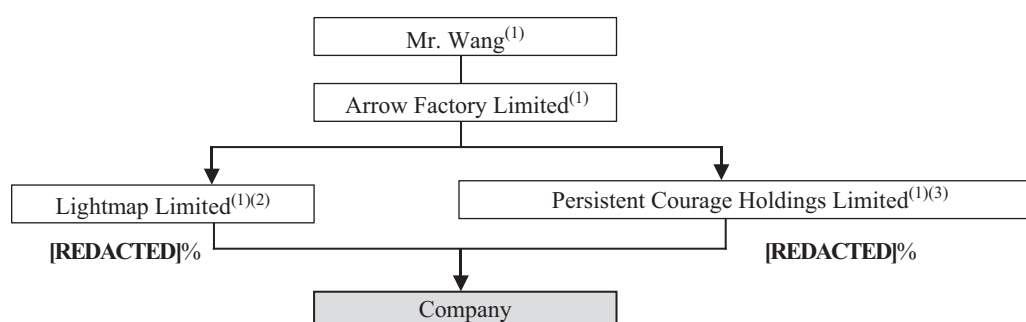
## RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

### OUR SINGLE LARGEST SHAREHOLDER

As at the date of this document, Mr. Wang controls 16.97% equity interest and 75.41% voting rights of our Company as a result of his controlled corporations holding super-voting rights in our Company. Upon Listing, our Company will unwind our weighted voting rights structure and under the Articles of Association, which takes effect upon Listing, all issued Shares (including Shares held by Mr. Wang through his controlled corporations) will be entitled to one vote each at a general meeting of our Company.

Upon Listing, Mr. Wang will be interested in and will control [87,379,118] Shares through Lightmap Limited and Persistent Courage Holdings Limited. Mr. Wang will be interested in and will be entitled to exercise [REDACTED]% of the total issued equity interests and voting rights of our issued Shares in general meetings (assuming the Presumptions). Additionally, pursuant to the Voting Proxy Agreements, Mr. Wang, through Persistent Courage Holdings Limited, will be entitled to the voting rights attached to Shares representing an aggregate of [REDACTED]% of our Company’s total issued share capital upon Listing (assuming the Presumptions). Based on the above, prior to and upon Listing, Mr. Wang will continue to be our Single Largest Shareholder.

The following diagram summarizes the structure through which Mr. Wang holds interests in our Company upon the Listing, assuming the Presumptions:



*Notes:*

- (1) Each of Persistent Courage Holdings Limited and Lightmap Limited is wholly owned by Arrow Factory Limited. The entire interest in each of Persistent Courage Holdings Limited and Lightmap Limited is held through Starmap Trust, which is a trust controlled by Mr. Wang and in which Mr. Wang is the settlor and sole beneficiary. Mr. Wang is a Director and chief executive of our Company. Each of Arrow Factory Limited, Lightmap Limited, and Persistent Courage Holdings Limited is a holding company with no business operations.
- (2) Upon Listing, Lightmap Limited will hold [8,909,312] Shares, representing approximately [REDACTED]% of the voting rights in the Company capable of being exercised on resolutions in general meetings.
- (3) Upon Listing, Persistent Courage Holdings Limited will hold [78,469,806] Shares, representing approximately [REDACTED]% of the voting rights in the Company capable of being exercised on resolutions in general meetings. Additionally, pursuant to the Voting Proxy Agreements, Mr. Wang, through Persistent Courage Holdings Limited, will be entitled to the voting rights attached to an aggregate of [21,652,719] Shares, representing [REDACTED]% of our Company’s voting rights. See “History, reorganization and corporate structure—Voting Proxy Agreement” for further details.

Our Group operates independently of our Single Largest Shareholder. Apart from his interest in our Company, our Single Largest Shareholder does not currently have any interest in a business that competes or is likely to compete, either directly or indirectly, with our Group’s business that, were Mr. Wang considered a “controlling shareholder” under the Listing Rules, would be required to disclose under Rule 8.10 of the Listing Rules.

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## RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

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### INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDER

#### Management independence

Our business is managed and conducted by our Board and senior management. Mr. Wang, our Single Largest Shareholder, is also an executive Director.

Our Directors consider that our Board and senior management will function independently of our Single Largest Shareholder because:

- (a) each Director is aware of their fiduciary duties as a director which require, among others, that they act for the benefit and in the interest of our Company and do not allow any conflict between their duties as a Director and their personal interests;
- (b) our daily management and operations are carried out by our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to them for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is(are) required to declare the nature of such interest before voting at the relevant Board meeting; and
- (e) we have adopted other corporate governance measures to manage conflicts of interest, if any, between our Group and our Single Largest Shareholder, as detailed in “—Corporate Governance Measures”.

Based on the above, our Directors believe that our business is managed independently of our Single Largest Shareholder.

#### Operational independence

Our Group is not operationally dependent on the Single Largest Shareholder. Our Company (through our subsidiaries) holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Single Largest Shareholder. We also have independent access to our customers and an independent management team to operate our business.

Based on the above, our Directors believe that we are able to operate independently of our Single Largest Shareholder.

#### Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. We have an independent internal control and accounting system and also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Single Largest Shareholder.

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## RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

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There will be no outstanding loans or guarantees provided by, or granted to, our Single Largest Shareholder or his respective associates as of the [REDACTED].

Based on the above, our Directors believe that our business is financially independent of our Single Largest Shareholder.

### CORPORATE GOVERNANCE MEASURES

The Company and our Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

Under the Articles of Association, extraordinary general meetings of the Company may be convened on the written requisition of any one or more members holding, as at the date of deposit of the requisition, in aggregate shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. In addition, pursuant to the Shareholder communication policy to be adopted by the Company upon Listing, Shareholders are encouraged to put governance related matters to the Directors and to the Company directly in writing.

We will also adopt the following corporate governance measures to resolve actual or potential conflict of interests between our Group and our Single Largest Shareholder:

- (a) where a Shareholders’ meeting is held pursuant to the Listing Rules to consider proposed transactions or arrangements in which our Single Largest Shareholder or any of his associates has a material interest, our Single Largest Shareholder shall abstain from voting and their votes shall not be counted;
- (b) our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Single Largest Shareholder or any of his associates after Listing;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Single Largest Shareholder (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Single Largest Shareholder will undertake to provide all information necessary or requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company’s expense;
- (g) we have appointed Guotai Junan Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and



## **RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER**

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- (h) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance in Appendix 14 to the Listing Rules.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Single Largest Shareholder, and to protect minority Shareholders’ interests after the Listing.

## CONNECTED TRANSACTIONS

### CONNECTED PERSON

The Contractual Arrangements were entered into between our Group and certain persons, set out below, that will become connected persons of our Company upon Listing. Accordingly, the Contractual Arrangements will become connected transactions upon the Listing.

<u>Name of connected person</u>	<u>Relationship</u>
Mr. Wang Ning .....	Director, chief executive of our Company, and substantial shareholder of Calorie Technology
Mr. Peng Wei and Mr. Liu Dong .....	Directors of our Company

### SUMMARY OF OUR CONNECTED TRANSACTIONS

<u>Transaction</u>	<u>Proposed annual caps for the years ending December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	(in RMB million)		
<b>Contractual Arrangements</b>			
1. Contractual Arrangements .....	N/A	N/A	N/A

### CONTRACTUAL ARRANGEMENTS

#### Background

As disclosed in “Contractual Arrangements”, due to regulatory restrictions on foreign ownership in the PRC, we conduct a portion of our business in Mainland China through Calorie Technology. We do not hold equity interests in Calorie Technology. Rather, through the Contractual Arrangements, we have effective control over Calorie Technology. See “Contractual Arrangements” for further detail on the agreements underlying the Contractual Arrangements.

#### Listing Rules implications

The transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into by, among others, Calorie Technology (or any of its subsidiaries in the future) and any member of our Group (“**New Intergroup Agreements**” and each of them, a “**New Intergroup Agreement**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, as certain parties to the Contractual Arrangements, namely, the persons listed above, are connected persons of the Company.

#### Reasons for the transactions and the waiver application

The transactions underlying the Contractual Arrangements enable the Consolidated Affiliated Entities to be consolidated into our Group and allow our Group to obtain the economic benefits (including profits earned) generated by the Consolidated Affiliated Entities, which are then consolidated into our Company’s accounts and may be distributed up to our Shareholders. See “Contractual Arrangements” for further details on how we are able to consolidate and derive the economic benefits from the Consolidated Affiliated Entities.

As a result of the Contractual Arrangements, our Company, through WFOE, effectively has 100% control over the Consolidated Affiliated Entities and shall be entitled to 100% of the

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## CONNECTED TRANSACTIONS

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distributions made by the Consolidated Affiliated Entities (that do not otherwise remain with the Consolidated Affiliated Entities). Accordingly, the Consolidated Affiliated Entities are effectively treated as our wholly-owned subsidiaries (within the meanings ascribed to them under the Companies Ordinance and the Listing Rules) and form part of our Group and are no different in substance and effect from those subsidiaries in which we hold equity interest.

Since the Consolidated Affiliated Entities are part of our Group, transactions under New Intergroup Agreements would be in the same nature as intragroup transactions typically conducted between our Company and our wholly-owned legal subsidiaries or among our wholly-owned legal subsidiaries, which would not constitute connected transactions under Chapter 14A of the Listing Rules. Transaction fees (if any) and benefits generated under the Contractual Agreements and the Intergroup Agreements remain within our Group, which means that benefits received by the Consolidated Affiliated Entities will at the same time equally benefit our Company and be in the interests of our Shareholders as a whole. As a result of the Contractual Arrangements, no transaction fee (if any) or benefit received by the Consolidated Affiliated Entities would flow to the Registered Shareholders.

Given the above, our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements, the New Intergroup Agreements, and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business and corporate operations, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Additionally, our Directors consider that, given that our Group is placed in a unique situation with respect to the connected transactions rules in connection with the Contractual Arrangements and New Intergroup Agreements, it would be unduly burdensome and impracticable, and it would add unnecessary administrative costs to our Company, if such transactions are subject to strict compliance with the requirements under Chapter 14A of the Listing Rules, including the announcement, annual reporting, and independent Shareholders’ approval (including recommendation from an independent financial adviser) requirements.

### **Waiver application**

Based on the above reasons, we have applied for[, and the Stock Exchange has granted us,] in respect of the Contractual Arrangements and New Intergroup Agreements, (i) a waiver from strict compliance with the announcement, circular and independent shareholders’ approval (including recommendation from an independent financial adviser) requirements under Chapter 14A of the Listing Rules; (ii) a waiver from strict compliance with the requirement to set a term of not exceeding three years under Rule 14A.52 of the Listing Rules; and (iii) a waiver from strict compliance with the requirements to set monetary annual caps under Rule 14A.53(1) of the Listing Rules (collectively, the “**Applicable Requirements**”), for so long as our Shares are listed on the Stock Exchange, subject to the following conditions:

- (a) No change without independent non-executive Directors’ approval. No change to the Contractual Arrangements (including with respect to any fees payable to WFOE thereunder) will be made without the approval of the independent non-executive Directors.
- (b) No change without independent Shareholders’ approval. Save as described below, no material change to the agreements governing the Contractual Arrangements will be made

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## CONNECTED TRANSACTIONS

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without the approval of our independent Shareholders. Once the independent Shareholders’ approval of any change has been obtained, no further announcement or approval by our independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will continue to be applicable.

- (c) Economic benefits and flexibility. The Contractual Arrangements will continue to enable our Group to receive economic benefits generated by Calorie Technology through: (i) our Group’s option (if and when allowed under applicable PRC Laws) to acquire, all or part of, the entire equity interests in Calorie Technology for nil consideration or for the minimum amount of consideration permitted by applicable PRC Laws; (ii) the business structure under which the profit generated by Calorie Technology is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to WFOE by Calorie Technology under the Consultancy and Services Agreement and the Business Cooperation Agreement (as defined and described in “Contractual Arrangements”); and (iii) our Group’s right to control the management and operation of, as well as, in substance, all of the voting rights of Calorie Technology.
- (d) Renewal and reproduction. On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and Calorie Technology, on the other hand, that framework may be renewed and/or reproduced without being in strict compliance with the Applicable Requirements (including obtaining the approval of our Shareholders): (i) upon the expiry of the existing arrangements; (ii) in connection with any changes to the Registered Shareholder in respect of its shareholding in or director(s) of the Consolidated Affiliated Entities; or (iii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise (or foreign-controlled joint venture) or operating company (including branch company), engaging in the same business as that of our Group. Such renewal and/or reproduction is justified by business expediency. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise (or foreign-controlled joint venture) or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of our Group and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC Laws and approvals. Any such renewed or reproduced agreements will be on substantially the same terms and conditions as the existing Contractual Arrangements.

## DIRECTORS’ CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that: (a) the Contractual Arrangements have been entered into in our ordinary and usual course of business on normal commercial terms or better (for our Company), which are fair and reasonable and in the interests of our Company and our Shareholders as a whole; (b) the proposed alternative caps and the term of the agreements underlying the Contractual Arrangement, which exceeds three years, are fair and reasonable and in the interests of us and our Shareholders as a whole; and (c) the term of the

## CONNECTED TRANSACTIONS

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agreements is justifiable and in line with normal business practice agreements of this type, and necessary to ensure that the Consolidated Affiliated Entities remain controlled, and their economic interest may be enjoyed, by the Company on an uninterrupted basis.

### JOINT SPONSORS' CONFIRMATION

Based on the documentation provided by the Company and the Joint Sponsors' due diligence, the representations and confirmations provided by the Company and the Directors to the Joint Sponsors and discussions with the Company, the Joint Sponsors are of the view that: (a) the Contractual Arrangements are fundamental to the Group's legal structure and business operations and that the Contractual Arrangements have been entered into in the ordinary and usual course of business, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (b) the proposed alternative caps and the term of the agreements underlying the Contractual Arrangement, which exceeds three years, are fair and reasonable and in the interests of us and our Shareholders as a whole. In addition, taking into account the reasons for entering into the Contractual Arrangements and the factors mentioned above, the Joint Sponsors are of the view that it is normal business practice for the Contractual Arrangements to be for a term that is longer than three years.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

The Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The following table provides certain information about the Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining the Group</u>	<u>Date of appointment as a Director</u>	<u>Roles and responsibilities</u>
WANG Ning (王寧) . . . . .	32	Executive Director, Chairman, Chief Executive Officer and Founder	September 2014	April 21, 2015	Responsible for the overall strategy, business development and management of our Company
PENG Wei (彭唯) . . . . .	36	Executive Director, Vice President of Online Operations and Co-founder	October 2014	July 23, 2015	Leading and managing our <i>Keep</i> online platform, including content and user management
LIU Dong (劉冬) . . . . .	45	Executive Director, Vice President of Consumer Fitness Products and Co-founder	October 2017	April 20, 2021	Responsible for the overall strategy and operation of our fitness products business unit including smart devices
LI Haojun (李浩軍) . . . . .	36	Non-executive Director	September 2015	September 21, 2015	Providing professional opinion and judgment to the Board
GE Xin (葛新) . . . . .	46	Independent non-executive Director	N/A	[REDACTED] <sup>(1)</sup>	Providing independent opinion and judgment to the Board
WANG Haining (王海寧) . . . . .	45	Independent non-executive Director	N/A	[REDACTED] <sup>(1)</sup>	Providing independent opinion and judgment to the Board
SHAN Yigang (單一剛) . . . . .	50	Independent non-executive Director	N/A	[REDACTED] <sup>(1)</sup>	Providing independent opinion and judgment to the Board

Note:

(1) The appointment of Ms. Ge Xin, Mr. Shan Yigang and Mr. Wang Haining as independent non-executive Directors will take effect from the [REDACTED].

Save as disclosed below, none of the Directors had held any directorships in listed companies during the three years immediately prior to the Latest Practicable Date, there is no other information in respect of the Directors to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of Shareholders or potential [REDACTED].

### Executive Directors

**Mr. Wang Ning (王寧)** aged 32, is an executive Director, the Chief Executive Officer, the Chairman of the Board, and the founder of our Company. Mr. Wang is responsible for the overall strategy, business direction and management of our Company.

Mr. Wang founded *Keep* in September 2014, immediately after he graduated from university. Mr. Wang received his bachelor’s degree in computer science from Beijing Information Science and Technology University in July 2014.



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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Peng Wei (彭唯)**, aged 36, is an executive Director, vice president of online operations and co-founder of our Company. He has served as our Director since July 2015 and the vice president of online operations since October 2014. Mr. Peng leads and manages our *Keep* online platform, including content and user management.

Prior to joining our Group in October 2014, Mr. Peng was the product manager of Beijing Yuanli Future Technology Co., Ltd. (formerly known as Beijing Fenbi Future Technology Co., Ltd.) from July 2013 to October 2014. Mr. Peng received his bachelor’s degree in psychology from Tianjin University of Commerce in June 2009 and master’s degree in psychology from Peking University in July 2013.

**Mr. Liu Dong (劉冬)**, aged 45, is an executive Director, vice president of consumer fitness products and co-founder of our Company. He has served as our director since April 2021 and vice president of consumer fitness products since September 2017. Mr. Liu is responsible for the overall strategy and operation of our smart fitness products business unit including smart devices.

Before joining our Group in October 2017, Mr. Liu was the co-founder and president of Qibai (Beijing) Technology Development Co., Ltd. from September 2014 to September 2017. From October 2009 to April 2013, Mr. Liu served as the president assistant of Sungy Mobile Limited. From October 2001 to September 2009, Mr. Liu served in various capacities at BenQ in China, including sales manager, product manager and manager of Beijing branch. Mr. Liu received his bachelor’s degree in mechanical and electronic engineering from Xi’an Technological University in July 2000.

### Non-executive Director

**Mr. Li Haojun (李浩軍)**, aged 36, is a non-executive Director of the Company. Mr. Li joined GGV Capital in May 2014 and has served as a partner at GGV Capital since April 2021. Prior to that, Mr. Li served as an assistant investment director at Vertex Venture from August 2012 to April 2014, where he led and participated in several early and growth-stage investments in the TMT sector. From July 2011 to August 2012, Mr. Li served as a product manager for Tencent Holdings Ltd (stock code: 00700). Mr. Li received his bachelor’s degree in electronics from Peking University in July 2008 and master’s degree in microelectronics from Peking University in July 2011.

### Independent Non-Executive Directors

**Ms. Ge Xin (葛新)**, aged 46, was appointed as an independent non-executive Director with effect from the [REDACTED]. Ms. Ge has served as an advisor of Du Xiaoman since February 2022 and was a senior vice president and the chief financial officer of Du Xiaoman from May 2019 to January 2022. Prior to that, she served as a partner of Ares Management Private Equity Group from June 2014 to December 2018. From August 2005 to May 2014, Ms. Ge served as a managing director at the investment banking division at Goldman Sachs. She was a sponsor principal of Goldman Sachs (Asia) L.L.C. and a responsible officer from January 2012 to May 2014, in respect of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She worked at PricewaterhouseCoopers in Beijing and San Francisco from July 1998 to June 2003. Ms. Ge was a Certified Public Accountant in the United States. Ms. Ge received her dual bachelor’s degrees in English literature and economics from Peking University in June 1998. She received her master’s degree in business administration from Harvard Business School in June 2005.

**Mr. Shan Yigang (單一剛)**, aged 50, was appointed as an independent non-executive Director with effect from the [REDACTED]. Mr. Shan has served as the executive director of KE Holdings Inc.

## DIRECTORS AND SENIOR MANAGEMENT

(stock code: 2423; NYSE: BEKE) since July 2018. He has been a director of Beijing Lianjia from December 2007 to September 2021. Prior to joining Beijing Lianjia, Mr. Shan was the co-founder of Dalian Haowangjiao Real Estate Brokerage Co., Ltd. from December 1999 to November 2007. Mr. Shan obtained his EMBA degree from Tsinghua University in January 2019.

**Mr. Wang Haining (王海寧)**, aged 45, was appointed as an independent non-executive Director with effect from the [REDACTED]. Mr. Wang has served as the chairman and general manager of Happy Elements Technology (Beijing) Limited since February 2012 where he previously served as the executive director from July 2012 to February 2017. He founded Beijing Shuangyu Hudong Technology Development Co., Ltd. in October 2009. Prior to that, he served as the senior director of Renren Inc. (NYSE: RENN) from June 2007 to October 2009. From March 2005 to June 2007, he served as an account executive of SAP. He served as a high tech industry manager of Oracle from March 2004 to March 2005. Mr. Wang obtained his bachelor’s degree in information technology from Wuhan University in July 2000.

### SENIOR MANAGEMENT

The following table provides information about members of the senior management of our Company:

Name	Age	Position	Date of joining the Group	Roles and responsibilities
WANG Ning (王寧) .....	32	Executive Director, Chairman, Chief Executive Officer and Founder	September 2014	Responsible for the overall strategy, business development and management of our Company
PENG Wei (彭唯) .....	36	Executive Director, Vice President of Online Operations and Co-founder	October 2014	Leading and managing our <i>Keep</i> online platform, including content and user management
LIU Dong (劉冬) .....	45	Executive Director, Vice President of Consumer Fitness Products and Co-founder	October 2017	Responsible for the overall strategy and operation of our smart fitness products business unit including smart devices
HUANG Weibo (黃偉波) .....	43	Chief Financial Officer	November 2020	Overseeing the finance, legal, risk management and the investing and financing activities of our Company

**Mr. Wang Ning (王寧)** aged 32, is an executive Director, the Chief Executive Officer, the Chairman of the Board, and the founder of our Company. See “—Executive Directors” above.

**Mr. Peng Wei (彭唯)**, aged 36, is an executive Director, vice president of online operations and co-founder of our Company. See “—Executive Directors” above.

**Mr. Liu Dong (劉冬)**, aged 45, is an executive Director, vice president of consumer fitness products and co-founder of our Company. See “—Executive Directors” above.

**Mr. Huang Weibo (黃偉波)**, aged 43, is the Chief Financial Officer of our Company and oversees the finance, legal, risk management and the investing and financing activities of our

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## DIRECTORS AND SENIOR MANAGEMENT

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Company. Before joining the Group in November 2020, Mr. Huang held senior executive and managerial positions in top technology companies and a renowned public accounting firm. Mr. Huang served as the chief financial officer of Ziroom Inc. from March 2017 to October 2020. Prior to that, Mr. Huang served as the executive president and chief financial officer of Rongchain Inc. from January 2016 to March 2017. Mr. Huang served as the senior finance director of Didi Infinity Technology Development Co., Ltd. from November 2014 to January 2016, and the senior finance director of Douban Inc. from August 2013 to October 2014. Prior to that, he worked at Deloitte Touche Tohmatsu from August 2001 to May 2011, where his last position was associate director. In addition, Mr. Huang also served as a finance management consultant in the World Bank from November 2012 to June 2013. Mr. Huang became a member of the Chinese Institute of Certified Public Accountants in August 2010, a certified internal auditor in November 2005, and a certified information system auditor in June 2006. Mr. Huang received his bachelor’s degree in public finance and taxation from Sun Yat-sen University in June 2001 and a master’s degree in business administration from Georgetown University in May 2013.

### JOINT COMPANY SECRETARIES

**Mr. Huang Weibo (黃偉波)** has been appointed as our joint company secretary. See “—Senior Management” above.

**Ms. Lai Siu Kuen (黎少娟)**, has been appointed as our joint company secretary. Ms. Lai is a director of corporate services of Tricor Services Limited. She is well experienced in advising and assisting with the corporate secretarial and corporate governance matters of Hong Kong listed companies. She is currently the sole/joint company secretary(ies) of several companies whose shares are listed on the Hong Kong Stock Exchange, including CGN Mining Company Limited (stock code: 1164), Pujiang International Group Limited (stock code: 2060), Shanghai Junshi Biosciences Co., Ltd. (stock code: 1877) and Yangtze Optical Fiber and Cable Joint Stock Limited Company (stock code: 6869). She holds a bachelor’s degree in accounting, received November 1997, and, since October 2012, is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

### CORPORATE GOVERNANCE

#### Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The audit committee comprises three independent non-executive Directors, namely Ms. Ge Xin, Mr. Shan Yigang and Mr. Wang Haining. Ms. Ge Xin is the chairlady of the committee and is the director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The remuneration committee comprises Mr. Wang Haining, Ms. Ge Xin and Mr. Wang Ning. Mr. Wang Haining is the chairman of the committee.

### Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding the appointment of Directors and Board succession. The nomination committee comprises Mr. Shan Yigang, Mr. Wang Haining and Mr. Wang Ning. Mr. Shan Yigang is the chairman of the committee.

### Corporate Governance Code

We aim to implement a high standard of corporate governance, which we believe is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the Listing, save that our visionary founder Mr. Wang will serve as both our Chairman and Chief Executive Officer as discussed below.

### Management Presence

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since the principal business operations of our Group are conducted in China, members of our senior management are, and are expected to continue to be, based in China. Further, as our executive Directors have a vital role in our Group’s operations, it is crucial for them to remain in close proximity to our Group’s central management located in China. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. We have applied for, and the Stock Exchange [has granted], a waiver from compliance with Rule 8.12 of the Listing Rules. For further details, see “Waivers and Exemptions—Waiver in respect of management presence in Hong Kong”.

### Chairman of the Board and Chief Executive

Pursuant to code provision C.2 in Part 2 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairperson and chief executive officer and Mr. Wang currently performs these two roles. The Board believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group

## DIRECTORS AND SENIOR MANAGEMENT

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and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole. For further information relating to the Company’s corporate governance measures, see “Relationship with Our Single Largest Shareholder—Corporate Governance Measures”.

### **Board Diversity**

Our Company [has adopted] a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company’s competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

### **Environmental, Social and Governance (“ESG”)**

As the bulk of our operations are conducted online, our impact on the environment is limited and we have a small carbon footprint. Nevertheless, we regard environment protection as an important corporate responsibility. Our audit committee will be tasked with overseeing and reviewing the environmental, social and governance aspects of our operations. We intend to appoint an ESG consultant as soon as practicable following our Listing to provide professional advice to us on formulating our ESG key strategies and how to improve the ESG aspects of our operations.

Our Board will adopt an ESG policy to take effect upon the Listing, which will set out our key ESG-related goals and review standards. In accordance with such ESG policy, certain senior officers of our Group will be tasked with the day-to-day management of ESG matters and take full responsibilities for the decision-making and reporting with regard to ESG-related work. Such senior officers will report on a regular basis to our Audit Committee, who will represent our Board for the review and oversight of our ESG policies, performance and risks. Our Audit Committee will also be required under the ESG policy to regularly examine and evaluate the implementation of our ESG policies and any possible deficiencies and make comprehensive public disclosures on ESG matters on an annual basis.

Our senior officers, together with our Audit Committee, and our ESG consultant, will regularly evaluate the performance of our suppliers and contract manufacturers, in terms of their ESG impact. To the extent possible, we intend to agree with such suppliers and contract manufacturers for them to undertake to report their ESG impact to us on a regular basis for our assessment.

Upon the Listing, we will publish the “Environmental, Social and Governance Report” annually in accordance with Appendix 27 of the Listing Rules to comprehensively analyze and disclose



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## DIRECTORS AND SENIOR MANAGEMENT

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important ESG matters, including our ESG related risk management, performance and achievement. We intend to be public and transparent in terms of our ESG performance before our [REDACTED] and stakeholders, which will include detailed disclosures on metrics and targets used to assess and manage environmental, social and climate-related risks.

### COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as the compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.19 of the Listing Rules, the Compliance Adviser will advise the Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this document; and
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the [REDACTED] and end on the date on which our Company distributes to Shareholders the annual report of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

### DIRECTORS’ REMUNERATION

Our Directors and senior management receive remuneration (including salaries, bonuses, share-based compensation and other employee benefits) on their behalf. See Note 10 to the Accountant’s Report in Appendix I for more details.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors for the years ended December 31, 2020, 2021 and 2022 was approximately RMB5.1 million, RMB14.8 million and RMB17.8 million, respectively.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the five highest paid individuals for the years ended December 31, 2020, 2021 and 2022 was approximately RMB20.2 million, RMB82.3 million and RMB61.5 million, respectively.

Save as disclosed above, and in the Accountant’s Report set out in Appendix I, no other payments have been paid or are payable, in respect of the years ended December 31, 2020, 2021 and 2022 by our Company to our Directors.



## **DIRECTORS AND SENIOR MANAGEMENT**

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No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

See “Statutory and general information—Pre-[REDACTED] Share Incentive Plans” in Appendix IV for details regarding the incentive plans for our Directors and the senior management.

### **COMPETITION**

Each of the Directors confirms that as of the Latest Practicable Date, save as disclosed in this document, he/she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, that would require disclosure under Rule 8.10 of the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] (assuming the Presumptions) the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group:

Name of Shareholder	Capacity / Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of interest in shares of our Company after the [REDACTED] <sup>(1)</sup>
<b>GGV Shareholders</b>	Interest in controlled corporations	75,814,900	[REDACTED]%
GGV Capital Select L.P. <sup>(2)</sup>	Beneficial owner	22,301,580	[REDACTED]%
GGV Capital V L.P. <sup>(2)</sup>	Beneficial owner	44,557,380	[REDACTED]%
GGV Capital V Entrepreneurs Fund L.P. <sup>(2)</sup>	Beneficial owner	1,635,240	[REDACTED]%
GGV VII Investments Pte. Ltd. <sup>(2)</sup>	Beneficial owner	7,320,700	[REDACTED]%
<b>SVF II Calorie Subco (DE) LLC</b>			
SVF II Calorie Subco (DE) LLC <sup>(3)</sup>	Beneficial owner	48,804,580	[REDACTED]%
<b>5Y Capital</b>	Interest in controlled corporations	39,430,520	[REDACTED]%
Morningside China TMT Fund IV, L.P. <sup>(4)</sup>	Beneficial owner	30,280,360	[REDACTED]%
Morningside China TMT Fund IV Co-Investment, L.P. <sup>(4)</sup>	Beneficial owner	3,140,920	[REDACTED]%
Morningside China TMT Special Opportunity Fund II, L.P. <sup>(4)</sup>	Beneficial owner	1,128,780	[REDACTED]%
Evolution Special Opportunity Fund I, L.P. <sup>(4)</sup>	Beneficial owner	4,243,880	[REDACTED]%
Evolution Fund I Co-investment, L.P. <sup>(4)</sup>	Beneficial owner	636,580	[REDACTED]%
<b>MORESPARK LIMITED</b>			
MORESPARK LIMITED <sup>(5)</sup>	Beneficial owner	32,819,640	[REDACTED]%
<b>JenCap</b>	Interest in controlled corporations	29,509,020	[REDACTED]%
JenCap Squad <sup>(6)</sup>	Beneficial owner	26,053,100	[REDACTED]%
JenCap Squad I L.P. <sup>(6)</sup>	Beneficial owner	3,455,920	[REDACTED]%
<b>BAI GmbH</b>			
BAI GmbH <sup>(7)</sup>	Beneficial owner	28,038,500	[REDACTED]%
<b>Mr. Wang Ning</b>	Interest in controlled corporations	109,031,837	[REDACTED]%
Lightmap Limited <sup>(8)</sup>	Beneficial owner	8,909,312	[REDACTED]%
Persistent Courage Holdings Limited <sup>(8)</sup>	Beneficial owner	78,469,806	[REDACTED]%
	Interest under contract	21,652,719	[REDACTED]%
<b>Futu Trustee Limited<sup>(9)</sup></b>	Trustee	59,645,300	[REDACTED]%
Calorie Partner Limited	Beneficial interest	45,205,300	[REDACTED]%

*Notes:*

(1) The table above assumes (i) the preferred shares will be automatically converted into Shares on a 1:1 basis, (ii) the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED], (iii) the [REDACTED] is not exercised and no Shares are issued under the Share Incentive Plans, and (iv) no Shares are issued or canceled and no other potential change to the share capital materialize as described in “Share Capital—Potential changes to share capital” below.

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## **SUBSTANTIAL SHAREHOLDERS**

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- (2) GGV Capital Select L.P. is controlled by GGV Capital Select L.L.C. GGV Capital V L.P. is controlled by GGV Capital V L.L.C. GGV Capital V Entrepreneurs Fund L.P. is controlled by GGV Capital V L.L.C. GGV VII Investments Pte. Ltd. is ultimately controlled by GGV Capital VII L.L.C. GGV Capital Select L.L.C. and GGV Capital V L.L.C. are controlled by Lee Hongwei Jenny, Jeff Richards, Jixun Foo, Glenn Solomon and Hans Tung. GGV Capital VII L.L.C. is controlled by Lee Hongwei Jenny, Jeff Richards, Jixun Foo, Glenn Solomon, Hans Tung and Eric Xu.
- (3) SVF II Calorie Subco (DE) LLC (“**SVF**”) is a special purpose vehicle indirectly majority owned by SoftBank Vision Fund II-2 L.P. (“**SVF Fund II**”). The sole member of SVF is SVF II Investment Holdings (Subco) LLC (“**SVF II Investment Subco**”) and the sole member of SVF II Investment Subco is SVF II Investment Holdings LLC (“**NewCo**”). SB Global Advisers Limited (“**SBGA**”) has been appointed as manager and is responsible for making all decisions related to the acquisition, structuring, financing and disposal of SVF Fund II’s investments, including as held by NewCo.
- (4) Morningside China TMT Fund IV, L.P., Morningside China TMT Fund IV Co-Investment, L.P. and Morningside China TMT Special Opportunity Fund II, L.P. are controlled by their general partner, Morningside China TMT GP IV, L.P.. Morningside China TMT GP IV, L.P., is controlled by its general partner, TMT General Partner Ltd.. Each of Liu Qin, Shi Jianming and Morningside Venture (VII) Investments Limited is entitled to exercise or control the exercise of one-third of the voting power of all issued shares in TMT General Partner Ltd. at its general meeting. Morningside Venture (VII) Investments Limited is indirectly 100% held through a series of 100% owned holding companies by the Landmark Trust Switzerland SA as trustee of a discretionary trust established by Mdm. Chan Tan Ching Fen for the benefit of certain members of her family and other charitable objects. Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P. are controlled by their general partner 5Y Capital GP Limited. Each of Liu Qin and Shi Jianming is entitled to exercise or control the exercise of one-half of the voting power of all issued shares in 5Y Capital GP Limited at its general meeting.
- (5) Tencent Holdings Limited (HKSE: 0700) is the sole member of MORESPARK LIMITED.
- (6) JenCap Squad is wholly owned by Jeneration Capital Partners II L.P., which is controlled by its general partner, Jeneration Capital GP II. JenCap Squad I L.P., is controlled by its general partner JenCap Squad I GP. Jeneration Capital GP II and JenCap Squad I GP are ultimately controlled by Jimmy Ching-Hsin Chang.
- (7) BAI GmbH is wholly owned by Reinhard Mohn GmbH. Reinhard Mohn GmbH is wholly owned by Bertelsmann SE&Co. KgaA, which is controlled by Bertelsmann Verwaltungsgesellschaft. Bertelsmann Verwaltungsgesellschaft is controlled by Mr. Christoph Mohn.
- (8) Each of Persistent Courage Holdings Limited and Lightmap Limited is wholly owned by Arrow Factory Limited, which is controlled by Starmap Trust, a trust controlled by Mr. Wang Ning and in which Mr. Wang is the settlor and sole beneficiary. Additionally, pursuant to the Voting Proxy Agreements, Mr. Wang, through Persistent Courage Holdings Limited as proxyholder, is entitled to the votes attached to an aggregate of [21,652,719] Shares held by the proxy granters. Accordingly, under the SFO, Mr. Wang, through Persistent Courage Holdings Limited, is deemed to be interested in the subject shares under the Voting Proxy Agreements. See “History, reorganization and corporate structure—Voting Proxy Agreements” for further details.
- (9) Futu Trustee Limited is the trustee of Calorie Partner Limited and Calorie Fortune Limited, which hold Shares on behalf of participants of the Pre-**[REDACTED]** Share Incentive Plans who are not close associates of our Company. See “Statutory and general information—Pre-**[REDACTED]** Share Incentive Plans” in Appendix IV for further information. Under the SFO, Futu Trustee Limited is deemed to be interested in the Shares held by corporations controlled by the trusts in which it is trustee, on an aggregated basis.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the **[REDACTED]** (assuming the Presumptions), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

## SHARE CAPITAL

### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized share capital and the amount in issue and to be issued as fully paid or credited as fully paid upon Listing, assuming the Presumptions.

#### *Authorized share capital*

Number	Description of share	Aggregate nominal value
1,000,000,000 . . . . .	Shares	US\$50,000

#### *Issued share capital*

Number	Description of share	Aggregate nominal value
514,833,387 . . . . .	Shares in issue as at date of this document	US\$ 25,741.67
[REDACTED] . . . . .	Shares to be issued pursuant to the [REDACTED]	US\$[REDACTED]
[REDACTED] . . . . .	Shares in issue immediately after [REDACTED]	US\$[REDACTED]

The above table assumes (i) the Presumptions, and (ii) the [REDACTED] becomes unconditional and Shares are issued pursuant to the [REDACTED].

### Our voting structure before and after Listing

Under our current weighted voting rights structure, our share capital comprises series A to Series F-1 Preferred Shares and ordinary shares. See “History, Reorganization, and Corporate Structure—Capitalization” for details of these Shares and their shareholders. Each ordinary share held by Mr. Wang’s controlled entities, Persistent Courage Holdings Limited and Lightmap Limited, entitled the holder to 15 super-voting rights at a general meeting of the Company. All other ordinary shares and preferred shares entitled its holder to one vote per share at a general meeting of the Company.

Pursuant to the shareholders’ agreement (currently in effect and which shall terminate upon completion of the Listing), all preferred shares shall be automatically and immediately converted into ordinary shares on a one-to-one basis.

Additionally, upon Listing, the Memorandum and Articles of Association will take effect, under which, our Company will no longer have a weighted voting rights structure and all super-voting rights attached to Shares controlled by Mr. Wang will be unwound and all issued Shares of our Company will entitle their holders to one vote per share at a general meeting of our Company.

Upon the conversion of all issued preference shares into ordinary shares, our Company will have in issue 315,835,187 additional ordinary shares, representing approximately 61.35% the total number of issued Shares (immediately before the [REDACTED]). Following this, upon Listing, our Company will have in issue [REDACTED] ordinary shares (assuming the Presumptions), each of which will entitle its holder to one vote at the general meetings of our Company.

For further details, see the summary of our Articles of Association in Appendix III to this document.

### Ranking

The [REDACTED] rank equally with all Shares currently in issue or to be issued as mentioned in this document and, in particular, will rank *pari passu* for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

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## SHARE CAPITAL

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### POTENTIAL CHANGES TO SHARE CAPITAL

#### Circumstances under which general meeting and class meeting are required

Our Company may by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its share capital into shares of larger amount; (iii) subdivide its shares into shares of smaller amount; (iv) cancel any shares which have not been taken or agreed to be taken. In addition, our Company may reduce its share capital or capital redemption reserve by its shareholders passing a special resolution (v) make provision for the allotment and issue of shares which do not carry any voting rights; (vi) change the currency of denomination of its share capital; and (vii) reduce its share premium account in any manner authorized, and subject to any conditions prescribed by law.

See “Summary of the Constitution of Our Company and Cayman Islands Company Law—Articles of Association—Alteration of capital” in Appendix III for further details.

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of that class by members holding shares representing three-fourths in nominal value of the shares present in person or by proxy and voting at such meeting.

See “Summary of the Constitution of Our Company and Cayman Islands Company Law—Articles of Association—Shares—Variation of rights of existing shares or classes of shares” in Appendix III for further details.

#### General mandate to issue Shares

Subject to the [REDACTED] becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and the shares to be issued under the Share Incentive Plans); and
- the total number of Shares repurchased by our Company pursuant to the authority referred to in “—General mandate to repurchase Shares” below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of Association; and

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## SHARE CAPITAL

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- the passing of an ordinary resolution by Shareholders in a general meeting revoking or varying the authority.

### General mandate to repurchase Shares

Subject to the [REDACTED] becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and excluding the share to be issued under the Share Incentive Plans).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See “Statutory and General Information—Further Information About Our Group—Explanatory statement on repurchase of our own securities” in Appendix IV for further details on the general mandates to issue and repurchase Shares.

### Shares Incentive Plans

We have adopted the Share Incentive Plans. See “Statutory and General Information—Pre-[REDACTED] Share Incentive Plans” and [“Statutory and General Information—Post-[REDACTED] Share Incentive Plan”] in Appendix IV for further details.



## FINANCIAL INFORMATION

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

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

## OVERVIEW

*Keep* is the largest online fitness platform in China in terms of MAUs, and number of workout sessions completed by users in 2022, according to the CIC Report. With innovation at our core, we are a fast-growing and result-oriented platform that provides users with a comprehensive fitness solution to help them achieve their fitness goals. We generated a majority of our revenue from the sales of our self-branded fitness products during the Track Record Period. We offer extensive and professional fitness content with AI-assisted personalized curriculums, encompassing interactive live streaming classes and recorded fitness courses, that dynamically adjust course content and workout intensity based on users’ athletic levels, fitness goals, daily workout patterns and diet. Our content is complemented by a variety of smart fitness devices, fitness gear, apparel and food, which enables us to seamlessly connect the physical and digital realms to create an immersive, integrated, one-stop fitness experience.

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

We primarily generate revenue from self-branded fitness products, membership and online paid content, and advertising and others. We have achieved continued growth during the Track Record Period. We generated a majority of our revenue from the sales of self-branded fitness products and invested significantly in the research and development of platform design and fitness content. Our revenue grew by 46.3% from RMB1.1 billion in 2020 to RMB1.6 billion in 2021, and further increased by 36.6% to RMB2.2 billion in 2022. Gross profit grew by 35.5% from RMB499.4 million in 2020 to

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## FINANCIAL INFORMATION

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RMB676.6 million in 2021, and further increased by 33.1% to RMB900.4 million in 2022. Our loss for the year increased from RMB2.2 billion in 2020 to RMB2.9 billion in 2021 as we strategically increased spending in traffic acquisition and branding to further acquire, activate and retain users. Our loss for the year decreased from RMB2.9 billion in 2021 to RMB104.6 million in 2022 due to the changes in fair value of convertible redeemable preferred shares. Our adjusted net loss (non-IFRS measure) was RMB106.4 million, RMB826.5 million, and RMB666.9 million in 2020, 2021 and 2022, respectively. See “—Non-IFRS Measure: Adjusted Net Loss”.

### BASIS OF PREPARATION

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

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

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

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

### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

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

#### **Our ability to scale user base and increase user engagement**

##### *User Base*

Our business depends on our ability to grow our user base and expand our content and product offerings. A large and growing base of fitness users on our platform is critical for the growth of our

## FINANCIAL INFORMATION

revenue. We have experienced rapid user growth since our inception. The following table sets forth our average MAUs for the periods indicated:

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

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

### *User Engagement*

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

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

### **Our ability to enhance our monetization capability**

Our revenue and results of operations depend on our ability to monetize our large user base, convert more users to paying users, and increase the spending of our paying users. Paying users on our

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

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

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

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

### **Our ability to manage costs and expenses**

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

#### ***Selling and Marketing Expenses***

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

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### *Research and Development Expenses*

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

### *Fulfillment Expenses*

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

## IMPACT OF COVID-19 ON OUR OPERATIONS AND FINANCIAL PERFORMANCE

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



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their advertising budget. This, together with the slower growth of the internet advertising market, had a negative impact on our advertising revenue.

The COVID-19 pandemic also led to an increase in people’s willingness to work out at home and an increase in online traffic to our platform. According to CIC, 76.8% of the China’s fitness population spent more time on online fitness platforms in 2022 compared to 2021. We recorded higher average MAUs, average monthly subscribing members and average monthly fitness product customers. In addition, more users tend to follow our fitness content and complete workout sessions as a result of the outbreak of COVID-19 pandemic. As the outbreak of COVID-19 increased users’ willingness to workout at home, we also witnessed a higher average monthly membership retention rate in 2020. Please refer to “Business—Our users - ‘Keepers’.” In addition, we reduced our branding and marketing promotion expenses and other related expenses in 2020 due to the increased engagement of our users as a result of the COVID-19 pandemic. We believe the COVID-19 pandemic only accelerated the process of bringing in users who would sooner or later become our users rather than creating a temporary user inflow. We believe our MAUs will continue to grow as we continue to upgrade our fitness content, expand and deepen the services provided to subscribing members, and further invest in marketing and user acquisition. The overall impact of the COVID-19 pandemic on our business operation and financial performance has been immaterial. See “Risk Factors—Risks Related to Our Business and Industry—The COVID-19 outbreak may materially and adversely affect our business, operating results and financial condition,” and “Risk Factors—Risks Related to Our Business and Industry—The COVID-19 pandemic has increased people’s willingness to work out at home. If we are unable to rely on such trend in the future, our business could be adversely affected.”

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

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

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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



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

### Significant Accounting Policies

#### *Revenue recognition*

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

Further details of our revenue recognition policies are as follows:

#### *(a) Sales of self-branded fitness products*

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

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

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

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

We identify our performance obligation to end customers as to transfer the control of the ordered products to end customers. Contracts with customers may include multiple performance obligations if there is a need to split one customer order into multiple deliveries. Under these

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circumstances, transaction prices will be allocated to different performance obligations based on relative standalone selling prices. We recognize revenue from sales to end customers upon receipts of the products by end customers in an amount equal to the contract sales prices less estimated sales allowances for sales returns and sales incentives.

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

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

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

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

*(b) Membership subscription and online paid content service*

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

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

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### *(c) Advertising services*

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

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

### *Inventories*

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

### *Convertible redeemable preferred shares (“Preferred Shares”)*

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

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

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

### *Share-based compensation*

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

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

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

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

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

### *Leases*

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

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

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

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

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

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

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

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

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

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

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

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

(a) Variable lease payments

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

(b) Modification of lease

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

- (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

### ***Current and deferred income tax***

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

(a) *Current income tax*

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

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### *(b) Deferred income tax*

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

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

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

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

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

### *(c) Tax incentives*

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

## **Critical Accounting Estimates and Judgments**

### ***Recognition of share-based compensation expenses***

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

### ***Estimation of the fair value of financial liabilities***

The convertible redeemable preferred shares we issued are not traded in an active market, and the respective fair value is determined by using valuation techniques. We applied the discounted cash flow method to determine the underlying equity value of the Company and adopted the option-pricing



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method and equity allocation model to determine the fair value of the Preferred Shares. Key assumptions such as risk-free interest rate, discount rate for lack of marketability (“**DLOM**”) and volatility are based on our best estimates.

### *Level 3 of Fair Value Management*

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

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

### *Contractual arrangements*

We exercise control over certain structured entities and have the right to recognize and receive substantially all the economic benefits from them through the Contractual Arrangements. The

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

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

### *Current and deferred income tax*

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

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

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### DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

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

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Revenue</b> .....	<b>1,106,777</b>	<b>100.0</b>	<b>1,619,538</b>	<b>100.0</b>	<b>2,211,551</b>	<b>100.0</b>
Cost of revenues <sup>(1)</sup> .....	(607,350)	(54.9)	(942,910)	(58.2)	(1,311,171)	(59.3)
<b>Gross profit</b> .....	<b>499,427</b>	<b>45.1</b>	<b>676,628</b>	<b>41.8</b>	<b>900,380</b>	<b>40.7</b>
Fulfillment expenses <sup>(1)</sup> .....	(92,411)	(8.3)	(127,872)	(7.9)	(201,586)	(9.1)
Selling and marketing expenses <sup>(1)</sup> .....	(301,693)	(27.3)	(956,220)	(59.0)	(646,177)	(29.2)
Administrative expenses <sup>(1)</sup> .....	(68,977)	(6.2)	(218,276)	(13.6)	(245,614)	(11.1)
Research and development expenses <sup>(1)</sup> .....	(167,920)	(15.2)	(355,582)	(22.0)	(536,877)	(24.3)
Other income .....	4,195	0.4	4,258	0.3	6,509	0.3
Other gains/(losses), net .....	(984)	(0.1)	8,981	0.6	(65,375)	(3.0)
<b>Operating loss</b> .....	<b>(128,363)</b>	<b>(11.6)</b>	<b>(968,083)</b>	<b>(59.8)</b>	<b>(788,740)</b>	<b>(35.7)</b>
Finance income .....	5,325	0.5	13,828	0.9	27,536	1.2
Finance expenses .....	(5,769)	(0.5)	(7,777)	(0.5)	(7,313)	(0.3)
Finance (expenses)/income, net .....	(444)	(0.0)	6,051	0.4	20,223	0.9
Fair value changes of convertible redeemable preferred shares ..	(2,114,943)	(191.1)	(1,946,205)	(120.2)	664,969	30.1
<b>Loss before income tax</b> .....	<b>(2,243,750)</b>	<b>(202.7)</b>	<b>(2,908,237)</b>	<b>(179.6)</b>	<b>(103,548)</b>	<b>(4.7)</b>
Income tax expense .....	—	—	—	—	(1,003)	(0.0)
<b>Loss for the year</b> .....	<b>(2,243,750)</b>	<b>(202.7)</b>	<b>(2,908,237)</b>	<b>(179.6)</b>	<b>(104,551)</b>	<b>(4.7)</b>
<b>Loss for the year attributable to:</b>						
Owners of the Company .....	(2,239,609)	(202.4)	(2,908,237)	(179.6)	(104,551)	(4.7)
Non-controlling interests .....	(4,141)	(0.3)	—	—	—	—

Note:

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

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

### NON-IFRS MEASURE: Adjusted Net Loss

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net loss as an additional financial measure, which is not required by, or presented in accordance with, IFRSs.

We believe adjusted net loss provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as they help

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our management. However, our presentation of adjusted net loss may not be comparable to similarly titled measures presented by other companies. The use of adjusted net loss has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted net loss as loss for the year, excluding share-based compensation expenses and fair value changes of convertible redeemable preferred shares. We exclude these items because they do not involve any cash outflow. We have made the following adjustments consistently during the Track Record Period complying with Guidance Letter HKEX-GL103-19 issued by the Stock Exchange:

- Share-based compensation expenses primarily represent the non-cash employee benefit expenses incurred in connection with our 2016 Plan and 2021 Plan. Such expenses in any specific period are not expected to result in future cash payments.
- Fair value changes of convertible redeemable preferred shares mainly represent changes in the fair value of the convertible redeemable preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further fair value changes of the convertible redeemable preferred shares after Listing as preferred shares liabilities will be redesignated and reclassified from liabilities to equity after automatically converting into ordinary shares upon Listing.

For the years ended December 31, 2020, 2021 and 2022, our adjusted net loss (non-IFRS measure) was approximately RMB106.4 million, RMB826.5 million and RMB666.9 million, respectively. The following table reconciles our adjusted net loss for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the period:

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

### Revenue

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

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

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Revenue:</b>						
Self-branded fitness products . . . . .	636,709	57.5	872,452	53.9	1,136,971	51.4
—Smart fitness devices . . . . .	220,830	20.0	286,516	17.7	438,875	19.8
—Complementary fitness products . . . . .	415,879	37.5	585,936	36.2	698,096	31.6
Membership and online paid content . . . . .	338,024	30.5	557,581	34.4	894,167	40.4
—Membership subscription . . . . .	305,199	27.6	487,881	30.1	563,064	25.4
—Online paid content . . . . .	32,825	2.9	69,700	4.3	331,103	15.0
Advertising and others . . . . .	132,044	12.0	189,505	11.7	180,413	8.2
—Offline centers . . . . .	20,839	1.9	30,888	1.9	19,540	0.9
—Advertising and others (excluding offline centers) . . . . .	111,205	10.1	158,617	9.8	160,873	7.3
<b>Total . . . . .</b>	<b>1,106,777</b>	<b>100.0</b>	<b>1,619,538</b>	<b>100.0</b>	<b>2,211,551</b>	<b>100.0</b>

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

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

*Advertising and others.* We generate revenue from online advertising, which is primarily in the form of display advertisement. Display advertising arrangements allow the placement of advertisements on particular areas of our platform in particular formats and over particular periods of time. Such advertisements primarily appear on the app opening page and top banner. We enter into contracts mainly with third-party advertising agencies. The fee arrangement for our advertising services is determined on a case-by-case basis, taking into account various factors, including the format and duration of the advertisement, display location, market pricing, among others. Others primarily represent revenue generated from our *Keepland* fitness centers. The revenue from advertising and others increased by 43.5% from RMB 132.0 million in 2020 to RMB 189.5 million in 2021, which was mainly attributable to the expansion of our advertiser base and advertisers’ increased spending on our platform. In addition, the growth of our average MAUs allowed advertisers to enjoy greater

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exposure, and attracted more advertisers to promote their products and services on our platform. The revenue from advertising and others decreased by 4.8% from RMB189.5 million in 2021 to RMB180.4 million in 2022, primarily due to COVID-19’s negative impact on our *KeepLand* business and the advertising budget of our advertising customers.

### Cost of revenues

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

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

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

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Cost of revenues:</b>						
Cost of self-branded fitness products sold	395,244	35.7	612,682	37.8	790,571	35.7
Cost of virtual sports events	11,512	1.0	33,049	2.0	163,674	7.4
Channel fees paid to third-party application stores and other payment channels	69,312	6.3	101,517	6.3	91,064	4.1
Content related cost	12,155	1.1	33,964	2.1	64,613	2.9
Employee benefit expenses	32,737	3.0	61,455	3.8	58,918	2.7
Advertising production cost	35,687	3.2	32,258	2.0	32,857	1.5
Outsourcing and other labor costs	6,002	0.5	10,668	0.7	15,145	0.7
Taxes and surcharges	3,870	0.3	5,319	0.3	11,411	0.5
Other cost of revenues	40,831	3.7	51,998	3.2	82,918	3.8
<b>Total</b>	<b>607,350</b>	<b>54.9</b>	<b>942,910</b>	<b>58.2</b>	<b>1,311,171</b>	<b>59.3</b>

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

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



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

### Gross profit

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

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

### Fulfillment expenses

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

### Selling and marketing expenses

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

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

	Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Selling and marketing expenses:</b>						
Branding and marketing promotion expenses and other related expenses .....	178,226	16.2	746,863	46.1	377,736	17.0
Platform commission and other selling and marketing expenses . . . .	39,109	3.5	57,073	3.5	80,916	3.7
Employee benefit expenses (including SBC) .....	55,453	5.0	110,222	6.8	149,963	6.8
Others .....	28,905	2.6	42,062	2.6	37,562	1.7
<b>Total</b> .....	<b>301,693</b>	<b>27.3</b>	<b>956,220</b>	<b>59.0</b>	<b>646,177</b>	<b>29.2</b>

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### Administrative expenses

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

### Research and development expenses

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

### Other income

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

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

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

### Other gains/(losses), net

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

### Finance (expenses)/income, net

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

### Fair value changes of convertible redeemable preferred shares

The convertible redeemable preferred shares issued by us are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method

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was used to determine the underlying equity value of us and the option-pricing method and equity allocation model was adopted to determine the fair value of the preferred shares. Please refer to Note 3.3 to the Accountant’s Report included in Appendix I to this document for the key assumptions in determining the fair value of the convertible redeemable preferred shares.

### Taxation

#### *Cayman Islands*

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

#### *Hong Kong Income Tax*

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

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

#### *PRC Enterprise Income Tax (“EIT”)*

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

In October 2017 and December 2020, Beijing Calorie Information Technology Co., Ltd., was qualified as a High and New Technology enterprise (“HNTE”) and enjoyed a preferential tax rate of 15% from 2017 to 2022. In November 2018 and December 2021, Beijing Calorie Technology Co., Ltd. was qualified as HNTE and enjoyed a preferential tax rate of 15% from 2018 to 2023. In December 2020, Shenzhen Calorie Technology Co., Ltd. was qualified as a HNTE and enjoyed a preferential tax rate of 15% from 2020 to 2022. Our remaining PRC entities were subject to enterprise income tax at a rate of 25% in 2020, 2021 and 2022. According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim an additional tax deduction amounting to 50% of the qualified research and development expenses incurred in determining its tax assessable profits for that year. The additional tax deducting amount of the qualified research and development expenses have been increased from 50% to 75%, effective from 2018 to 2023, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018 (“**Super Deduction**”). Pursuant to the PRC Enterprise Income Tax Law and other applicable laws and regulations, a 5% or 10% withholding tax is levied on dividends declared to foreign investors from China.

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

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

##### *Revenue*

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

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

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

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

##### *Cost of revenues*

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

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

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

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

### ***Gross profit***

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

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

### ***Fulfillment expenses***

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

### ***Selling and marketing expenses***

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

### ***Administrative expenses***

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

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### *Research and development expenses*

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

### *Other income*

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

### *Other gains/(losses), net*

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

### *Finance (expenses)/income, net*

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

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

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

### *Loss for the year*

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

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

### *Revenue*

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

*Self-branded fitness products.* The revenue from self-branded fitness products increased by 37.0% from RMB636.7 million in 2020 to RMB872.5 million in 2021, which was mainly attributable



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to the growth in average monthly fitness product customers and increased revenue generated from non-DTC channels. Our average monthly fitness product customers increased by 31.0% from approximately 292 thousand in 2020 to approximately 383 thousand in 2021.

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

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

### **Cost of revenues**

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

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

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

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

### **Gross profit**

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

Our gross profit of self-branded fitness products increased by 5.4% from RMB230.9 million in 2020 to RMB243.3 million in 2021. Our gross profit of membership and online paid content increased

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

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

### *Fulfillment expenses*

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

### *Selling and marketing expenses*

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

### *Administrative expenses*

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

### *Research and development expenses*

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

### *Other income*

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

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### *Other gains/(losses), net*

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

### *Finance (expenses)/income, net*

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

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

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

### *Loss for the year*

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

## DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED BALANCE SHEET

### Current Assets/Liabilities

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

	As at December 31,			As at February 28,
	2020	2021	2022	2023
	(RMB in thousands)			(Unaudited)
<b>Current assets</b>				
Inventories . . . . .	117,904	198,763	167,737	152,744
Accounts receivables . . . . .	180,766	310,368	251,676	225,232
Prepayments and other current assets . . . . .	77,719	86,819	128,966	146,505
Financial assets at fair value through profit or loss . . . . .	429,310	255,949	139,864	140,759
Short-term time deposits <sup>(1)</sup> . . . . .	—	454,963	68,740	208,736
Cash and cash equivalents . . . . .	2,342,713	1,653,517	1,672,217	1,189,330
<b>Total</b> . . . . .	<b>3,148,412</b>	<b>2,960,379</b>	<b>2,429,200</b>	<b>2,063,306</b>
<b>Current liabilities</b>				
Accounts payables . . . . .	58,534	141,007	154,095	101,791
Accrued expenses . . . . .	127,516	186,399	244,537	221,910
Other current liabilities . . . . .	30,554	63,918	65,301	50,426
Contract liabilities . . . . .	80,227	86,959	84,104	84,622
Borrowings . . . . .	—	87,584	74,524	74,842
Lease liabilities . . . . .	33,348	40,999	44,554	37,043
<b>Total</b> . . . . .	<b>330,179</b>	<b>606,866</b>	<b>667,115</b>	<b>570,634</b>
<b>Net current assets</b> . . . . .	<b>2,818,233</b>	<b>2,353,513</b>	<b>1,762,085</b>	<b>1,492,672</b>

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*Note:*

(1) All time deposits held at bank with original maturities over three months and less than one year with corresponding interest receivables were classified as short-term time deposits. US\$14.9 million, US\$6.2 million and US\$6.2 million short-term time deposits were pledged to Bank of Jiang Su Co., Ltd for bank borrowings as at December 31, 2021 and 2022, and February 28, 2023, respectively. RMB25.5 million and RMB25.5 million were pledged in the Bank of Ningbo Co., Ltd, as at December 31, 2022 and February 28, 2023, respectively. Except for above pledged short-term time deposits, other deposits can be withdrawn with no restriction.

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

### *Inventories*

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

	As at December 31,		
	2020	2021	2022
	(RMB in thousands)		
<b>Inventories:</b>			
Raw materials .....	1,188	123	716
Components .....	9,599	20,273	12,563
Finished goods .....	113,527	186,378	168,695
	124,314	206,774	181,974
Less: provision for impairment <sup>(1)</sup> .....	(6,410)	(8,011)	(14,237)
<b>Total</b> .....	<b>117,904</b>	<b>198,763</b>	<b>167,737</b>

*Note:*

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

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

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

	Year ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
<b>At the beginning of the year</b> .....	<b>(3,870)</b>	<b>(6,410)</b>	<b>(8,011)</b>
Provision for impairment .....	(2,540)	(1,601)	(6,226)
<b>At the end of the year</b> .....	<b>(6,410)</b>	<b>(8,011)</b>	<b>(14,237)</b>

Inventory turnover days for a given period are equal to the average balances of inventories that are related to self-branded fitness products, net of provision for inventory write-down, at the beginning

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and at the end of the period divided by cost of self-branded fitness products sold during the period and multiplied by the number of days during the period. Our inventories turnover days decreased from 98 days in 2020 to 94 days in 2021 and 78 days in 2022, which were primarily due to our continued efforts to improve inventory management. As at February 28, 2023, RMB100.2 million, or 59.8%, of our inventories as of December 31, 2022 had been subsequently utilized.

As at December 31, 2020, 2021 and 2022, 98.6%, 97.0% and 100% of our inventories had age of less than one year, respectively. During the Track Record Period, more than 85% of the inventories with an age of over one year was finished goods. Inventories with an age of over one year decreased from RMB6.0 million as at December 31, 2021 to nil as of December 31, 2022. The decrease of inventories with an age of over one year was primarily due to the disposal of old and excess inventories to optimize our inventory.

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

<u>As at December 31, 2020</u>	<u>0-360 days</u>	<u>Over 360 days</u>	<u>Total</u>
	<i>(RMB in thousands)</i>		
Raw materials and components .....	10,787	—	10,787
Finished goods .....	105,424	1,693	107,117
<b>Total</b> .....	<b>116,211</b>	<b>1,693</b>	<b>117,904</b>
	<i>(RMB in thousands)</i>		
<u>As at December 31, 2021</u>	<u>0-360 days</u>	<u>Over 360 days</u>	<u>Total</u>
Raw materials and components .....	19,289	1,107	20,396
Finished goods .....	173,438	4,929	178,367
<b>Total</b> .....	<b>192,727</b>	<b>6,036</b>	<b>198,763</b>
	<i>(RMB in thousands)</i>		
<u>As at December 31, 2022</u>	<u>0-360 days</u>	<u>Over 360 days</u>	<u>Total</u>
Raw materials and components .....	13,279	—	13,279
Finished goods .....	154,458	—	154,458
<b>Total</b> .....	<b>167,737</b>	<b>—</b>	<b>167,737</b>

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

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### *Accounts receivables*

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

	As at December 31,		
	2020	2021	2022
	(RMB in thousands)		
Accounts receivables .....	183,006	312,659	258,576
Less: credit loss allowances .....	(2,240)	(2,291)	(6,900)
<b>Total</b> .....	<b>180,766</b>	<b>310,368</b>	<b>251,676</b>

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

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

	As at December 31,		
	2020	2021	2022
	(RMB in thousands)		
Up to 3 months .....	157,193	156,064	135,423
3 to 6 months .....	21,874	109,277	48,144
6 to 9 months .....	126	13,407	21,137
9 months to 1 year .....	—	5,309	11,466
Over 1 year .....	3,813	28,602	42,406
<b>Total</b> .....	<b>183,006</b>	<b>312,659</b>	<b>258,576</b>

Accounts receivables turnover days for a given period are equal to the average balances of accounts receivables at the beginning and at the end of the period divided by revenue during the period and multiplied by the number of days during the period. Our accounts receivables turnover days increased from 43 days in 2020 to 55 days in 2021, primarily due to an increase in accounts receivables from our joint membership partners as usually no settlement is required during the cooperation period. Our accounts receivables turnover days decreased from 55 days in 2021 to 46 days in 2022, primarily due to our continued efforts to improve accounts receivable collections. As at February 28, 2023, RMB110.7 million, or 42.8%, of our accounts receivables as at December 31, 2022 had been subsequently settled.

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



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We have assessed the recoverability of the relevant outstanding account receivables. Most of the outstanding account receivables as of December 31, 2022 were aged less than one year. Approximately 49.5% of our trade receivables aged less than one year as of December 31, 2022 were recovered as of February 28, 2023. In light of the life cycle collection history of our accounts receivables, the collection ratio is relatively high if the aging is still within one year. Therefore, we believe the risk of us not being able to recover the relevant account receivables aged less than one year is relatively low based on our evaluation of the historical credit standing, ongoing monitoring and the credit records of these customers.

Moreover, we monitor long aged account receivables closely and update the collection status of account receivables on a regular basis. Among the approximately RMB42.4 million account receivables aged over one year that had not been settled as of December 31, 2022, approximately RMB3.6 million were recovered as at February 28, 2023. As of December 31, 2022, the balance of account receivables aged more than one year primarily consisted of the accounts receivables due from our joint membership partners who sold our membership cards in conjunction with their own membership cards to third-party end customers. We agreed with the joint membership partners to not settle the sales proceeds attributable to the sales of our membership cards during the cooperation period. In June 2022, the cooperation with one of our joint membership partners expired and the corresponding outstanding accounts receivables balance was fully settled.

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

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

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### *Prepayments and other current assets*

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

<i>Group</i>	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Deductible value added taxes .....	6,474	32,613	69,849
Royalty licenses .....	1,627	4,507	9,827
Prepayments for promotion fees .....	10,490	17,010	7,481
Deferred payment channel fees <sup>(1)</sup> .....	9,178	11,682	6,870
Prepayments for [REDACTED] .....	—	[REDACTED]	[REDACTED]
Short-term rental and other deposits .....	2,222	4,763	5,564
Software license fees .....	959	2,588	3,916
Prepayments for products procurement .....	11,588	7,863	3,178
Receivable from Preferred Shares shareholder .....	32,703	—	—
Others .....	2,478	4,058	16,684
<b>Total</b>	<b>77,719</b>	<b>86,819</b>	<b>128,966</b>

*Notes:*

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

Our prepayments and other current assets increased from RMB77.7 million as at December 31, 2020 to RMB86.8 million as at December 31, 2021 and further increased to RMB129.0 million as at December 31, 2022. The increase in prepayments and other current assets from December 31, 2020 to December 31, 2021 was due to an increase in deductible value added taxes which relate to our increased promotional spending and an increase in prepayments for promotion fees as we increased spending on promotional activities, partially offset by a decrease in receivables from shareholders of the company’s preferred shares. The increase in prepayments and other current assets from December 31, 2021 to December 31, 2022 was primarily due to an increase in deductible value-added taxes. As at February 28, 2023, RMB40.9 million, or 31.7%, of our prepayments and other current assets as at December 31, 2022 had been subsequently settled.

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

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

We manage and evaluate the performance of investments on a fair value basis in accordance with our risk management and investment strategy. To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products. Mr. Huang Weibo, the chief financial officer of the Company, has been supervising our investment. Prior to

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

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

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

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

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### *Accounts payables*

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

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

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

Accounts payables turnover days for a given period are equal to the average balances of accounts payables at the beginning and at the end of the period divided by cost of revenue during the period and multiplied by the number of days during the period. Our accounts payables turnover days increased from 32 days in 2020 to 39 days in 2021 and further to 41 days in 2022, primarily due to extended contractual payment period as a result of our increased bargaining power and our continuous efforts to enhance our relationship with our suppliers. As at February 28, 2023, RMB131.6 million, or 85.4%, of our accounts payables as at December 31, 2022 had been subsequently settled.

### *Accrued expenses*

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

	As at December 31,		
	2020	2021	2022
	(RMB in thousands)		
<b>Accrued expenses:</b>			
Accrued payroll related expenses .....	54,982	93,544	136,083
Accrued promotion fees .....	58,126	55,350	46,969
Accrued transportation fees .....	4,892	10,550	33,132
Accrued professional service fees and unpaid issuance cost .....	6,243	21,527	21,913
Accrued office facilities fees .....	1,040	3,275	3,224
Others .....	2,233	2,153	3,216
<b>Total</b> .....	<b>127,516</b>	<b>186,399</b>	<b>244,537</b>

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

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### Non-Current Assets/Liabilities

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

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

#### *Property and equipment*

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

#### *Right-of-use assets*

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

	As at December 31,		
	2020	2021	2022
	(RMB in thousands)		
<b>Right-of-use assets</b>			
Office buildings	84,698	86,158	83,726
Fitness centers	12,466	12,755	6,933
<b>Total</b>	<b>97,164</b>	<b>98,913</b>	<b>90,659</b>

Our right-of-use assets increased from RMB97.2 million as at December 31, 2020 to RMB98.9 million as at December 31, 2021 as we leased additional office space. Our right-of-use assets decreased from RMB98.9 million as at December 31, 2021 to RMB90.7 million as at December 31, 2022, primarily due to the amortization of right-of-use assets.

#### *Lease liabilities*

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

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Our non-current lease liabilities decreased from RMB80.1 million as at December 31, 2020 to RMB72.8 million as at December 31, 2021, and further decreased to RMB59.1 million as at December 31, 2022, as we settled certain rental expenses.

### *Other non-current assets*

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

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

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

Other non-current assets increased from RMB11.5 million as of December 31, 2020 to RMB20.0 million as of December 31, 2021, primarily due to an increase in long-term royalty licenses, naming rights and sponsorship fees as we newly purchased certain royalty licenses with contract periods of more than one year. Other non-current assets further increased to RMB73.8 million as of December 31, 2022, primarily due to an increase in long-term royalty licenses, naming rights and sponsorship fees and an increase in corporate investment.

### *Convertible redeemable preferred shares*

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

## KEY FINANCIAL RATIOS

	For the Year Ended December 31,		
	2020	2021	2022
Total revenue growth (%)	66.9	46.3	36.6
Total gross margin (%)	45.1	41.8	40.7
Net profit/(loss) margin (%)	(202.7)	(179.6)	(4.7)
Adjusted net margin (Non-IFRS measure) (%) <sup>(1)</sup>	(9.6)	(51.0)	(30.2)

*Note:*

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



## FINANCIAL INFORMATION

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from historical equity financing activities. Our cash and cash equivalents primarily consist of cash in hand, deposits held at call with banks, highly liquid investments placed in banks with original maturities of three months or less and cash held at third party payment platform that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. We had cash and cash equivalents of RMB2.3 billion, RMB1.7 billion and RMB1.7 billion as at December 31, 2020, 2021 and 2022, respectively.

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

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

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

We will also adopt comprehensive measures to effectively control our operating expenses, in particular selling and marketing expenses through effective and efficient promotion campaigns and marketing spending. In addition, we expect to enjoy greater economies of scale on our platform as we continue to improve our one-stop, integrate fitness solution to unlock synergies across segments and

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## FINANCIAL INFORMATION

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increase flexibility in managing expenses. We will also enhance working capital management efficiency through continuously building a stable and collaborative relationship with our suppliers and customers and enhance credit management. For example, we have established effective customer credit policies and implemented strengthened credit term review and approval procedures to strengthen the recovering of outstanding receivables.

### **Net Cash Outflow from Operating Activities**

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

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

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

### **Net Cash (outflow)/inflow from Investing Activities**

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

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

Net cash outflow from investing activities in 2020 was RMB447.8 million, primarily due to investments in financial assets at fair value through profit or loss of RMB806.0 million and

## FINANCIAL INFORMATION

investments in short-term time deposits of RMB156.1 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB355.9 million and proceeds from maturity of short-term time deposits and forward contracts of RMB155.9 million.

### Net Cash Inflow/(Outflow) from Financing Activities

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

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

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

## INDEBTEDNESS

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

	As at December 31,			As at
	2020	2021	2022	February 28, 2023
	(RMB in thousands)			(Unaudited)
—Preferred Shares . . . . .	6,918,563	9,201,503	9,401,472	9,597,982
—Borrowings . . . . .	—	87,584	74,524	74,842
—Lease liabilities . . . . .	113,405	113,819	103,623	95,103

### Borrowings

As at December 31, 2020, we did not have any bank borrowings. We recorded borrowings of RMB87.6 million and RMB74.5 million as at December 31, 2021 and 2022, respectively, with a weighted average interest rate for the outstanding borrowings of 4.2% and 3.3%. Borrowings in the amount of RMB87.6 million and RMB61.5 million were secured bank loan as at December 31, 2021 and 2022, respectively. Borrowings in the amount of RMB13.0 million were unsecured bank loan as at December 31, 2022. We recorded borrowings of RMB74.8 million as at February 28, 2023. We did not have any unutilized banking facilities as of December 31, 2020 and 2021. We had RMB17.0 million in unutilized banking facilities as of December 31, 2022.

### Convertible Redeemable Preferred Shares

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

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### Lease Liabilities

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

	As at December 31,			As at
	2020	2021	2022	February 28, 2023
				(Unaudited)
	(RMB in thousands)			
Lease liabilities:				
Current .....	(33,348)	(40,999)	(44,554)	(37,043)
Non-current .....	(80,057)	(72,820)	(59,069)	(58,060)
<b>Total</b> .....	<b>(113,405)</b>	<b>(113,819)</b>	<b>(103,623)</b>	<b>(95,103)</b>

We recorded lease liabilities of RMB113.4 million as at December 31, 2020 and RMB113.8 million as at December 31, 2021, and our lease liabilities decreased from RMB113.8 million as at December 31, 2021 to RMB103.6 million as at December 31, 2022, and further decreased to RMB95.1 million as at February 28, 2023.

### No Other Outstanding Indebtedness

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured as at February 28, 2023.

### CONTINGENT LIABILITIES OR GUARANTEES

As at December 31, 2020, 2021, and 2022, and February 28, 2023, we did not have any material contingent liabilities or guarantees.

### CAPITAL EXPENDITURES

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

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

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

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

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## FINANCIAL INFORMATION

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### CONTRACTUAL OBLIGATIONS

#### Capital Commitments

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

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

### MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

### FINANCIAL RISK DISCLOSURE

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

#### Foreign exchange risk

Foreign exchange risk primarily arises from recognized assets and liabilities denominated in a currency other than the functional currency of our entities. The functional currency for our PRC subsidiaries is RMB. For our Company and certain of our overseas subsidiaries, the functional

## FINANCIAL INFORMATION

currency is USD. We manage the foreign exchange risk by performing regular reviews of our net foreign exchange exposures and control these exposures through entering into foreign exchange forward contracts, when necessary.

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

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

### Currency translation differences

We recorded currency translation gain of RMB269.2 million in 2020, RMB151.0 million in 2021 and translation loss of RMB700.8 million in 2022. Currency translation difference represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the reporting currency of RMB for the financial statements of the Company and the Group. The changes were primarily due to convertible redeemable preferred shares.

### Interest rate risk

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

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

### Credit risk

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

### *Risk management*

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



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## FINANCIAL INFORMATION

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

### *Impairment of financial assets*

#### *Accounts receivables*

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

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

#### *Other receivables included in prepayments and other current assets*

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

#### *Others*

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

### **Liquidity Risk**

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

### **DIVIDEND POLICY**

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends shall be paid only out of the profit for the year determined according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-

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## FINANCIAL INFORMATION

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invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves until the aggregate amount of such fund reaches 50% or more of its registered capital, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. During the Track Record Period, no dividends have been paid or declared by us.

### DISTRIBUTABLE RESERVES

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

### WORKING CAPITAL CONFIRMATION

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

[REDACTED]

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets attributable to owners of our Company prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the [REDACTED] on the audited consolidated tangible assets less liabilities attributable to owners of our Company as of December 31, 2022, as if the [REDACTED] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets attributable to owners of our Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets attributable to owners of our Company, had the [REDACTED] been completed as at December 31, 2022 or at any future dates.

## FINANCIAL INFORMATION

The following unaudited pro forma statement of adjusted consolidated net tangible assets attributable to owners of our Company is prepared based on the audited consolidated tangible assets less liabilities attributable to owners of our Company as at December 31, 2022 as derived from the Consolidated Financial Statements, as set out in Appendix II to this documents, and adjusted as follows:

	Audited consolidated net tangible liabilities of the Group attributable to equity holders of the Company as at December 31, 2022 <i>(Note 1)</i>	[Estimated impact to the net tangible liabilities upon conversion of the Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series C-1 Preferred Shares, Series D Preferred Shares, Series E Preferred Shares, Series F Preferred Shares, and Series F-1 Preferred Shares] <i>(Note 2)</i>	Estimated [REDACTED] from the [REDACTED] <i>(Note 3)</i>	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company as at December 31, 2022	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 4)</i>	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an [REDACTED] of HK\$[REDACTED] per Share . . . . .	(7,519,479)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share . . . . .	(7,519,479)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

- (1) The audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2022 is extracted from the Accountant’s Report set out in Appendix I to this [REDACTED], which is based on the audited consolidated net liabilities of the Group attributable to the equity holders of the Company as at December 31, 2022 of RMB7,510,163,000 with adjustments for the intangible assets as at December 31, 2022 of RMB9,316,000.
- (2) All Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series C-1 Preferred Shares, Series D Preferred Shares, Series E Preferred Shares, Series F Preferred Shares and Series F-1 Preferred Shares (“Series Preferred Shares”) will be automatically converted to Shares upon the [REDACTED]. The Series Preferred Shares were accounted for as a liability to the Company. Accordingly, for the purpose of the unaudited pro forma adjusted net tangible assets, the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the equity holders of the Company will be increased by RMB[REDACTED], being the carrying amount of the Series Preferred Shares as of December 31, 2022.
- (3) The estimated [REDACTED] from the [REDACTED] are based on the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per share, respectively, after deduction of the [REDACTED] fees and other related expenses and takes no account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] or any Shares or any Shares which may be granted, issued or repurchased by the Company pursuant to the general mandates.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] and the conversion of Series Preferred Shares to Shares had been completed on December 31, 2022 but takes no account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] or any Shares which may be granted, issued or repurchased by the Company pursuant to the general mandates.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB[0.8772]. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2022.

### NO MATERIAL ADVERSE CHANGE

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

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

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## **FINANCIAL INFORMATION**

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### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

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

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## FUTURE PLANS AND [REDACTED]

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### FUTURE PLANS

See “Business—Business Strategies” for a detailed description of our future plans.

#### [REDACTED]

We estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] million after deducting the estimated [REDACTED] fees and the estimated [REDACTED] payable by us in the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share (being the [REDACTED] of the [REDACTED] range of between HK\$[REDACTED] and HK\$[REDACTED] per Share) and assuming the [REDACTED] is not exercised, or HK\$[REDACTED] million if the [REDACTED] is exercised in full. We intend to use the [REDACTED] we will receive from this [REDACTED] for the following purposes:

- (a) **Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used over the next three years for research and development to advance our technological capabilities and drive product innovation.** See “Business—Business Strategies—Keep on Investing in Technology Capabilities”.
- Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used to continue to attract, retain and incentivize our research and development talents to support our research and development initiatives and product innovation and enhance the integration of self-branded fitness products with our online fitness content, thereby enabling a more seamless experience. We plan to hire new research and development engineers in the next three years, among which 45% are specialized in artificial intelligence, data analysis and technology infrastructure, 30% are specialized in smart fitness device software and hardware research and development and 25% are specialized in online user experience. We typically require an undergraduate degree in computer science or other related fields and professional proficiency in the specialized areas for new hires, and we expect to offer competitive compensation in the market.
  - Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used to continue to invest in *Keep* smart fitness devices, including conducting continuous research and development and adding new features to our existing offerings, and creating new and innovative products for users with various fitness needs. For example, we plan to continue to integrate our smart fitness devices with real-time motion detection functions to provide a more interactive user experience. In addition, we will focus on the categories of at-home equipment and personal fitness trackers as part of our new product development strategy.
  - Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used to continue to invest in artificial intelligence, data analysis and technology infrastructure to strengthen our technological capabilities and enhance digital connectivity and interaction among platform participants. For example, we plan to continue to enhance our technology on computer vision, sensors, heart rate, voice recognition, among others, to better assess users’ fitness status and athletic level. In addition, we will continue to upgrade our big data platform to effectively process the information on our platform and enhance our data analytic capabilities. At the same time, we will continue to upgrade our bandwidth and our data

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## FUTURE PLANS AND [REDACTED]

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center to support our increasing user base, and purchase and/or rent servers to build multiple clouds to enhance our service stability.

(b) **Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used over the next three years for the development and diversification of our fitness content.** See “Business—Business Strategies—Keep on Innovating and Diversifying Our Content”.

- Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used to continue to invest in our in-house, vertically integrated content development capability by increasing the number of recorded fitness courses and live streaming classes and catering to users’ diversified preferences, thereby further driving user engagement. We plan to continue to invest in in-house fitness content development, fitness moves shooting, in-house instructor recruiting and training, and more interactive features in our fitness content, thereby providing a unique and interactive fitness experience to our users. We plan to create more than 100 fitness courses developed in-house each month in the next three years, covering muscle building, HIIT, yoga, meditation, outdoor running, cycling and rowing, among others.
- Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used to expand our fitness content library and enrich users’ experience through other innovative initiatives, such as introducing virtual coaches and more gamified features into the fitness content. Virtual coaches are computer-generated coaches that can lead dancing and other fitness courses using AI technology, and gamified features are fun interactions to enhance user engagement and experience during workout sessions. See “Business—Our Content Offerings—Our Recorded Fitness Content—Recorded Video Courses” and “Business—Technology, Research and Development—Insights and Artificial Intelligence”. For example, we plan to offer users virtual characters like those in role-playing games whose body profiles reflect user engagement and fitness progress on *Keep*. Users can obtain better body profiles and virtual apparel and gear through joining more workouts, thereby enhancing the fun on *Keep* platform.
- Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used to continue to introduce more specialized content and expand into new fitness categories by cultivating more fitness influencers on our platform and collaborating with more fitness professionals. We plan to further streamline content development process to attract more influencers to enrich our content library. We plan to have thousands of influencers creating fitness courses on *Keep* each month in the next three years and continue to extend our content coverage in ball games, martial arts, dancing and other fitness categories.
- Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used to continue to expand our content offerings by purchasing more valuable and exclusive fitness intellectual properties and acquiring qualified third-party content to build competitive moats and satisfy the evolving needs of our users. We will selectively target fitness content that is professionally produced with a large follower base in niche fitness categories. In addition to purchasing



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## FUTURE PLANS AND [REDACTED]

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more fitness content and obtaining music licenses, we will also collaborate with content providers to create differentiated content for *Keep*.

- (c) **Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used over the next three years for the investment in branding and promotion.** Out of this part of [REDACTED], in terms of marketing channels, we plan to spend approximately [REDACTED]% on social media and short video platforms, [REDACTED]% on long video platforms, [REDACTED]% on third-party e-commerce platforms, and [REDACTED]% on outdoor media and other traditional media channels.
- Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used in user acquisition activities to continue to gain mindshare and attract users across different ages, areas of interest, and locations. See “Business—Business Strategies—Keep on Expanding Our Addressable Market and User Base”.
  - Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be in branding activities used to continue to promote our brand and strengthen its image and influence among users. We will strengthen online branding efforts, including short videos, and sponsor offline activities and public sports facilities. See “Business—Business Strategies—Keep on Increasing Our Brand Value”.
  - Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used in promotional activities to continue to promote our fitness devices and products through placing ads in social media, holding live streaming promotion sessions and collaborating with other brands, among others.
- (d) **Approximately [REDACTED]% of [REDACTED], or approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, is expected to be used for general corporate purposes and working capital needs.**

In the event that the [REDACTED] is set at the maximum [REDACTED] or the minimum [REDACTED] of the indicative [REDACTED] range, the [REDACTED] of the [REDACTED] will increase or decrease to approximately HK\$[REDACTED] million and HK\$[REDACTED] million, respectively. If we make an upward or downward [REDACTED] adjustment to set the final [REDACTED] to be above or below the [REDACTED] of the [REDACTED] range, we will increase or decrease the allocation of the [REDACTED] to the above purposes on a pro rata basis.

The additional [REDACTED] that we would receive if the [REDACTED] were exercised in full would be (i) HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the maximum [REDACTED]), (ii) HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the [REDACTED] of the [REDACTED] range) and (iii) HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the minimum [REDACTED]).

To the extent that the [REDACTED] from the [REDACTED] (including the [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we may adjust our allocation of the [REDACTED] for the above purposes on a pro rata basis.

To the extent that the [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will hold such

## FUTURE PLANS AND [REDACTED]

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funds in short-term deposits with licensed banks and/ or authorized financial institutions (as defined under the Securities and Futures Ordinance) so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries or through loans to our Consolidated Affiliated Entities such that the [REDACTED] of this [REDACTED] can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals or registrations or deny our application within a prescribed period, which are usually less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our [REDACTED] as described above, in each case on a timely basis, or at all. This is because PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the [REDACTED] of this [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries or Consolidated Affiliated Entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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**[REDACTED]**

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**[REDACTED]**

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**[REDACTED]**

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**[REDACTED]**

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[REDACTED]

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[REDACTED]

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**[REDACTED]**

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**[REDACTED]**



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[REDACTED]

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[REDACTED]

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**[REDACTED]**

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**[REDACTED]**

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**[REDACTED]**

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**[REDACTED]**

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**[REDACTED]**

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**[REDACTED]**

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**[REDACTED]**

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**[REDACTED]**

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**[REDACTED]**

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**[REDACTED]**



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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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**[REDACTED]**

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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## STRUCTURE OF THE [REDACTED]

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]



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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

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**HOW TO APPLY FOR [REDACTED]**

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[REDACTED]



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**HOW TO APPLY FOR [REDACTED]**

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[REDACTED]

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**HOW TO APPLY FOR [REDACTED]**

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[REDACTED]

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**HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

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**HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

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**HOW TO APPLY FOR [REDACTED]**

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[REDACTED]

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**HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**



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**HOW TO APPLY FOR [REDACTED]**

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[REDACTED]

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**HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

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## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

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**HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

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**HOW TO APPLY FOR [REDACTED]**

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[REDACTED]

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**HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**



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**HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

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**HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

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**HOW TO APPLY FOR [REDACTED]**

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[REDACTED]

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**HOW TO APPLY FOR [REDACTED]**

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[REDACTED]

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**HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

*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 Joint Sponsors 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 GOLDMAN SACHS (ASIA) L.L.C. 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-82], which comprises the consolidated balance sheets as at December 31, 2020, 2021 and 2022, the company balance sheets as at December 31, 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, 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, 2020, 2021 and 2022 and the consolidated financial position of the Group as at December 31, 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.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**CONSOLIDATED INCOME STATEMENTS**

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

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

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

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**CONSOLIDATED BALANCE SHEETS**

		As at December 31,			
		2020	2021	2022	
Note		RMB'000	RMB'000	RMB'000	
<b>ASSETS</b>					
<b>Non-current assets</b>					
	Property and equipment	15	23,302	31,992	30,603
	Right-of-use assets	16	97,164	98,913	90,659
	Intangible assets	17	6,723	9,219	9,316
	Other non-current assets	18	11,530	20,035	73,763
			<u>138,719</u>	<u>160,159</u>	<u>204,341</u>
<b>Current assets</b>					
	Inventories	23	117,904	198,763	167,737
	Accounts receivables	21	180,766	310,368	251,676
	Prepayments and other current assets	22	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	2,342,713	1,653,517	1,672,217
			<u>3,148,412</u>	<u>2,960,379</u>	<u>2,429,200</u>
	<b>Total assets</b>		<u><b>3,287,131</b></u>	<u><b>3,120,538</b></u>	<u><b>2,633,541</b></u>
<b>DEFICIT IN EQUITY</b>					
<b>Deficit in equity attributable to owners of the Company</b>					
	Share capital	25	42	47	61
	Other reserves	26	365,893	555,142	(89,833)
	Accumulated losses		(4,407,603)	(7,315,840)	(7,420,391)
	Deficit in equity attributable to owners of the Company		(4,041,668)	(6,760,651)	(7,510,163)
	<b>Total deficit in equity</b>		<u><b>(4,041,668)</b></u>	<u><b>(6,760,651)</b></u>	<u><b>(7,510,163)</b></u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
	Lease liabilities	16	80,057	72,820	59,069
	Convertible redeemable preferred shares	34	6,918,563	9,201,503	9,401,472
	Other non-current liability		—	—	16,048
			<u>6,998,620</u>	<u>9,274,323</u>	<u>9,476,589</u>
<b>Current liabilities</b>					
	Accounts payables	30	58,534	141,007	154,095
	Accrued expenses	31	127,516	186,399	244,537
	Other current liabilities	31	30,554	63,918	65,301
	Contract liabilities	32	80,227	86,959	84,104
	Borrowings	33	—	87,584	74,524
	Lease liabilities	16	33,348	40,999	44,554
			<u>330,179</u>	<u>606,866</u>	<u>667,115</u>
	<b>Total liabilities</b>		<u><b>7,328,799</b></u>	<u><b>9,881,189</b></u>	<u><b>10,143,704</b></u>
	<b>Total deficit in equity and liabilities</b>		<u><b>3,287,131</b></u>	<u><b>3,120,538</b></u>	<u><b>2,633,541</b></u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**COMPANY BALANCE SHEETS**

	Note	As at December 31,		
		2020	2021	2022
		RMB’000	RMB’000	RMB’000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investments in subsidiaries .....	12	2,031,248	3,684,383	4,488,868
Intangible assets .....		6,041	5,601	5,749
		<b>2,037,289</b>	<b>3,689,984</b>	<b>4,494,617</b>
<b>Current assets</b>				
Prepayments and other current assets .....	22	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	1,370,066	330,181	74,760
		<b>1,771,488</b>	<b>587,074</b>	<b>220,454</b>
<b>Total assets .....</b>		<b>3,808,777</b>	<b>4,277,058</b>	<b>4,715,071</b>
<b>DEFICIT IN EQUITY AND LIABILITIES</b>				
<b>Deficit in equity attributable to owners of the Company</b>				
Share capital .....	25	42	47	61
Other reserves .....	26	300,584	438,257	48,523
Accumulated losses .....		(3,413,302)	(5,375,404)	(4,755,032)
<b>Total deficit in equity .....</b>		<b>(3,112,676)</b>	<b>(4,937,100)</b>	<b>(4,706,448)</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Convertible redeemable preferred shares .....	34	6,918,563	9,201,503	9,401,472
		<b>6,918,563</b>	<b>9,201,503</b>	<b>9,401,472</b>
<b>Current liabilities</b>				
Accrued expenses .....	31	2,890	10,492	16,426
Other current liabilities .....	31	—	2,163	3,621
		<b>2,890</b>	<b>12,655</b>	<b>20,047</b>
<b>Total liabilities .....</b>		<b>6,921,453</b>	<b>9,214,158</b>	<b>9,421,519</b>
<b>Total deficit in equity and liabilities .....</b>		<b>3,808,777</b>	<b>4,277,058</b>	<b>4,715,071</b>



APPENDIX I

ACCOUNTANT’S REPORT

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
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at January 1, 2020</b>	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)
<b>Other comprehensive income/(loss)</b>						
Fair value change on convertible redeemable preferred shares due to own credit risk	—	86,103	—	86,103	—	86,103
Currency translation differences	—	269,198	—	269,198	—	269,198
<b>Total comprehensive income/(loss) for the year</b>	—	<b>355,301</b>	<b>(2,239,609)</b>	<b>(1,884,308)</b>	<b>(4,141)</b>	<b>(1,888,449)</b>
<b>Transactions with owners in their capacity as owners</b>						
Issuance of ordinary shares	2	(2)	—	—	—	—
Share-based compensation	—	22,423	—	22,423	—	22,423
Transactions with non-controlling interests	—	(29,271)	—	(29,271)	(729)	(30,000)
<b>Total transactions with owners in their capacity as owners</b>	<b>2</b>	<b>(6,850)</b>	<b>—</b>	<b>(6,848)</b>	<b>(729)</b>	<b>(7,577)</b>
<b>Balance at December 31, 2020</b>	<b>42</b>	<b>365,893</b>	<b>(4,407,603)</b>	<b>(4,041,668)</b>	<b>—</b>	<b>(4,041,668)</b>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT IN EQUITY (Continued)

	Note	Attributable to owners of the Company			
		Share capital	Other reserves	Accumulated losses	
		RMB'000	RMB'000	RMB'000	
<b>Balance at January 1, 2021</b>		42	365,893	(4,407,603)	(4,041,668)
Loss for the year		—	—	(2,908,237)	(2,908,237)
<b>Other comprehensive income/(loss)</b>					
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
<b>Total comprehensive income/(loss) for the year</b>		—	<b>53,749</b>	<b>(2,908,237)</b>	<b>(2,854,488)</b>
<b>Transactions with owners in their capacity as owners</b>					
Issuance of ordinary shares		5	(5)	—	—
Share-based compensation	29	—	135,505	—	135,505
<b>Total transactions with owners in their capacity as owners</b>		<b>5</b>	<b>135,500</b>	<b>—</b>	<b>135,505</b>
<b>Balance at December 31, 2021</b>		<b>47</b>	<b>555,142</b>	<b>(7,315,840)</b>	<b>(6,760,651)</b>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT IN EQUITY (Continued)

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

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

		Year ended December 31,		
		2020	2021	2022
	Note	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>				
Cash used in operations	35	(70,822)	(868,502)	(454,980)
Income tax paid		—	—	(1,003)
<b>Net cash outflow from operating activities</b>		<u>(70,822)</u>	<u>(868,502)</u>	<u>(455,983)</u>
<b>Cash flows from investing activities</b>				
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	355,904	1,322,277	487,827
Investments in short-term time deposits		(156,101)	(975,215)	(236,287)
Proceeds from maturity of short-term time deposits and forward contracts		155,883	516,472	595,209
Purchase of property and equipment		(6,443)	(19,887)	(13,201)
Purchase of intangible assets		(770)	(4,743)	(6,455)
Interest income received		5,325	12,349	28,589
Payment for long-term naming rights and sponsorship fees		—	—	(16,048)
Proceeds from disposal of property and equipment		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
<b>Net cash (outflow)/inflow from investing activities</b>		<u>(447,757)</u>	<u>(296,803)</u>	<u>459,691</u>
<b>Cash flows from financing activities</b>				
Proceeds from bank borrowings		—	87,472	74,476
Repayment of borrowings		—	—	(87,472)
Bank borrowings interests paid		—	(2,181)	(2,312)
Proceeds from issuance of convertible redeemable preferred shares		2,382,202	478,869	—
Transactions cost on issuance of convertible redeemable preferred shares		(11,069)	(3,052)	—
<b>[REDACTED]</b>		—	<b>[REDACTED]</b>	<b>[REDACTED]</b>
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	(33,292)	(43,364)	(45,767)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>2,307,841</u>	<u><b>[REDACTED]</b></u>	<u><b>[REDACTED]</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,789,262	(667,977)	(63,122)
Cash and cash equivalents at the beginning of the year	24	563,914	2,342,713	1,653,517
Effects of exchange rate changes on cash and cash equivalents		(10,463)	(21,219)	81,822
<b>Cash and cash equivalents at the end of the year</b>	24	<u><u>2,342,713</u></u>	<u><u><b>[REDACTED]</b></u></u>	<u><u><b>[REDACTED]</b></u></u>
<b>Non-cash financing and investing activities</b>				
Receivables from convertible redeemable preferred shares shareholders		32,703	—	—
Prepayments for property, equipment and intangible assets		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 Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands.

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

Mr. Ning Wang is 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, 2020, 2021 and 2022, the Group was in a net liability position of 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

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**2 Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

funding. Historically, the Group has relied principally on both operational 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, 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, 2023, 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, 2023, 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, 2020, 2021 and 2022 are listed in below table:

Loss before income tax	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Increase 5% .....	13,075	4,912	204
Decrease 5% .....	(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, 2020, 2021 and 2022 were determined as follows:

	As at December 31,		
	2020	2021	2022
	RMB	RMB	RMB
	in thousands, except for percentages		
Expected loss rate . . . . .	1.22%	0.73%	2.67%
Gross carrying amount . . . . .	183,006	312,659	258,576
Loss allowance provision . . . . .	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, 2020, 2021 and 2022 were 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, 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.

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total contractual cash flows</u>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>As at December 31, 2020</b>					
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
<b>Total . . . . .</b>	<b><u>182,954</u></b>	<b><u>32,526</u></b>	<b><u>53,188</u></b>	<b><u>—</u></b>	<b><u>268,668</u></b>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**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
<b>As at December 31, 2021</b>					
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
<b>Total</b>	<b>392,758</b>	<b>44,912</b>	<b>30,295</b>	<b>—</b>	<b>467,965</b>
<b>As at December 31, 2022</b>					
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
<b>Total</b>	<b>418,219</b>	<b>34,873</b>	<b>25,871</b>	<b>—</b>	<b>478,963</b>

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.

**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);

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

- (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, 2020:

	<u>Level 1</u> <u>RMB’000</u>	<u>Level 2</u> <u>RMB’000</u>	<u>Level 3</u> <u>RMB’000</u>	<u>Total</u> <u>RMB’000</u>
<b>Assets</b>				
Financial assets at fair value through profit or loss				
—Wealth management products	—	429,310	—	429,310
<b>Total</b>	<u>—</u>	<u>429,310</u>	<u>—</u>	<u>429,310</u>
<b>Liabilities</b>				
Preferred Shares	—	—	6,918,563	6,918,563
<b>Total</b>	<u>—</u>	<u>—</u>	<u>6,918,563</u>	<u>6,918,563</u>

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

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

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
<b>Assets</b>				
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
<b>Total</b>	<u>—</u>	<u>139,864</u>	<u>15,000</u>	<u>154,864</u>
<b>Liabilities</b>				
Preferred Shares	—	—	9,401,472	9,401,472
<b>Total</b>	<u>—</u>	<u>—</u>	<u>9,401,472</u>	<u>9,401,472</u>

(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.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**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, 2020 and 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, 2020**

<u>Description</u>	<u>Key assumptions</u>	<u>Range of key assumptions</u>	<u>Relationship of key assumptions to fair value</u>
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**

<u>Description</u>	<u>Key assumptions</u>	<u>Range of key assumptions</u>	<u>Relationship of key assumptions to fair value</u>
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

**At December 31, 2022**

<u>Description</u>	<u>Key assumptions</u>	<u>Range of key assumptions</u>	<u>Relationship of key assumptions to fair value</u>
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

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)

As at December 31, 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, 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

**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, 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, 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 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



**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**4 Critical estimates and judgments (continued)**

**4.2 *Estimation of the fair value of financial liabilities (continued)***

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.

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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

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, 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, 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.

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

	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)
<b>Gross profit .....</b>	<b>230,903</b>	<b>218,889</b>	<b>49,635</b>	<b>499,427</b>
	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)
<b>Gross profit .....</b>	<b>243,305</b>	<b>324,483</b>	<b>108,840</b>	<b>676,628</b>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**5 Segment information (continued)**

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

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, 2020, 2021 and 2022, substantially all of the non-current assets of the Group were located in the PRC.

**6 Revenues**

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

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Self-branded fitness products .....	636,709	872,452	1,136,971
Membership and online paid content .....	338,024	557,581	894,167
Advertising and others .....	132,044	189,505	180,413
<b>Total</b>	<b>1,106,777</b>	<b>1,619,538</b>	<b>2,211,551</b>

Timing of revenue recognition is as follows:

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognized at a point in time .....	672,332	942,559	1,200,022
Revenue recognized over time .....	434,445	676,979	1,011,529
<b>Total</b>	<b>1,106,777</b>	<b>1,619,538</b>	<b>2,211,551</b>

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

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Customer A</b> .....	<b>5.8%</b>	<b>10.1%</b>	<b>6.4%</b>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**6 Revenues (continued)**

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, 2020, 2021 and 2022.

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

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**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,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cost of self-branded fitness products sold	395,244	612,682	790,571
Cost of virtual sports events	11,512	33,049	163,674
Channel fees paid to third-party application stores and other payment channels	69,312	101,517	91,064
Content related cost	12,155	33,964	64,613
Employee benefit expenses	32,737	61,455	58,918
Advertising production cost	35,687	32,258	32,857
Outsourcing and other labor costs	6,002	10,668	15,145
Taxes and surcharges	3,870	5,319	11,411
Other cost of revenues	40,831	51,998	82,918
<b>Total</b>	<b>607,350</b>	<b>942,910</b>	<b>1,311,171</b>

**8 Other income**

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Government grants	4,195	3,012	1,815
Value-added tax deduction	—	1,246	4,694
<b>Total</b>	<b>4,195</b>	<b>4,258</b>	<b>6,509</b>

**9 Other gains/(losses), net**

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Net losses on disposal of property and equipment	(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 (losses)/gains	(156)	399	(582)
Donations	(623)	(318)	(164)
Gains on lease modifications (Note 16)	247	—	—
Others	445	101	1,543
<b>Total</b>	<b>(984)</b>	<b>8,981</b>	<b>(65,375)</b>

**10 Employee benefit expenses**

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	203,425	372,419	535,130
Share-based compensation expenses	18,694	114,680	94,703
Other social security costs, housing benefits and other employee benefits	32,071	93,464	136,994
<b>Total</b>	<b>254,190</b>	<b>580,563</b>	<b>766,827</b>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**10 Employee benefit expenses (continued)**

**(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, 2020, 2021 and 2022 was a director of the Group. The emoluments payable to the remaining 4, 4 and 4 individuals for the years ended December 31, 2020, 2021 and 2022 are as follows:

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Wages, salaries and bonuses . . . . .	5,571	7,682	7,477
Share-based compensation expenses . . . . .	12,322	63,176	39,935
Other social security costs, housing benefits and other employee benefits . . . . .	295	497	534
<b>Total</b> . . . . .	<b>18,188</b>	<b>71,355</b>	<b>47,946</b>

The emoluments fell within the following bands:

	Year ended December 31,		
	2020	2021	2022
HK\$1,000,001 to HK\$10,000,000 . . . . .	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	—
<b>Total</b> . . . . .	<b>4</b>	<b>4</b>	<b>4</b>

**(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, 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) . . . . .	—	—	—	—
<b>Total</b> . . . . .	<b>4,459</b>	<b>395</b>	<b>222</b>	<b>5,076</b>

APPENDIX I

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10 Employee benefit expenses (continued)

(c) Benefits and interests of directors (continued)

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.

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
<b>Total</b>	<b>5,337</b>	<b>9,052</b>	<b>390</b>	<b>14,779</b>

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
<b>Total</b>	<b>6,001</b>	<b>11,389</b>	<b>395</b>	<b>17,785</b>

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.



**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**10 Employee benefit expenses (continued)**

**(c) Benefits and interests of directors (continued)**

*(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.

*(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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
<b>Finance income:</b>			
Interest income from bank deposits . . . . .	5,325	13,828	27,536
<b>Finance expenses:</b>			
Interest expenses from lease (Note 16) . . . . .	(5,769)	(5,484)	(4,657)
Interest expenses from borrowings . . . . .	—	(2,293)	(2,248)
Interest expenses from other liability . . . . .	—	—	(408)
<b>Total</b> . . . . .	<u>(444)</u>	<u>6,051</u>	<u>20,223</u>

APPENDIX I

ACCOUNTANT’S REPORT

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		Principal activities	Note
				As at December 31, 2020	2022		
<b>Subsidiaries</b>							
<b>Directly held:</b>							
Calorie Technology HK Company Limited . . . . .	Hong Kong, limited liability company	May 7, 2015	USD 0.21	100%	100%	Investment holding and investment	c
Keep Sports PTE. Ltd. . . . .	Singapore, limited liability company	August 25, 2021	Nil	N/A	100%	Sales of self-branded fitness products	d
Keep Technology PTE. Ltd. . . . .	Singapore, limited liability company	August 25, 2021	Nil	N/A	100%	Dormant	d
<b>Indirectly held:</b>							
Beijing Calorie Information Technology Co., Ltd. . . . .	Beijing, China, limited liability company	July 7, 2015	USD360,000,000	100%	100%	Development of software	b
Shanghai Leranka Information Technology Co., Ltd. . . . .	Shanghai, China, limited liability company	May 27, 2021	Nil	N/A	100%	Investment	f
Beijing Calorie Blue Technology Co., Ltd. . . . .	Beijing, China, limited liability company	August 25, 2021	Nil	N/A	100%	Provision of other services	f
Beijing Calorie Blue Sports Management Co., Ltd. . . . .	Beijing, China, limited liability company	September 7, 2021	Nil	N/A	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	Provision of other services	g
Hainan Calorie Red Technology Co., Ltd. . . . .	Hainan, China, limited liability company	October 27, 2021	Nil	N/A	100%	Production of online contents	e

APPENDIX I

ACCOUNTANT’S REPORT

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			Note	
				As at December 31,		Principal activities		
				2020	2021			2022
Hangzhou Calorie Sports Co., Ltd. . . . . .	Hangzhou, China, limited liability company	November 5, 2021	Nil	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	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	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	100%	Investment	g
<b>Structured entities:</b>								
Beijing Calorie Technology Co., Ltd.	Beijing, China, limited liability company	September 26, 2014	RMB2,439,024	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%	Development of self-branded fitness products	a,b
Beijing Calorie Sports Co., Ltd. . . . . .	Beijing, China, limited liability company	November 7, 2017	RMB1,000,000	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%	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%	Provision of other services	a,b
Suqian Calorie Technology Co., Ltd. . . . . .	Jiangsu, China, limited liability	January 21, 2019	N/A	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, 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, 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, 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, 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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Loss before income tax	(2,243,750)	(2,908,237)	(103,548)
Tax calculated at applicable tax rate of 25%	560,938	727,059	25,887
Tax effects of:			
—Effect of different tax rates in other jurisdictions	(528,942)	(490,427)	148,112
—Effect of preferential income tax rates of certain subsidiary	(12,787)	(93,937)	(31,025)
—Tax losses and temporary deductible timing differences for which no deferred tax assets was recognised	(21,288)	(133,982)	(150,107)
—Expenses not deductible for income tax purposes	(10,048)	(26,386)	(25,648)
—Super deduction for research and development expenses	12,127	17,673	32,781
—Withholding tax of royalty fee (Note a)	—	—	(1,003)
	—	—	<b>(1,003)</b>

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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
<b>Tax losses and timing difference</b>			
—Deductible temporary differences	280,451	665,277	706,308
—Deductible cumulative tax losses (Note a)	830,151	1,337,612	2,035,548
	<b>1,110,602</b>	<b>2,002,889</b>	<b>2,741,856</b>
<b>Unrecognised deferred tax assets:</b>	<b>172,551</b>	<b>306,533</b>	<b>456,640</b>

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, 2020, 2021 and 2022 has been retrospectively adjusted.

(a) Basic loss per share

Basic loss per share for the years ended December 31, 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.



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**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**14 Loss per share (continued)**

*(a) Basic loss per share (continued)*

	Year ended December 31,		
	2020	2021	2022
Net loss attributable to owners of the Company (RMB’000) . . . . .	(2,239,609)	(2,908,237)	(104,551)
Weighted average number of ordinary shares in issue (thousand shares) . . .	135,217	137,175	138,363
<b>Basic loss per share (expressed in RMB per share) . . . . .</b>	<b><u>(16.56)</u></b>	<b><u>(21.20)</u></b>	<b><u>(0.76)</u></b>

*(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, 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, 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, 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, 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					
<b>At January 1, 2020</b> . . . . .	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)	—
<b>At December 31, 2020</b> . . . . .	<b><u>46,286</u></b>	<b><u>12,765</u></b>	<b><u>5,297</u></b>	<b><u>—</u></b>	<b><u>64,348</u></b>
Accumulated depreciation					
<b>At January 1, 2020</b> . . . . .	(22,747)	(4,879)	(1,268)	—	(28,894)
Additions . . . . .	(8,964)	(3,607)	(1,089)	—	(13,660)
Disposal . . . . .	—	1,238	270	—	1,508
<b>At December 31, 2020</b> . . . . .	<b><u>(31,711)</u></b>	<b><u>(7,248)</u></b>	<b><u>(2,087)</u></b>	<b><u>—</u></b>	<b><u>(41,046)</u></b>
Net carrying amount					
<b>At January 1, 2020</b> . . . . .	<b><u>19,795</u></b>	<b><u>7,207</u></b>	<b><u>4,665</u></b>	<b><u>—</u></b>	<b><u>31,667</u></b>
<b>At December 31, 2020</b> . . . . .	<b><u>14,575</u></b>	<b><u>5,517</u></b>	<b><u>3,210</u></b>	<b><u>—</u></b>	<b><u>23,302</u></b>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**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					
<b>At January 1, 2021</b> .....	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)	—
<b>At December 31, 2021</b> .....	<u>53,681</u>	<u>24,040</u>	<u>6,184</u>	<u>—</u>	<u>83,905</u>
Accumulated depreciation					
<b>At January 1, 2021</b> .....	(31,711)	(7,248)	(2,087)	—	(41,046)
Additions .....	(6,748)	(5,086)	(1,031)	—	(12,865)
Disposal .....	—	1,642	356	—	1,998
<b>At December 31, 2021</b> .....	<u>(38,459)</u>	<u>(10,692)</u>	<u>(2,762)</u>	<u>—</u>	<u>(51,913)</u>
Net carrying amount					
<b>At January 1, 2021</b> .....	<u>14,575</u>	<u>5,517</u>	<u>3,210</u>	<u>—</u>	<u>23,302</u>
<b>At December 31, 2021</b> .....	<u>15,222</u>	<u>13,348</u>	<u>3,422</u>	<u>—</u>	<u>31,992</u>
	Leasehold improvements	Electronic equipment	Office and fitness equipment	Assets under construction	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Cost					
<b>At January 1, 2022</b> .....	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)	—
<b>At December 31, 2022</b> .....	<u>58,075</u>	<u>28,592</u>	<u>9,325</u>	<u>—</u>	<u>95,992</u>
Accumulated depreciation					
<b>At January 1, 2022</b> .....	(38,459)	(10,692)	(2,762)	—	(51,913)
Additions .....	(6,751)	(6,330)	(1,441)	—	(14,522)
Disposal .....	—	868	178	—	1,046
<b>At December 31, 2022</b> .....	<u>(45,210)</u>	<u>(16,154)</u>	<u>(4,025)</u>	<u>—</u>	<u>(65,389)</u>
Net carrying amount					
<b>At January 1, 2022</b> .....	<u>15,222</u>	<u>13,348</u>	<u>3,422</u>	<u>—</u>	<u>31,992</u>
<b>At December 31, 2022</b> .....	<u>12,865</u>	<u>12,438</u>	<u>5,300</u>	<u>—</u>	<u>30,603</u>

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

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Research and development expenses .....	2,492	3,657	5,739
Cost of revenues .....	8,260	5,691	3,708
Selling and marketing expenses .....	1,489	1,702	2,558
Administrative expenses .....	1,419	1,815	2,517
	<u>13,660</u>	<u>12,865</u>	<u>14,522</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**16 Leases**

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

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
<b>Right-of-use assets</b>			
Office buildings .....	84,698	86,158	83,726
Fitness centers .....	12,466	12,755	6,933
<b>Total</b> .....	<b>97,164</b>	<b>98,913</b>	<b>90,659</b>

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
<b>Lease liabilities</b>			
Current .....	(33,348)	(40,999)	(44,554)
Non-current .....	(80,057)	(72,820)	(59,069)
<b>Total</b> .....	<b>(113,405)</b>	<b>(113,819)</b>	<b>(103,623)</b>

Additions to the right-of-use assets for the years ended December 31, 2020, 2021 and 2022 were 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, 2020, 2021 and 2022 were RMB1,692,000, RMB1,387,000 and nil, respectively.

*(b) Items recognised in the consolidated income statements:*

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Depreciation of right-of-use assets			
—Office buildings .....	22,544	28,327	32,892
—Fitness centers .....	8,712	8,391	7,116
Gains on lease modification (Note 9) .....	(247)	—	—
Losses on breach of lease contracts .....	729	—	297
Covid-19-related rent concessions from lessors .....	(1,586)	—	(840)
Interest expense (included in finance expenses) (Note 11) .....	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) .....	11	2,751	3,914
<b>Total</b> .....	<b>35,932</b>	<b>44,953</b>	<b>48,036</b>

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**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**16 Leases (continued)**

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

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

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Principal elements of lease payments .....	27,523	37,880	41,110
Related interest paid .....	5,769	5,484	4,657
<b>Total .....</b>	<b>33,292</b>	<b>43,364</b>	<b>45,767</b>

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

**17 Intangible assets**

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

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

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**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**17 Intangible assets (continued)**

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

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

	<u>Year ended December 31,</u>		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
	RMB’000	RMB’000	RMB’000
Research and development expenses .....	138	584	1,149
Administrative expenses .....	358	704	778
Selling and marketing expenses .....	172	819	524
<b>Total</b> .....	<u>668</u>	<u>2,107</u>	<u>2,451</u>

**18 Other non-current assets**

	<u>As at December 31,</u>		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
	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 .....	11,318	13,067	13,437
Prepayments for property, equipment and intangible assets .....	212	64	3,544
<b>Total</b> .....	<u>11,530</u>	<u>20,035</u>	<u>73,763</u>

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.

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**ACCOUNTANT’S REPORT**

**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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
RMB .....	11,530	13,817	70,453
USD .....	—	6,218	3,310
<b>Total</b> .....	<b>11,530</b>	<b>20,035</b>	<b>73,763</b>

**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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
<b>Assets as per consolidated balance sheets</b>			
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 .....	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) .....	34,925	4,763	5,564
—Deposits on lease (included in other non-current assets) .....	11,318	13,067	13,437
—Short-term time deposits .....	—	454,963	68,740
—Cash and cash equivalents .....	2,342,713	1,653,517	1,672,217
<b>Total</b> .....	<b>2,999,032</b>	<b>2,692,627</b>	<b>2,166,498</b>

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

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.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**20 Financial assets at fair value through profit or loss**

<i>Group</i>	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Current assets			
—Wealth management products	429,310	255,029	139,864
—Foreign currency forward contracts	—	920	—
<b>Total</b>	<b>429,310</b>	<b>255,949</b>	<b>139,864</b>

<i>Company</i>	As at December 31,		
	2020	2021	2022
	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:

<i>Group</i>	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
At the beginning of the year	—	429,310	255,949
Additions	806,036	1,148,240	365,201
Disposal	(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	(20,910)	(8,150)	5,377
<b>At the end of the year</b>	<b>429,310</b>	<b>255,949</b>	<b>139,864</b>

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

**21 Accounts receivables**

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

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Accounts receivables	183,006	312,659	258,576
Less: credit loss allowances	(2,240)	(2,291)	(6,900)
<b>Total</b>	<b>180,766</b>	<b>310,368</b>	<b>251,676</b>



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**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**21 Accounts receivables (continued)**

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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Up to 3 months	157,193	156,064	135,423
3 to 6 months	21,874	109,277	48,144
6 to 9 months	126	13,407	21,137
9 months to 1 year	—	5,309	11,466
Over 1 year	3,813	28,602	42,406
<b>Total</b>	<b>183,006</b>	<b>312,659</b>	<b>258,576</b>

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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
At the beginning of the year	(953)	(2,240)	(2,291)
Additional provision	(1,287)	(1,258)	(7,293)
Receivables written off as uncollectable	—	1,207	2,684
<b>At the end of the year</b>	<b>(2,240)</b>	<b>(2,291)</b>	<b>(6,900)</b>

**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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Deductible value added taxes	6,474	32,613	69,849
Royalty licenses	1,627	4,507	9,827
Prepayments for promotion fees	10,490	17,010	7,481
Deferred payment channel fees (Note a)	9,178	11,682	6,870
Prepayments for [REDACTED]	—	[REDACTED]	[REDACTED]
Short-term rental and other deposits	2,222	4,763	5,564
Software license fees	959	2,588	3,916
Prepayments for products procurement	11,588	7,863	3,178
Receivable from Preferred Shares shareholder	32,703	—	—
Others	2,478	4,058	16,684
<b>Total</b>	<b>77,719</b>	<b>86,819</b>	<b>128,966</b>

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

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ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

22 Prepayments and other current assets (continued)

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:

<i>Group</i>	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
RMB .....	44,956	84,289	123,136
USD .....	32,763	2,530	5,830
<b>Total</b> .....	<b>77,719</b>	<b>86,819</b>	<b>128,966</b>

<i>Company</i>	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Prepayments for [REDACTED] .....	—	[REDACTED]	[REDACTED]
Receivable from Preferred Shares shareholder .....	32,703	—	—
Others .....	60	129	233
<b>Total</b> .....	<b>32,763</b>	<b>1,864</b>	<b>5,830</b>

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

USD .....	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
	<b>32,763</b>	<b>1,864</b>	<b>5,830</b>

23 Inventories

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Raw materials .....	1,188	123	716
Components .....	9,599	20,273	12,563
Finished goods .....	113,527	186,378	168,695
	124,314	206,774	181,974
Less: provision for impairment (Note a) .....	(6,410)	(8,011)	(14,237)
<b>Total</b> .....	<b>117,904</b>	<b>198,763</b>	<b>167,737</b>

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 RMB2,540,000, RMB1,601,000 and RMB6,226,000 for the years ended December 31, 2020, 2021 and 2022, respectively.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**23 Inventories (continued)**

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

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
At the beginning of the year	(3,870)	(6,410)	(8,011)
Provision for impairment	(2,540)	(1,601)	(6,226)
<b>At the end of the year</b>	<b>(6,410)</b>	<b>(8,011)</b>	<b>(14,237)</b>

Inventories recognised as cost of revenues during the years ended December 31, 2020, 2021 and 2022 amounted to 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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Cash at bank and in hand	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	13,804	21,894	13,534
<b>Total</b>	<b>2,342,713</b>	<b>1,653,517</b>	<b>1,672,217</b>

Cash and cash equivalents are denominated in the following currencies:

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
RMB	709,498	555,079	1,357,777
USD	1,633,215	1,098,438	314,162
SGD	—	—	278
<b>Total</b>	<b>2,342,713</b>	<b>1,653,517</b>	<b>1,672,217</b>

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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Cash at bank and in hand	65,086	84,314	12,079
Time deposits with initial terms within three months	1,304,980	245,867	62,681
<b>Total</b>	<b>1,370,066</b>	<b>330,181</b>	<b>74,760</b>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**24 Cash and bank balances (continued)**

**(a) Cash and cash equivalents (continued)**

Cash and cash equivalents are denominated in the following currencies:

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
USD .....	1,370,066	330,179	74,468
RMB .....	—	2	292
<b>Total</b> .....	<b>1,370,066</b>	<b>330,181</b>	<b>74,760</b>

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,		
	2020	2021	2022
	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
	—	<b>454,963</b>	<b>68,740</b>

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.

**25 Share capital**

**Authorised**

	Number of ordinary shares	Nominal value of ordinary shares
	'000	USD'000
<b>At January 1, 2020</b> .....	39,346	39
Issuance of Series E Preferred Shares .....	(173)	—
Issuance of Series F Preferred Shares .....	(4,331)	(4)
<b>At December 31, 2020</b> .....	<b>34,842</b>	<b>35</b>
Split of shares .....	661,993	—
Repurchase of Series E Preferred Shares .....	828	—
Issuance of Series F-1 Preferred Shares .....	(13,498)	(1)
<b>At December 31, 2021 and 2022</b> .....	<b>684,165</b>	<b>34</b>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**25 Share capital (continued)**

*Issued*

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

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.

**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 <u>RMB'000</u>	Capital reserve <u>RMB'000</u>	Share-based compensation <u>RMB'000</u>	Currency translation differences <u>RMB'000</u>	Others <u>RMB'000</u>	Total <u>RMB'000</u>
<b>As at January 1, 2020</b> .....	—	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
<b>As at December 31, 2020</b> .....	<u>(1)</u>	<u>29,585</u>	<u>62,107</u>	<u>176,332</u>	<u>97,870</u>	<u>365,893</u>
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)
<b>As at December 31, 2021</b> .....	<u>(5)</u>	<u>29,584</u>	<u>197,612</u>	<u>327,323</u>	<u>628</u>	<u>555,142</u>

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ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

26 Other reserves (continued)

<i>Group</i>	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)
<b>As at December 31, 2022</b>	<b>(19)</b>	<b>29,584</b>	<b>300,225</b>	<b>(373,521)</b>	<b>(46,102)</b>	<b>(89,833)</b>

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”.

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”.

<i>Company</i>	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, 2020	—	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
<b>As at December 31, 2020</b>	<b>(1)</b>	<b>2,924</b>	<b>62,107</b>	<b>137,684</b>	<b>97,870</b>	<b>300,584</b>
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)
<b>As at December 31, 2021</b>	<b>(5)</b>	<b>2,923</b>	<b>197,612</b>	<b>237,099</b>	<b>628</b>	<b>438,257</b>
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)
<b>As at December 31, 2022</b>	<b>(19)</b>	<b>2,923</b>	<b>300,225</b>	<b>(208,504)</b>	<b>(46,102)</b>	<b>48,523</b>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**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.

	<u>Year ended December 31, 2020</u>
	<u>RMB’000</u>
Total carrying amount of non-controlling interests acquired .....	(729)
Less: total consideration paid to non-controlling interests .....	<u>(30,000)</u>
<b>Total difference recognised within equity .....</b>	<b><u>29,271</u></b>

**28 Dividends**

No dividends have been paid or declared by the Company during each of the years ended December 31, 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 cancellation 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, 2020, 2021 and 2022 was as follow (after taking into consideration of share split):

	<u>Number of restricted shares</u>
<b>Unvested as at January 1, 2020 .....</b>	<u>—</u>
Modified from options to restricted shares .....	2,500,000
Vested .....	<u>(1,250,000)</u>
<b>Unvested as at December 31, 2020 .....</b>	<b><u>1,250,000</u></b>
Vested .....	<u>(1,250,000)</u>
<b>Unvested as at December 31, 2021 and December 31, 2022 .....</b>	<b><u>—</u></b>

**(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):

	<u>Number of share options</u>	<u>Weighted average exercise price per share option(USD)</u>
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 .....	<u>24,270,500</u>	<u>0.91</u>
Exercisable as at December 31, 2020 .....	<u>8,810,000</u>	<u>0.14</u>
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 .....	<u>38,612,500</u>	<u>1.21</u>
Exercisable as at December 31, 2021 .....	<u>10,050,000</u>	<u>0.19</u>
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 .....	<u>40,154,825</u>	<u>1.29</u>
Exercisable as at December 31, 2022 .....	<u>10,050,000</u>	<u>0.19</u>

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 6.67 years, 7.10 years and 6.32 years as at December 31, 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.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Fair value per share (USD) .....	1.45-2.75	3.82~4.97	3.78~4.09
Risk-free interest rates .....	0.47%~0.65%	1.51%~1.74%	2.32%~3.84%
Dividend yield .....	0%	0%	0%
Expected volatility .....	52.1%~53.4%	50.4%~53.6%	53.2%~54.3%
Expected terms .....	10 years	10 years	10 years

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

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Administrative expenses .....	15,600	88,307	68,230
Research and development expenses .....	3,446	28,106	21,279
Selling and marketing expenses .....	1,552	11,953	11,091
Cost of revenues .....	1,825	7,139	1,691
Fulfillment expenses .....	—	—	322
<b>Total</b> .....	<b>22,423</b>	<b>135,505</b>	<b>102,613</b>

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Share-based compensation expenses			
Related to founder’s restricted shares .....	8,735	1,669	—
Related to share options .....	13,688	133,836	102,613
<b>Total</b> .....	<b>22,423</b>	<b>135,505</b>	<b>102,613</b>

**30 Accounts payables**

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

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
<b>Up to 3 months</b> .....	<b>58,534</b>	<b>141,007</b>	<b>154,095</b>

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

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Accrued payroll related expenses .....	54,982	93,544	136,083
Accrued promotion fees .....	58,126	55,350	46,969
Accrued transportation fees .....	4,892	10,550	33,132
Accrued professional service fees and unpaid issuance cost .....	6,243	21,527	21,913
Accrued office facilities fees .....	1,040	3,275	3,224
Others .....	2,233	2,153	3,216
<b>Total</b> .....	<b>127,516</b>	<b>186,399</b>	<b>244,537</b>

*Company*

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Accrued professional service fees and unpaid issuance cost .....	<b>2,890</b>	<b>10,492</b>	<b>16,426</b>

Accrued expenses are denominated in the following currencies:

*Group*

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
RMB .....	124,626	175,907	228,111
USD .....	2,890	10,492	16,426
<b>Total</b> .....	<b>127,516</b>	<b>186,399</b>	<b>244,537</b>

*(b) Other current liabilities*

*Group*

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Tax payables .....	15,351	37,908	32,486
Deposits .....	4,461	5,459	11,643
Payable to joint strategic partners .....	6,984	7,884	7,467
Payable to shareholder for share repurchase (Note 37) .....	—	2,163	—
Others .....	3,758	10,504	13,705
<b>Total</b> .....	<b>30,554</b>	<b>63,918</b>	<b>65,301</b>

*Company*

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Amount due to subsidiaries .....	—	—	3,621
Payable to shareholder for share repurchase (Note 37) .....	—	2,163	—
<b>Total</b> .....	<b>—</b>	<b>2,163</b>	<b>3,621</b>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
RMB .....	30,554	61,754	65,196
USD .....	—	2,164	105
<b>Total</b> .....	<b>30,554</b>	<b>63,918</b>	<b>65,301</b>

**32 Contract liabilities**

The breakdown of contract liabilities are as follows:

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Contract liabilities from membership and online paid content service .....	70,485	76,017	72,933
Contract liabilities from advertising and others service .....	7,918	10,195	6,922
Contract liabilities from self-branded fitness products sales .....	1,824	747	4,249
<b>Total</b> .....	<b>80,227</b>	<b>86,959</b>	<b>84,104</b>

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, 2020, 2021 and 2022 in each year of 2020, 2021 and 2022 was RMB38,918,000, RMB80,227,000 and RMB86,959,000, respectively.

**33 Borrowings**

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Bank loan—secured .....	—	87,584	61,521
Bank loan—unsecured .....	—	—	13,003
<b>Total</b> .....	<b>—</b>	<b>87,584</b>	<b>74,524</b>

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
			<b>316,662,947</b>	<b>647,863</b>	<b>4,264,721</b>

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 5<sup>th</sup> 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
<b>At January 1, 2020</b> .....	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)
<b>At December 31, 2020</b> .....	<b>6,918,563</b>
Total unrealised losses and change in fair value for the year included in fair value changes of convertible redeemable preferred shares .....	<b>2,114,943</b>
<b>At January 1, 2021</b> .....	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)
<b>At December 31, 2021</b> .....	<b>9,201,503</b>
Total unrealised losses and change in fair value for the year included in fair value changes of convertible redeemable preferred shares .....	<b>1,946,205</b>
<b>At January 1, 2022</b> .....	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
<b>At December 31, 2022</b> .....	<b>9,401,472</b>
Total unrealised income and change in fair value for the year included in fair value changes of convertible redeemable preferred shares .....	<b>(664,969)</b>

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.

APPENDIX I

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

34 Convertible redeemable preferred shares (continued)

(d) Liquidation preferences (continued)

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,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
<b>Loss before income tax</b> . . . . .	(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 . . . . .	13,660	12,865	14,522
Share-based compensation expenses . . . . .	22,423	135,505	102,613
Amortisation of intangible assets . . . . .	668	2,107	2,451
Depreciation of right-of-use assets . . . . .	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 . . . . .	2,540	1,601	6,226
Net losses on disposal of property and equipment . . . . .	985	27	65
Credit loss allowances on financial assets . . . . .	1,287	1,258	7,293
Fair value changes of Preferred Shares . . . . .	2,114,943	1,946,205	(664,969)
Issuance cost of Preferred Shares . . . . .	1,988	224	—
Finance expenses/(income), net . . . . .	444	(6,051)	(20,223)
Covid-19-related rent concessions from lessors . . . . .	(1,586)	—	(840)
Gains on lease modifications . . . . .	(247)	—	—
<b>Changes in working capital:</b>			
(Increase)/decrease in accounts receivables . . . . .	(102,145)	(130,860)	51,399
Increase in prepayments and other current assets . . . . .	(7,386)	(41,106)	(38,621)
(Increase)/decrease in inventories . . . . .	(25,809)	(82,460)	24,800
Decrease/(increase) in other non-current assets . . . . .	875	(8,653)	1,283
Increase in accounts payables . . . . .	12,229	82,473	13,088
Increase in accrued expenses and other current liabilities . . . . .	65,582	91,008	57,516
Increase/(decrease) in contract liabilities . . . . .	41,309	6,732	(2,855)
<b>Cash used in operations</b> . . . . .	<b>(70,822)</b>	<b>(868,502)</b>	<b>(454,980)</b>

(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, 2020, 2021 and 2022.

APPENDIX I

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

35 Cash flow information (continued)

(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
<b>Liabilities from financing activities as at January 1, 2020</b> . . . .	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
<b>Liabilities from financing activities as at December 31, 2020</b> . . . . .	<b>6,918,563</b>	<b>113,405</b>	<b>—</b>	<b>7,031,968</b>

	Liabilities from financing activities			
	Preferred Shares	Lease liabilities	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Liabilities from financing activities as at January 1, 2021</b> . . . .	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
<b>Liabilities from financing activities as at December 31, 2021</b> . . . . .	<b>9,201,503</b>	<b>113,819</b>	<b>87,584</b>	<b>9,402,906</b>

	Liabilities from financing activities			
	Preferred Shares	Lease liabilities	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Liabilities from financing activities as at January 1, 2022</b> . . . .	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
<b>Liabilities from financing activities as at December 31, 2022</b> . . . . .	<b>9,401,472</b>	<b>103,623</b>	<b>74,524</b>	<b>9,579,619</b>

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**36 Commitments**

The Group did not have any material commitments as at December 31, 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.

<u>Name</u>	<u>Relationship</u>
Mr. Ning Wang .....	Director and management of the Group
Mr. Dong Liu .....	Director and management of the Group

**(b) Balances with related parties**

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
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.

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**37 Related party transactions (continued)**

**(c) Key management personnel compensation**

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Wages, Salaries and bonuses .....	6,621	7,742	8,501
Share-based compensation expenses .....	9,797	42,595	37,831
Other social security costs, housing benefits and other employee benefits .....	308	519	534
<b>Total .....</b>	<b>16,726</b>	<b>50,856</b>	<b>46,866</b>

**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.

**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.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The information set out in this Appendix does not form part of the Accountant’s Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this [REDACTED], and is included herein for illustrative purposes only.*

*The unaudited pro forma financial information should be read in conjunction with “Financial information” in this [REDACTED] and the Accountant’s Report set out in Appendix I to this [REDACTED].*

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS**

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

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

	Audited consolidated net tangible liabilities of the Group attributable to equity holders of the Company as at December 31, 2022 <i>(Note 1)</i>	[Estimated impact to the net tangible liabilities upon conversion of the Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series C-1 Preferred Shares, Series D Preferred Shares, Series E Preferred Shares, Series F Preferred Shares, and Series F-1 Preferred Shares] <i>(Note 2)</i>	Estimated [REDACTED] from the [REDACTED] <i>(Note 3)</i>	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company as at December 31, 2022	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 4)</i>	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB	HK\$
Based on an [REDACTED] of HK\$[REDACTED] per Share . . . . .	(7,519,479)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share . . . . .	(7,519,479)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

- (1) The audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2022 is extracted from the Accountant’s Report set out in Appendix I to this [REDACTED], which is based on the audited consolidated net liabilities of the Group attributable to the equity holders of the Company as at December 31, 2022 of RMB7,510,163,000 with adjustments for the intangible assets as at December 31, 2022 of RMB9,316,000.
- (2) All Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series C-1 Preferred Shares, Series D Preferred Shares, Series E Preferred Shares, Series F Preferred Shares and Series F-1 Preferred Shares (“Series Preferred Shares”) will be automatically converted to Shares upon the [REDACTED]. The Series Preferred Shares were accounted for as a liability to the Company. Accordingly, for the purpose of the unaudited pro forma adjusted net tangible assets, the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the equity holders of the Company will be increased by RMB[REDACTED], being the carrying amount of the Series Preferred Shares as of December 31, 2022.
- (3) The estimated [REDACTED] from the [REDACTED] are based on the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per share, respectively, after deduction of the [REDACTED] and other related expenses and takes no account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] or any Shares or any Shares which may be granted, issued or repurchased by the Company pursuant to the general mandates.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] and the conversion of Series Preferred Shares to Shares had been completed on December 31, 2022 but takes no account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] or any Shares which may be granted, issued or repurchased by the Company pursuant to the general mandates.









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Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 21, 2015 under the Companies Act. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

**1. MEMORANDUM OF ASSOCIATION**

The Memorandum provides, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

**2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on [●] and will become effective on the [REDACTED]. A summary of certain provisions of the Articles is set out below.

**2.1 Shares**

*(a) Classes of Shares*

The share capital of the Company consists of a single class of ordinary shares.

*(b) Variation of Rights of Existing Shares or Classes of Shares*

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy at least one-third of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him/her, and any holder of Shares of the class present in person or by proxy may demand a poll.

For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

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*(c) Alteration of Capital*

The Company may by ordinary resolution:

- (i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;
- (ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and
- (iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so canceled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

*(d) Transfer of Shares*

Subject to the terms of the Articles, any member of the Company may transfer all or any of his/her Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognized clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

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Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognize any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his/her behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

***(e) Redemption of Shares***

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

***(f) Power of the Company to Purchase its own Shares***

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorized by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

***(g) Power of any Subsidiary of the Company to own Shares in the Company***

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

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*(h) Calls on Shares and Forfeiture of Shares*

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his/her Shares. A call may be made payable either in one sum or by installments, and shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and installments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or installment of a call after it has become due and payable, the Board may, for so long as any part of the call or installment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him/her to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

## **2.2 Directors**

*(a) Appointment, Retirement and Removal*

The Company in general meeting may from time to time fix and may from time to time by special resolution increase or reduce the maximum and minimum number of Directors, provided that the number of Directors shall not be less than two (2).

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or

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as an additional Director subject to any maximum number fixed by a special resolution of the Company or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his/her term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his/her stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his/her appointment as Director or of any other appointment or office as a result of the termination of his/her appointment as Director.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he/she resigns from his/her office as Director;
- (ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him/her, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he/she has by reason of such absence vacated his/her office;
- (iii) the Director becomes bankrupt or has a receiving order made against him/her or suspends payment or compounds with his/her creditors generally;
- (iv) the Director dies or an order is made by any competent court or official on the grounds that he/she is or may be suffering from mental disorder or is otherwise incapable of managing his/her affairs and the Board resolves that his/her office be vacated;
- (v) the Director is prohibited from being or ceases to be a Director by operation of law;
- (vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or
- (vii) the Director is removed from office by notice in writing served upon him/her signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself/herself) then in office.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.



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***(b) Power to Allot and Issue Shares and other Securities***

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries***

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

***(d) Borrowing Powers***

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

***(e) Remuneration***

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

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The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

***(f) Compensation or Payments for Loss of Office***

There are no provisions in the Articles relating to compensation or payment for loss of office.

***(g) Loans to Directors***

There are no provisions in the Articles relating to making of loans to Directors.

***(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries***

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his/her office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him/her as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he/she or any of his/her close associate(s) has a material interest, and if he/she shall do so his/her vote shall not be counted and he/she shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his/her close associate(s) in respect of money lent or obligations incurred or undertaken by him/her or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his/her close associate(s) has/have himself/herself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for

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subscription or purchase, where the Director or his/her close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his/her close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his/her close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his/her close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his/her close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/her/their interest in those Shares, debentures or other securities.

### 2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors including at least the chairman of the Company present in person from the start and throughout such meeting shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote. Notwithstanding anything to the contrary contained herein, resolutions of the Board regarding the appointment or removal of the chief executive officer and the chairman of the Company shall be determined by at least two-thirds (2/3) of the votes held by all the Directors.

### 2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

### 2.5 Meetings of Members

#### *(a) Special and Ordinary resolutions*

A special resolution must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorized representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorized representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

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Subject to paragraph 2.1(b) of this section, the provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

***(b) Voting Rights and Right to Demand a Poll***

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he/she is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him/her in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorized shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognized clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorize such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company, provided that if more than one person is so authorized, the authorization shall specify the number and class of Shares in respect of which each such person is so authorized. A person so authorized shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll.

All members of the Company (including a member which is a recognized clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted. Otherwise, all members shall have the right to vote at a general meeting.

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*(c) Annual General Meetings and Extraordinary General Meetings*

The Company must hold a general meeting for each financial year as its annual general meeting. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a general meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

*(d) Notices of Meetings and Business to be Conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting shall be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

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If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (A) the Company shall endeavor to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;
- (B) the Board shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

***(e) Quorum for Meetings and Separate Class Meetings***

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

***(f) Proxies***

Any member (including a member which is a Clearing House (or its nominee(s))) of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person



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(being a natural person) as his/her proxy to attend and vote in his/her place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him/her and vote on his/her behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he/she acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he/she acts as proxy as such member could exercise as if it were a natural person member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his/her attorney duly authorized in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorized representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his/her intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

## **2.6 Accounts and Audit**

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorized by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and



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with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**2.7 Dividends and other Methods of Distribution**

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorize payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realized or unrealized profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him/her to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

- (a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment;
- or

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- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by check or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

### **2.8 Inspection of Corporate Records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him/her of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

### **2.9 Rights of Minorities in relation to Fraud or Oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarized in paragraph 3.6 below.

### **2.10 Procedures on Liquidation**

Subject to the Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

- (a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of

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the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and

- (b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he/she deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

### 3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on April 21, 2015 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

#### 3.1 Company Operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

#### 3.2 Share Capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;

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- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

### **3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

### **3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Companies Act.

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A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### 3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

### 3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

### 3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

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### 3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

### 3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

### 3.10 Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- (b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The undertaking for the Company is for a period of 20 years from March 7, 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

### 3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.



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### 3.12 Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company’s articles of association may provide for the prohibition of such loans under specific circumstances.

### 3.13 Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company’s articles of association.

### 3.14 Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

### 3.15 Register of Directors and Officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

### 3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.



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In the case of a members’ voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his/her appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

### **3.17 Mergers and consolidations**

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

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**3.18 Mergers and Consolidations involving a Foreign Company**

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

**3.19 Reconstructions and Amalgamations**

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his/her view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his/her shares), which may be available to dissenting members of corporations in other jurisdictions.

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**3.20 Takeovers**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**3.21 Indemnification**

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**3.22 Economic Substance**

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

**4. GENERAL**

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands laws, has sent to the Company a letter of advice summarizing the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the paragraph headed "Documents delivered to the Registrar of Companies and available on display" in Appendix V. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

**APPENDIX IV**

**STATUTORY AND GENERAL INFORMATION**

**FURTHER INFORMATION ABOUT OUR GROUP**

**Incorporation**

Our Company was incorporated under the laws of the Cayman Islands on April 21, 2015 as an exempted company with limited liability. Our registered office address is at ICS Corporate Services (Cayman) Limited, 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands. Accordingly, our Company’s corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III.

Our registered place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 17, 2022 with the Registrar of Companies in Hong Kong. Ms. Lai Siu Kuen has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

**Changes in share capital of our Company**

The following sets out the changes in our Company’s issued share capital within the two years immediately preceding the date of this document:

We issued the following fully paid-up shares with a par value of US\$0.00005 each to the following shareholders:

Shareholder	Number of share	Class of share	Issuance Date
Persistent Courage Holdings Limited	78,469,806	Ordinary	March 4, 2021
Metropolis Olympia Holdings Limited	10,621,480	Ordinary	March 4, 2021
BW Ventures Limited	20,471,906	Ordinary	March 4, 2021
Impressive Appearance Holdings Limited	5,469,740	Ordinary	March 4, 2021
Bulldog Group Ltd	5,561,499 <sup>(1)</sup>	Ordinary	March 4, 2021
NVMB XII Holdings Limited	3,853,327	Ordinary	April 20, 2021
CANDIAC LIMITED	3,853,327	Ordinary	April 20, 2021
Calorie Fortune Limited	14,440,000 <sup>(2)</sup>	Ordinary	June 4, 2021
Lightmap Limited	8,909,312	Ordinary	June 24, 2021
Sky Royal Trading Limited	2,142,503	Ordinary	December 3, 2021
BAI GmbH	9,978,440	Series A	March 4, 2021
VENTECH CHINA III SICAR	12,626,440	Series A	March 4, 2021
Morningside China TMT Fund IV, L.P.	8,152,400	Series A	March 4, 2021
Morningside China TMT Fund IV Co-Investment, L.P.	815,240	Series A	March 4, 2021
GGV Capital Select L.P.	8,427,480	Series A	March 4, 2021
BAI GmbH	12,352,860	Series B	March 4, 2021
GGV Capital V L.P.	18,724,460	Series B	March 4, 2021
GGV Capital V Entrepreneurs Fund L.P.	687,180	Series B	March 4, 2021
GGV Capital Select L.P.	3,529,380	Series B	March 4, 2021
BAI GmbH	3,245,440	Series C	March 4, 2021
GGV Capital V L.P.	23,479,080	Series C	March 4, 2021
GGV Capital V Entrepreneurs Fund L.P.	861,680	Series C	March 4, 2021
Morningside China TMT Fund IV, L.P.	22,127,960	Series C	March 4, 2021
Morningside China TMT Fund IV Co-Investment, L.P.	2,212,800	Series C	March 4, 2021
MORESPARK LIMITED	14,946,080	Series C-1	March 4, 2021
MORESPARK LIMITED	9,725,120	Series D	March 4 2021
Goldman Sachs Capital Holdings II Pte. Ltd.	24,312,800	Series D	December 3, 2021

**APPENDIX IV**

**STATUTORY AND GENERAL INFORMATION**

Shareholder	Number of share	Class of share	Issuance Date
GGV Capital Select L.P. . . . .	5,835,080	Series D	March 4, 2021
BAI GmbH . . . . .	1,241,640	Series E	March 4, 2021
Morningside China TMT Fund IV Co-Investment, L.P. . . . .	112,880	Series E	March 4, 2021
MORESPARK LIMITED . . . . .	827,760	Series E	March 4, 2021
GGV Capital Select L.P. . . . .	2,069,420	Series E	March 4, 2021
JenCap Squad . . . . .	24,832,980	Series E	March 4, 2021
Morningside China TMT Special Opportunity Fund II, L.P. . . . .	1,128,780	Series E	March 4, 2021
JenCap Squad I L.P. . . . .	3,455,920	Series E	March 4, 2021
BAI GmbH . . . . .	1,220,120	Series F	March 4, 2021
GGV Capital V L.P. . . . .	2,353,840	Series F	March 4, 2021
GGV Capital V Entrepreneurs Fund L.P. . . . .	86,380	Series F	March 4, 2021
MORESPARK LIMITED . . . . .	7,320,680	Series F	March 4, 2021
GGV Capital Select L.P. . . . .	2,440,220	Series F	March 4, 2021
JenCap Squad . . . . .	1,220,120	Series F	March 4, 2021
GGV VII Investments Pte. Ltd. . . . .	7,320,700	Series F	March 4, 2021
Evolution Special Opportunity Fund I, L.P. . . . .	4,243,880	Series F	March 4, 2021
Evolution Fund I Co-investment, L.P. . . . .	636,580	Series F	March 4, 2021
Coatue PE Asia 43 LLC . . . . .	3,660,340	Series F	March 4, 2021
NVMB XII Holdings Limited . . . . .	7,320,680	Series F	March 4, 2021
SVF II Calorie Subco (DE) LLC . . . . .	48,804,580	Series F	March 4, 2021
Sky Royal Trading Limited . . . . .	13,497,767	Series F-1	December 3, 2021
Calorie Partner Limited <sup>(3)</sup> . . . . .	45,205,300	Ordinary	March 31, 2022

**Note:**

- (1) Includes 990,000 restricted shares that are subject to voting, transfer and dividend restrictions.
- (2) The 14,440,000 shares are restricted shares that are subject to voting, transfer and dividend restrictions.
- (3) The 45,205,300 shares are restricted shares that are subject to voting, transfer and dividend restrictions.

Save as disclosed above and in “—Resolutions of our Shareholders dated [●]” below, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

**Changes in the share capital of members of our Group**

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 12 to the Accountant’s Report as set out in Appendix I.

The following sets out the changes in the share or registered capital of members of our Group within the two years immediately preceding the date of this document:

- (a) On January 25, 2021, the registered capital of Beijing Calorie Information Technology Co., Ltd. was increased from US\$300,000,000 to US\$400,000,000.

Save as disclosed above, there has been no alteration in the share capital of any member of our Group within the two years immediately preceding the date of this document.

**Resolutions of our Shareholders dated [●]**

Resolutions of our Shareholders were passed on [●], pursuant to which, in summary, among others, conditional upon Listing (as set out in this document):

- (a) the Memorandum and the Articles were approved and adopted conditional on and effective upon Listing;
- (b) the [REDACTED], Listing and [REDACTED] were approved, and our Directors were authorized to negotiate and agree the [REDACTED] and to allot and issue the [REDACTED] (including pursuant to the [REDACTED]);
- (c) a general mandate (the "Sale Mandate") was granted to our Directors to allot, issue and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted, issued or dealt with, provided that the number of Shares so allotted, issued or dealt with or agreed to be allotted, issued or dealt with by our Directors, shall not exceed 20% of the total number of Shares in issue immediately following the completion of [REDACTED];
- (d) a general mandate (the "Repurchase Mandate") was granted to our Directors to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED];
- (e) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the [REDACTED]; and
- (f) each issued preferred share be converted into one ordinary share of par value US\$0.00005 each, in each case upon Listing.

Each of the general mandates referred to above will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of Association; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

**Explanatory statement on repurchase of our own securities**

The following summarizes restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.



***Shareholders' approval***

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

***Size of mandate***

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following completion of the [REDACTED] (assuming the Presumptions), could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as at the date of the shareholder approval.

***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

***Source of funds***

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable Laws of the Cayman Islands.

Our Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any purchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorized by the Memorandum and Articles of Association and subject to the Companies Ordinance, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorized by the Memorandum and Articles of Association and subject to the Companies Ordinance, out of capital.

***Suspension of repurchase***

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period



(whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

***Trading restrictions***

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

***Status of repurchased shares***

The listing of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically canceled and the relevant documents of title must be canceled and destroyed as soon as reasonably practicable.

***Close associates and core connected persons***

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

***Takeover implications***

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

***General***

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in

our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

We have not made any repurchases of our Shares in the previous six months.

## FURTHER INFORMATION ABOUT OUR BUSINESS

### Summary of material contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

- (a) an amended and restated exclusive consulting and services framework agreement (the “**Consulting and Services Agreement**”) dated December 27, 2021 entered into between the WFOE and Onshore Holdco, pursuant to which the Onshore Holdco agreed to engage the WFOE as the exclusive provider of, among other things, services ancillary to the Onshore Holdco’s membership subscriptions, advertising and e-commerce businesses and administrative services relating to financial, legal and human resources matters in return for service fees;
- (b) an amended and restated exclusive business cooperation agreement (the “**Business Cooperation Agreement**”) dated December 27, 2021 entered into between the WFOE, Onshore Holdco and Registered Shareholders, pursuant to which (i) the Registered Shareholders agreed not to, and to cause the Onshore Holdco not to, enter into any transaction that may materially affect the Onshore Holdco’s assets, business, personnel, rights, obligations or operations without the prior written consent of the WFOE or its designated person; (ii) the Onshore Holdco and Registered Shareholders agreed to accept and strictly follow the WFOE’s advice from time to time on matters relating to, among others, the Onshore Holdco’s day-to-day operations and management, appointment and removal of employees and financial management system; (iii) the Onshore Holdco and Registered Shareholders agreed to appoint persons designated by the WFOE as Directors, including as chairperson of the Board and executive Directors, and senior management, including as chief financial officer or general manager; and (iv) each of the Registered Shareholders agreed to enter into an irrevocable power of attorney in favor of the WFOE or its designated person from time to time to exercise on their behalf all shareholders’ voting rights and other shareholders’ rights at the shareholders’ meeting of the Onshore Holdco;
- (c) an amended and restated exclusive transfer option agreement (the “**Option Agreement**”) dated December 27, 2021 entered into among the WFOE, Onshore Holdco and Registered Shareholders, pursuant to which each of the Registered Shareholders granted to the WFOE an irrevocable and exclusive option to purchase (or cause a person or persons designated by the WFOE to purchase) part or all of their equity interests in the Onshore Holdco at the lowest consideration permitted under the PRC Laws;

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- (d) an amended and restated share pledge agreement dated December 27, 2021 entered into between the WFOE, Onshore Holdco and Mr. Wang, pursuant to which Mr. Wang pledged to the WFOE all of Mr. Wang’s equity interests in the Onshore Holdco, as guarantee for Mr. Wang’s and the Onshore Holdco’s performance of their obligations under the Consulting and Services Agreement, Business Cooperation Agreement, Option Agreement and the power of attorney granted by Mr. Wang in favor of the WFOE dated December 27, 2021;
- (e) an amended and restated share pledge agreement dated December 27, 2021 entered into between the WFOE, Onshore Holdco and Mr. Peng, pursuant to which Mr. Peng pledged to the WFOE all of Mr. Peng’s equity interests in the Onshore Holdco, as guarantee for Mr. Peng’s and the Onshore Holdco’s performance of their obligations under the Consulting and Services Agreement, Business Cooperation Agreement, Option Agreement and the power of attorney granted by Mr. Peng in favor of the WFOE dated December 27, 2021;
- (f) an amended and restated share pledge agreement dated December 27, 2021 entered into between the WFOE, Onshore Holdco and Mr. Wen, pursuant to which Mr. Wen pledged to the WFOE all of Mr. Wen’s equity interests in the Onshore Holdco, as guarantee for Mr. Wen’s and the Onshore Holdco’s performance of their obligations under the Consulting and Services Agreement, Business Cooperation Agreement, Option Agreement and the power of attorney granted by Mr. Wen in favor of the WFOE dated December 27, 2021;
- (g) an amended and restated share pledge agreement dated December 27, 2021 entered into between the WFOE, Onshore Holdco and Mr. Liu, pursuant to which Mr. Liu pledged to the WFOE all of Mr. Liu’s equity interests in the Onshore Holdco, as guarantee for Mr. Liu’s and the Onshore Holdco’s performance of their obligations under the Consulting and Services Agreement, Business Cooperation Agreement, Option Agreement and the power of attorney granted by Mr. Liu in favor of the WFOE dated December 27, 2021; and
- (h) **[REDACTED]**



**Intellectual property rights**

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**



*Trademarks registered in China and overseas*

As at the Latest Practicable Date, we had registered the followings trademarks in China and overseas which we consider to be or may be material to our business:

<u>No.</u>	<u>Trademark</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registration Date</u>
1.		WFOE	41	PRC	33775442	2020-12-14
			9	PRC	23889966	2019-04-14
			9	PRC	37423625	2020-10-07
			28	PRC	17744980	2017-12-14
			28	PRC	37460275	2020-05-14
			28	PRC	30582074	2020-10-28
			28	PRC	23889973	2021-06-07
			27	PRC	41448813	2020-06-07
			25	PRC	23889972	2020-05-28
			25	PRC	32052377	2020-12-14
			25	PRC	45516328	2021-05-07
			25	PRC	41430768	2021-05-21
			29	PRC	24468841	2018-11-21
			29	PRC	45422216A	2021-03-07
			29	PRC	45393936	2022-03-28
			30	PRC	45388812	2021-04-14
			30	PRC	45430694	2021-04-21
			32	PRC	45407342	2021-02-21
			33	PRC	41421454	2020-07-28
			35	PRC	17744973	2017-05-07
			35	PRC	41412432	2020-08-28
			38	PRC	17744970	2017-09-21
			38	PRC	23889975	2018-04-21
			43	PRC	41427251	2020-10-07
			43	PRC	34195683	2020-11-28
			44	PRC	23889976	2020-12-28
			44	PRC	41418101	2020-10-21
			9	Europe Union	1437482	2019-5-30
			28	Europe Union	1443578	2019-07-04
			35	Europe Union	1459242	2019-09-26
			36	Europe Union	1448310	2019-08-01
			38	Europe Union	1448736	2019-07-25
			41	Europe Union	1444012	2019-06-27
			9	United States	1437482	2019-12-19
			28	United States	1443578	2019-12-05
			35	United States	1459242	2019-04-04
			38	United States	1448736	2020-07-23
			41	United States	1444012	2019-08-15
			25	HKSAR	305750163AB	2022-04-06
			28	HKSAR	305750163AB	2022-04-06
			29	HKSAR	305750163AB	2022-04-06
30	HKSAR	305750163AB	2022-04-06			
32	HKSAR	305750163AB	2022-04-06			
2.			9	PRC	17745044	2017-09-21
			9	PRC	33775439A	2019-10-28
			9	PRC	33775439	2020-11-28
			41	PRC	17745012	2016-10-07



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No.	Trademark	Registered Owner	Class	Place of Registration	Registration Number	Registration Date
			41	PRC	23889965	2018-04-21
			41	PRC	41437104	2020-10-21
			28	PRC	39500915	2020-06-07
			28	PRC	43895788A	2020-11-21
			27	PRC	17745026	2016-10-07
			27	PRC	23889961	2018-04-21
			27	PRC	41417682	2020-06-07
			29	PRC	41441074	2020-08-14
			29	PRC	49875941	2021-06-21
			30	PRC	17745023	2016-10-07
			30	PRC	23889962	2018-04-21
			30	PRC	41431010	2020-06-07
			32	PRC	17745021	2018-02-21
			32	PRC	41428532	2020-06-28
			35	PRC	17745018	2017-10-28
			35	PRC	41440142	2020-10-21
			36	PRC	17745017	2016-10-07
			38	PRC	17745015	2016-10-07
			38	PRC	23889964	2018-04-21
			43	PRC	17745010	2016-10-07
			43	PRC	41438673	2020-06-21
			44	PRC	17745009	2016-10-07
			44	PRC	41421733	2020-06-07
			9	HKSAR	305750172	2022-02-15
			25	HKSAR	305750172	2022-02-15
			28	HKSAR	305750172	2022-02-15
			29	HKSAR	305750172	2022-02-15
			30	HKSAR	305750172	2022-02-15
			32	HKSAR	305750172	2022-02-15
			35	HKSAR	305750172	2022-02-15
			38	HKSAR	305750172	2022-02-15
			41	HKSAR	305750172	2022-02-15
			42	HKSAR	305750172	2022-02-15
			9	Europe Union	1461962	2019-10-10
			28	Europe Union	1474580	2019-12-26
			35	Europe Union	1451406	2019-08-15
			36	Europe Union	1448705	2019-08-01
			38	Europe Union	1446765	2019-07-25
			41	Europe Union	1460226	2019-10-03
			28	United States	1474580	2020-01-30
			35	United States	1451406	2019-09-19
			36	United States	1448705	2019-08-29
			38	United States	1446765	2019-10-31
			41	United States	1460226	2019-11-14
3.			9	PRC	34221789	2019-10-07
			9	PRC	37892073	2020-06-07
			9	PRC	52885352A	2022-08-07
			28	PRC	49783779	2022-09-14
			28	PRC	34225740A	2019-08-28
			29	PRC	34222617	2020-08-21
			30	PRC	34184000	2019-06-21
			35	PRC	34213184	2019-10-07
			38	PRC	34203759	2019-09-07
4.			28	PRC	50065891	2021-06-14
			41	PRC	50072676A	2021-06-14

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No.	Trademark	Registered Owner	Class	Place of Registration	Registration Number	Registration Date			
5.	keepkit		41	PRC	32556814	2019-04-14			
			9	PRC	36266752	2020-08-28			
			28	PRC	29693263	2019-02-07			
			35	PRC	32556817	2019-04-14			
			38	PRC	32556815	2019-04-14			
			9	Europe Union	1444971	2019-07-11			
			28	Europe Union	1483128	2020-02-06			
			35	Europe Union	1455410	2019-09-05			
			36	Europe Union	1450787	2019-08-08			
			38	Europe Union	1506236	2020-07-16			
			41	Europe Union	1450655	2019-08-15			
			9	United States	1444971	2019-12-12			
			28	United States	1483128	2020-08-06			
			35	United States	1455410	2019-10-10			
			36	United States	1450787	2019-10-03			
			38	United States	1506236	2020-07-23			
			41	United States	1450655	2019-10-03			
			6.	keepland		41	PRC	27151804	2018-10-07
						9	PRC	33909410	2020-08-07
						28	PRC	27151805	2018-10-07
36	PRC	33909413				2019-06-07			
43	PRC	53948009				2021-09-21			
7.	keeplife		25	HKSAR	305750154	2022-02-15			
			35	HKSAR	305750154	2022-02-15			
			25	PRC	36774773	2019-11-14			
8.	keepup		25	PRC	19638054	2018-07-28			
9.	gotokeep		41	PRC	19971776	2017-07-07			
10.			41	PRC	19972384	2017-07-07			
11.			35	PRC	34218097	2020-03-28			
			30	PRC	51583509A	2021-07-21			
12.	氣質芭蕾ballet		41	PRC	45551821	2021-04-14			
13.	Power wave燃動戰繩		41	PRC	37443429	2020-01-28			
14.	Sun Salute 流動伸展		41	PRC	37440261	2020-01-28			
15.	Ultra Burn		41	PRC	37411105	2020-02-07			
16.	Power Link 核心轟炸		41	PRC	37461415	2020-01-28			
17.	Air Sling		41	PRC	37450577	2020-01-28			
18.	Dyna-balance		41	PRC	37458783	2020-01-28			
19.	Energy Boost		41	PRC	37445510	2020-01-28			
20.	<b>KEEP BURNING</b>		32	PRC	43680593	2020-09-28			
21.	輕燃計劃		32	PRC	42621178	2020-09-07			
22.	<b>小腰</b>		32	PRC	48952748	2021-03-21			
23.	<b>塑燃</b>		32	PRC	48119644	2021-04-28			

## APPENDIX IV STATUTORY AND GENERAL INFORMATION


No.	Trademark	Registered Owner	Class	Place of Registration	Registration Number	Registration Date
24.	<b>KEEP</b>		41	PRC	16365365	2016-05-21
25.			25	PRC	6558194	2020-07-07

### Trademark applications pending in China

As at the Latest Practicable Date, we had no trademark applications pending in China which we consider to be or may be material to our business.

### Trademark applications pending in Hong Kong

As at the Latest Practicable Date, we had applied for the registration of the following trademarks in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Applicant	Class	Application number	Application date
1.	<b>keep</b>	WFOE	9, 35, 38, 41, 42	305750163AA	2021/9/18
2.	 <b>keep</b>	WFOE	9, 25, 28, 29, 30, 32, 35, 38, 41, 42	305894001	2022/3/1

### Copyrights

As at the Latest Practicable Date, we had registered the following computer software copyrights which we consider to be or may be material to our business:

No.	Copyright	Version	Registration Number	Registration Date
1.	Keep-Mobile Fitness Instructor Software (Android)(Keep-移動健身教練軟件 (安卓版) )	V1.0.0	2016SR326466	2016/11/11
2.	Keep-Mobile Fitness Instructor Software (IOS)(Keep-移動健身教練軟件 (IOS版) )	V1.0.0	2016SR326456	2016/11/11
3.	Keep-Mobile Fitness Instructor Software (IOS)(Keep-移動健身教練軟件 (IOS版) )	V7.8	2021SR1227494	2021/08/18
4.	Keep-Mobile Fitness Instructor Software (Android) (Keep-移動健身教練軟件 (Android版) )	V7.8	2021SR1227495	2021/08/18
5.	Keep Pangu E-commerce Backend Management System (Keep 盤古電商後台管理系統)	V2.0	2021SR0872260	2021/06/10
6.	Smart Body Fat Scale Software(IOS) (智能體脂秤軟件 (IOS版) )	V1.0	2020SR0582240	2020/06/08
7.	Smart Body Fat Scale Software (Android) (智能體脂秤軟件 (Android版) )	V1.0	2020SR0582209	2020/06/08
8.	Smart Spinning Riding Software (IOS) (智能動感單車騎行軟件 (IOS版) )	V1.0	2020SR0582137	2020/06/08
9.	Smart Spinning Riding Software (Android) (智能動感單車騎行軟件 (Android版) )	V1.0	2020SR0582201	2020/06/08



**APPENDIX IV**

**STATUTORY AND GENERAL INFORMATION**

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

<u>No.</u>	<u>Category</u>	<u>Copyright</u>	<u>Registration number</u>	<u>Registration Date</u>
1.	Fine Art Works (美術作品)	Freedom from self-discipline (自律給我自由)	國作登字-2018-F-00445249	2018/1/31
2.	Fine Art Works (美術作品)	K logo brand design sketch (K logo 品牌設計圖)	國作登字-2019-F-00739570	2019/6/12
3.	Fine Art Works (美術作品)	Keep logo brand design sketch (Keep logo品牌設計圖)	國作登字-2019-F-00739548	2019/6/12
4.	Fine Art Works (美術作品)	Keep main logo deformation Logo (Keep主標變形Logo)	國作登字-2021-F-00129242	2021/6/10
5.	Fine Art Works (美術作品)	Keep auxiliary graphics Logo (Keep 輔助圖形 Logo)	國作登字-2021-F-00084243	2021/4/14
6.	Fine Art Works (美術作品)	Keep ballet class name Logo (Keep氣質芭蕾舞課程名稱Logo)	國作登字-2020-F-01167556	2020/11/17
7.	Fine Art Works (美術作品)	Keep hot yoga class Logo (Keep熱汗瑜伽課程Logo)	國作登字-2021-F-00129243	2021/6/10
8.	Fine Art Works (美術作品)	Keep fat burning party class Logo (Keep 燃脂派對課程Logo)	國作登字-2021-F-00129241	2021/6/10
9.	Fine Art Works (美術作品)	Keep championship coach class Logo (Keep 冠軍教練課程Logo)	國作登字-2021-F-00129240	2021/6/10
10.	Fine Art Works (美術作品)	Keep live class background Logo (Keep 直播課背景Logo)	國作登字-2021-F-00129239	2021/6/10
11.	Fine Art Works (美術作品)	keep sticker-paper man (keep貼紙-有型人)	國作登字-2016-F-00298727	2016/8/12
12.	Fine Art Works (美術作品)	Keep blind box series artwork (Keep 盲盒系列作品圖)	國作登字-2021-F-00084249	2021/4/14
13.	Films And Works Created By Similar Filming Methods (電影和類似攝製電影方法創作的作品)	Freedom from self-discipline (自律給我自由)	國作登記-2017-I-00366531	2017/4/5
14.	Films And Works Created By Similar Filming Methods (電影和類似攝製電影方法創作的作品)	Flexible and elegant woman yoga class (柔韌氣質女神瑜伽課)	國作登記-2018-I-00590661	2018/8/3
15.	Films And Works Created By Similar Filming Methods (電影和類似攝製電影方法創作的作品)	KeepKit fat burning running class (KeepKit燃脂悅動跑課程)	國作登字-2019-I-00737854	2019/5/9

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

<u>No.</u>	<u>Category</u>	<u>Copyright</u>	<u>Registration number</u>	<u>Registration Date</u>
16.	Films And Works Created By Similar Filming Methods (電影和類似攝製電影方法創作的作品)	Forming slender and long neck like a swan; eliminating cervical traction (天鵝頸養成：消滅頭牽引)	國作登字-2019-I-00846547	2019/9/23

**Patents**

As at the Latest Practicable Date, we had registered the following invention related patents which we consider to be or may be material to our business:

<u>No.</u>	<u>Patent Category</u>	<u>Patent</u>	<u>Patent Owner</u>	<u>Patent Number</u>	<u>Grant Date</u>	<u>Expiry Date</u>
<b>Smart Hardwares</b>						
1.	Invention	Method, device, terminal and storage medium for counting steps (計步方法、裝置、終端和存儲介質)	WFOE	201910364327X	2021/7/27	2039/4/30
2.	Invention	Feet-on-the-ground Determination method and device based on six-axis sensor (基於六軸傳感器的腳著地確定方法及裝置)	WFOE	2019104313421	2021/7/9	2039/5/22
3.	Invention	Method, device, equipment and storage medium of determining swimming laps (一種游泳圈數確定方法、裝置、設備及存儲介質)	WFOE	2020100803956	2021/7/27	2040/2/5

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

<u>No.</u>	<u>Patent Category</u>	<u>Patent</u>	<u>Patent Owner</u>	<u>Patent Number</u>	<u>Grant Date</u>	<u>Expiry Date</u>
4.	Invention	Method, device, wearable equipment and storage medium for counting rope skipping (跳繩計數方法、裝置、可穿戴設備及存儲介質)	WFOE	201910005350X	2020/8/7	2039/1/3
5.	Invention	Method, device, electronic equipment and storage medium for adjusting resistance (一種健身設備的調阻方法、裝置、電子設備及存儲介質)	Shenzhen Calorie   WFOE	2019109902278	2021/7/6	2039/10/17
6.	Utility model	Transmission resistance control device and exercise bike (一種傳動阻力控制裝置及健身車)	Shenzhen Calorie   WFOE	2019217986798	2020/7/10	2029/10/24
7.	Utility model	Mechanism for adjusting exercise bike cushion and exercise bike (一種健身車坐墊調節機構及健身車)	Shenzhen Calorie   WFOE	2019216310716	2020/6/23	2029/9/27
8.	Utility model	Braking device and exercise bike (一種剎車裝置及健身車)	Shenzhen Calorie   WFOE	2019217449124	2020/7/3	2029/10/17

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

<u>No.</u>	<u>Patent Category</u>	<u>Patent</u>	<u>Patent Owner</u>	<u>Patent Number</u>	<u>Grant Date</u>	<u>Expiry Date</u>
9.	Utility model	Control knob, running machine, rowing machines, exercise bike, elliptical machine and strength equipment (控制旋鈕、跑步機、划船機、健身車、橢圓機及力量器械)	Shenzhen Calorie	2018216336459	2019/7/19	2028/10/9
10.	Utility model	Running machine (跑步機)	Shenzhen Calorie	2018216366755	2019/7/19	2028/10/9
11.	Invention	Method, device, wearable equipment and storage medium for identifying movement trajectory (動作軌迹識別方法、裝置、可穿戴設備及存儲介質)	WFOE	2019100080808	2021/11/5	2039/1/4
12.	Invention	Method, device, equipment and storage medium for determining motion state (一種運動狀態確定方法、裝置、設備及存儲介質)	WFOE	2019100196626	2022/02/25	2039/01/09
13.	Invention	Method, device, wearable equipment and storage medium for identifying swimming stroke (泳姿識別方法、裝置、可穿戴設備及存儲介質)	WFOE	2019102846436	2022/08/12	2039/04/10

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

<u>No.</u>	<u>Patent Category</u>	<u>Patent</u>	<u>Patent Owner</u>	<u>Patent Number</u>	<u>Grant Date</u>	<u>Expiry Date</u>
14.	Invention	Method, device and wearable equipment for triggering information (信息觸發方法及裝置、可穿戴設備)	WFOE	2019109445573	2022/05/03	2039/09/30
15.	Invention	Method and device for acquiring swimming data and method for controlling swimming data collection equipment (游泳數據獲取方法及裝置、游泳數據採集設備的控制方法)	Shenzhen Calorie   WFOE	2020111128076	2022/06/10	2040/10/16
16.	Invention	Display method, device, terminal equipment and storage medium for (一種顯示方法、裝置、終端設備及存儲介質)	WFOE	2018115805942	2022/05/03	2038/12/24
17.	Invention	Method, device, storage medium and processor for generating music (音樂生成方法、裝置、存儲介質及處理器)	WFOE	2019102096919	2022/03/15	2039/03/19
18.	Invention	Method, device, terminal equipment and storage medium for determining sport tracks (一種運動軌迹確定方法、裝置、終端設備和存儲介質)	WFOE	2020107072928	2022/08/16	2040/07/21

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

<u>No.</u>	<u>Patent Category</u>	<u>Patent</u>	<u>Patent Owner</u>	<u>Patent Number</u>	<u>Grant Date</u>	<u>Expiry Date</u>
19.	Invention	Method, device and system for processing data during exercise (運動過程中的數據處理方法及裝置、系統)	WFOE	2019102088611	2022/04/26	2039/03/19
20.	Invention	Method, device, equipment and storage medium for evaluating running posture (一種跑姿評估方法、裝置、設備和存儲介質)	WFOE	201911014229X	2022/07/29	2039/10/23
<b>Others</b>						
21.	Invention	Method, device, wearable equipment and storage medium for recommending course (一種課程推薦方法、裝置、設備及存儲介質)	WFOE	2019100980854	2021/5/28	2039/1/31
22.	Invention	Method, push method, device, medium and server for maintaining push content pool (維護推送內容池的方法、推送方法、裝置、介質及服務器)	WFOE	2019104784701	2021/1/15	2039/6/3

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

<u>No.</u>	<u>Patent Category</u>	<u>Patent</u>	<u>Patent Owner</u>	<u>Patent Number</u>	<u>Grant Date</u>	<u>Expiry Date</u>
23.	Invention	Method, device, equipment and storage medium for determining atlas of human limb joints (關節圖確定方法、裝置、設備和存儲介質)	WFOE	2019103378931	2021/7/6	2039/4/25
24.	Invention	Method and device for playing stage running voice (分段跑的語音播放方法及裝置)	Calorie Technology	2018104564783	2020/7/24	2038/5/14
25.	Invention	Method and device for displaying data (顯示數據的方法和裝置)	WFOE	2017105005325	2020/11/20	2037/6/27
26.	Invention	Method, device, storage medium and processor for generating sport video (運動視頻的生成方法、裝置、存儲介質及處理器)	WFOE	2018111106845	2020/10/27	2038/9/21
27.	Invention	Method, device, terminal equipment and storage medium for extracting characteristics (特徵提取方法、裝置、終端設備及存儲介質)	WFOE	2019104784684	2021/11/19	2039/6/3
28.	Invention	Method and device for processing sport tracks video (運動軌跡視頻的處理方法及裝置)	WFOE	2019102088575	2022/02/22	2039/03/19



**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

As at the Latest Practicable Date, we had applied for the registration of the following patents in China which we consider to be or may be material to our business:

<u>No.</u>	<u>Patent Category</u>	<u>Patent</u>	<u>Patent Owner</u>	<u>Patent Number</u>	<u>Application Date</u>
<i>Smart Hardware</i>					
1.	Invention	Method, device, equipment and storage medium for estimating calories (一種卡路里估算方法、裝置、設備及存儲介質)	WFOE	2020115898060	2020/12/29
2.	Invention	Method, device, smart bracelet for evaluating sport movement (運動動作的評估方法及裝置、智能手環)	Shenzhen Calorie   WFOE	2018113554259	2018/11/14
3.	Invention	Method, device and wearable equipment for identifying badminton stroke action (羽毛球擊球動作的識別方法、裝置和可穿戴設備)	WFOE	2019103566856	2019/4/29
4.	Invention	Method and wearable equipment for identifying gesture and gesture control system (手勢識別方法、可穿戴設備及手勢控制系統)	WFOE	2019105282929	2019/6/18
5.	Invention	Method and device for scoring action (動作評分方法及裝置)	WFOE	2019107255451	2019/8/7
6.	Invention	Method and device for detecting sleep state (睡眠狀態檢測方法及裝置)	WFOE	2019110896846	2019/11/8
7.	Invention	Method, device and processor for transferring data (數據傳輸方法及裝置、處理器)	Shenzhen Calorie   WFOE	2020111116454	2020/10/16
8.	Invention	Method and device based on action identification (基於動作識別的方法及裝置)	WFOE	2021102986208	2021/3/19
9.	Invention	Method and device for sports gaming (運動遊戲的交互方法及裝置)	WFOE	2021113509734	2021/11/15
10.	Invention	Method and device for interacting boxing game (拳擊遊戲的交互方法及裝置)	WFOE	2021103972819	2021/4/13
11.	Invention	Method and device for interacting fitness training (健身訓練的交互方法及裝置)	WFOE	2021103963858	2021/4/13

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

<u>No.</u>	<u>Patent Category</u>	<u>Patent</u>	<u>Patent Owner</u>	<u>Patent Number</u>	<u>Application Date</u>
12.	Invention	Method for displaying effect based on movement frequency and device and electronic equipment for displaying effect (基於運動頻率的效果展示方法及效果展示裝置、電子設備)	Shenzhen Calorie   WFOE	202110887215X	2021/8/3
13.	Invention	Method, device and wearable system for determining fitness plan (健身計劃的確定方法及確定裝置、可穿戴系統)	WFOE	2020112575109	2020/11/11
14.	Invention	Method, device, storage medium and processor for determining fitness equipment parameters (健身設備參數的確定方法、裝置、存儲介質及處理器)	Calorie Technology   WFOE	2021102812136	2021/3/16
15.	Invention	Method, device, storage medium and processor for controlling fitness equipment (健身設備的控制方法、裝置、存儲介質及處理器)	Calorie Technology   WFOE	2021102830670	2021/3/16
16.	Invention	Method, device, storage medium and processor for adjusting fitness equipment (健身設備的調節方法和裝置，以及存儲介質和處理器)	Calorie Technology   WFOE	2021102811839	2021/3/16
17.	Invention	Method, device, storage medium and processor for adjusting resistance of fitness equipment (健身設備的調阻方法、裝置、存儲介質及處理器)	Calorie Technology   WFOE	2021102811792	2021/3/16
18.	Invention	Method and device for displaying page (頁面展示方法及裝置)	WFOE	2021102986195	2021/3/19
19.	Invention	Method and device for displaying comments (展示評論內容的方法及裝置)	WFOE	2021103044726	2021/3/22
20.	Invention	Grouping method, device, storage medium and processor (分組方法、裝置、存儲介質及處理器)	WFOE	2021104211976	2021/4/19

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

<u>No.</u>	<u>Patent Category</u>	<u>Patent</u>	<u>Patent Owner</u>	<u>Patent Number</u>	<u>Application Date</u>
<b>Others</b>					
21.	Invention	Method, device, storage medium and processor for detecting athletic ability (運動能力檢測的方法及裝置、存儲介質、處理器)	WFOE	2018110062248	2018/8/30
22.	Invention	Method, device and electronic equipment for measuring action difficulty (動作難度計算方法及裝置、電子設備)	WFOE	2019114254186	2019/12/31
23.	Invention	Method, device, storage medium and electronic equipment for determining fitness course (健身課程的確定方法、裝置、存儲介質及電子裝置)	WFOE	2021108020268	2021/7/15
24.	Invention	Method, device, storage medium and electronic equipment for determining fitness course (健身課程的確定方法、裝置、存儲介質及電子裝置)	WFOE	2021108020183	2021/7/15
25.	Invention	Method, device, storage medium and electronic equipment for adjusting fitness course (健身課程的調整方法、裝置、存儲介質及電子裝置)	WFOE	2021108032388	2021/7/15
26.	Invention	Method, device, storage medium and electronic equipment for adjusting fitness course (健身課程的調整方法、裝置、存儲介質及電子裝置)	WFOE	2021108032301	2021/7/15
27.	Invention	Method, device, storage medium and electronic equipment for recommending fitness course (健身課程的推薦方法、裝置、存儲介質及電子裝置)	WFOE	2021108032373	2021/7/15
28.	Invention	Method, device, equipment and storage medium for generating 3D human body model (三維人體模型的生成方法、裝置、設備和存儲介質)	WFOE	2018116385021	2018/12/29

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

<u>No.</u>	<u>Patent Category</u>	<u>Patent</u>	<u>Patent Owner</u>	<u>Patent Number</u>	<u>Application Date</u>
29.	Invention	Method, device, and electronic equipment for generating image (圖像生成方法及裝置、電子設備)	WFOE	2019109512421	2019/10/8
30.	Invention	Method, device and electronic equipment for processing tracks data (軌迹數據的處理方法及裝置、電子設備)	WFOE	2019110084294	2019/10/22
31.	Invention	Method, device and system for processing track data (運動軌迹的處理方法及裝置、運動軌迹處理系統)	WFOE	2020105250460	2020/6/10
32.	Invention	Method, device, equipment and storage medium for restoring sports tracks (一種運動軌迹的修復方法、裝置、設備及存儲介質)	WFOE	2020107073047	2020/7/21
33.	Invention	Method, device, equipment and storage medium for correcting tracks (軌迹糾偏方法、裝置、設備及存儲介質)	WFOE	202010987637X	2020/9/18
34.	Invention	Method, device, wearable equipment and storage medium for restoring tracks (一種軌迹修復方法、裝置、可穿戴設備及存儲介質)	WFOE	2021105020444	2021/5/8
35.	Invention	Method and device for processing data for running applications (一種運行應用程序的數據處理方法和裝置)	WFOE	2017109723635	2017/10/18
36.	Invention	Method and device for determining sport goals (運動目標確定方法及裝置)	WFOE	2019107852734	2019/8/23

***Domain names***

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Registered Owner</u>	<u>Registration Date</u>	<u>Expiry Date</u>
1.	keep.com	Calorie Technology	1995-8-29	2028/9/17

## FURTHER INFORMATION ABOUT OUR DIRECTORS

### Particulars of Directors’ service contracts and appointment letters

#### *Executive Directors*

Each of our executive Directors entered into a service contract with our Company on [●]. The term of appointment shall be for an initial term of three years from the [REDACTED] or until the third annual general meeting of our Company after the [REDACTED], whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months’ written notice.

#### *Non-executive Director*

Our non-executive Director entered into an appointment letter with our Company on [●]. The term of appointment shall be for an initial term of three years from the [REDACTED] or until the third annual general meeting of our Company after the [REDACTED], whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months’ written notice.

#### *Independent non-executive Directors*

Each of our independent non-executive Directors entered into an appointment letter with our Company on [●]. The term of appointment shall be for an initial term of three years from the [REDACTED] or until the third annual general meeting of our Company after the [REDACTED], whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months’ written notice.

### Remuneration of Directors

- (a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).
- (b) The aggregate amount of remuneration paid and benefits in kind granted to our Directors by our Group in respect of the year ended December 31, 2022 was approximately RMB17.8 million.
- (c) Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the year ended December 31, 2023 is approximately RMB17.9 million.

### Disclosure of interests

#### *Interests and short positions of our Directors in the share capital of our Company or our associated corporations following completion of the [REDACTED]*

Immediately following completion of the [REDACTED] (assuming the Presumptions), and other than as disclosed in “Substantial Shareholders”, the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the

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SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the ‘Model Code for Securities Transactions by Directors of Listed Issuers’ contained in the Listing Rules, to be notified to our Company and the Stock Exchange once our Company’s Shares are listed on the Stock Exchange, are set out below:

<u>Name of director</u>	<u>Nature of interest</u>	<u>Number of issued Shares</u>	<u>Number of Shares underlying outstanding options granted</u>	<u>Approximate % interest in Shares of our Company immediately after the [REDACTED] <sup>(1)</sup></u>
Mr. Peng Wei <sup>(2)</sup>	Interest in controlled corporation	10,621,480 Shares	—	[REDACTED]
Mr. Liu Dong <sup>(3)</sup>	Interest in controlled corporation	5,561,499 Shares	—	[REDACTED]
	Beneficial interest in Restricted Shares granted under the Pre-[REDACTED] Share Incentive Plans	—	10,000 Shares	[REDACTED]

**Notes:**

- (1) The calculations are made assuming the [REDACTED] is not exercised and no Shares are issued under the Share Incentive Plans.
- (2) Mr. Peng holds his interests in our Company through his controlled corporation, Metropolis Olympia Holdings Limited, which holds 10,621,480 Shares. Metropolis Olympia Holdings Limited is wholly-owned by Pacinson Limited, which in turn is controlled by a trust that is controlled by Mr. Peng and in which Mr. Peng is the settlor and sole beneficiary. Under the SFO, Mr. Peng Wei is deemed to be interested in all the interests in our company held by Metropolis Olympia Holdings Limited.
- (3) Mr. Liu is beneficially interested in 10,000 Shares, which underlines the outstanding options granted to him under the 2016 Plan. Mr. Liu holds additional interests in our Company through his controlled corporation, Bulldog Group Ltd, which holds 5,561,499 Shares, of which 990,000 of the Shares were awarded to Mr. Liu Dong pursuant to the Pre-[REDACTED] Share Incentive Plans and are held by Bulldog Group Ltd as Restricted Shares (with restrictions on transfer, voting and income) until the relevant vesting and exercise conditions are fulfilled. Bulldog Group Ltd is ultimately wholly controlled by a trust in which Mr. Liu is the settlor and sole beneficiary. Under the SFO, Mr. Liu Dong is deemed to be interested in all the interest in our Company held by Bulldog Group Ltd.
- (4) For details of Mr. Wang’s interest in our Company, please see “Substantial Shareholders”.

***Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO***

For information, so far as is known to our Directors or chief executive, of each person, other than our Directors or chief executive, who immediately following completion of the [REDACTED] (assuming the Presumptions) who will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group, see “Substantial Shareholders”.

**PRE-[REDACTED] SHARE INCENTIVE PLANS**

**Summary of material terms of the Pre-[REDACTED] Share Incentive Plans**

***Overview***

The following is a summary of the principal terms of the 2016 Plan and the 2021 Plan (collectively the Pre-[REDACTED] Share Incentive Plans) of our Company as approved and adopted by the Board, as amended from time to time. The plans are not subject to Chapter 17 of the Listing Rules and will not involve the grant of options by our Company to subscribe for new shares after Listing. Upon Listing, we will not make any new grants of awards under the Pre-[REDACTED] Share Incentive Schemes and we will be subject to, and will comply with, Amended Chapter 17 of the Listing Rules.

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***Purpose***

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

***Eligibility***

Persons eligible to participate in the Pre-[REDACTED] Share Incentive Plans include employees of our Company or any parent or subsidiary of our Company, a member of the board of directors of the Company, or any consultant who is engaged by the Company or its parent or subsidiary to render consulting or advisory services to such entity (the “Service Providers”).

***Maximum number of Shares***

The maximum aggregate number of Shares which may be issued pursuant to all awards pursuant to the 2016 Plan is 35,536,640 ordinary Shares, and the maximum aggregate number of Shares which may be issued pursuant to all awards pursuant to the 2021 Plan is 25,108,660 ordinary Shares.

As at March 21, 2023, an aggregate of 45,215,300 Shares underlie awards that remain unexercised, unvested or ungranted under the Pre-[REDACTED] Share Incentive Plans, of which (a) 45,205,300 ordinary shares were issued to Calorie Partner Limited, which are reserved for satisfying awards granted or to be granted to participants of our Pre-[REDACTED] Share Incentive Plans. Calorie Partner Limited is a trust company wholly-owned by a trust in which our Company is the settlor, Futu Trustee Limited acts as the trustee, and the beneficiaries are participants of our Company’s share incentive plans who are not close associates of our Company; and (b) 10,000 Shares remain to be issued and which underlie the options granted to our Director, Mr. Liu Dong. The ordinary Shares issued to and held by Calorie Partner Limited and that are unvested will not be used to vote at general meetings of our Company by the trustee, in accordance with Amended Chapter 17 of the Listing Rules.

A breakdown of the ordinary Shares underlying the Pre-[REDACTED] Share Incentive Plans as at March 21, 2023 are set out below:

	<u>2016 Plan</u>	<u>2021 Plan</u>	<u>Total</u>
Shares issued pursuant to exercised options . . . . .	15,430,000	—	15,430,000 <sup>(1)</sup>
Shares issued and underlying granted outstanding options . . . . .	19,003,250	4,916,075	23,919,325 <sup>(2)</sup>
Shares issued and underlying ungranted awards . . . . .	1,093,390	20,192,585	21,285,975 <sup>(2)</sup>
Shares remaining to be issued and underlying granted and outstanding options . . . . .	10,000	—	10,000 <sup>(3)</sup>
<b>Scheme limit . . . . .</b>	<b>35,536,640</b>	<b>25,108,660</b>	<b>60,645,300</b>

*Notes:*

- (1) These Shares are held by Bulldog Group Ltd (as to 990,000) and Calorie Fortune Limited (as to 14,440,000). See “History, Reorganization, and corporate Structure—Major Shareholding Changes of our Company”.
- (2) These Shares are held by Calorie Partner Limited, see “History, Reorganization, and corporate Structure—Major Shareholding Changes of our Company” and “—Pre-[REDACTED] Share Incentive Plans—Summary of material terms of the Pre-[REDACTED] Share Incentive Schemes—Maximum number of Shares”. These Shares represent [4.26]% and [REDACTED]% of our Company’s total issued share number immediately before and after the [REDACTED] (assuming the Presumptions). After Listing, these Shares will be used to fund share options and share awards granted under the Post-[REDACTED] Share Incentive Scheme, and the Company will treat a share option or share award funded by these Shares as a share option or share award funded by new shares of the Company and such grant will comply with Amended Chapter 17 of the Listing Rules, including the requirements that relate to grants of awards funded by new shares. [We are in the process of adopting the Post-[REDACTED] Share Incentive Scheme that will comply with Amended Chapter 17 of the Listing Rules.]
- (3) These Shares underlie outstanding options granted to Mr. Liu Dong, our Director, and have not been issued. See “—Further information about our Directors—Disclosure of interests”.



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### *Administration*

The Pre-[REDACTED] Share Incentive Plans are administered by the Board acting as the administrator. The Board shall, subject to the terms of the plans, have the authority in its discretion to:

- (a) to determine the fair market value of the Shares;
- (b) to select the Service Providers to whom awards may from time to time be granted;
- (c) to determine the number of Shares to be covered by each award granted;
- (d) to approve forms of agreement for use under the plans;
- (e) to determine the terms and conditions, of any award granted. Such terms and conditions include, but are not limited to, the exercise price, the time or times when award may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any award or the Shares relating thereto, based in each case on such factors as the administrator, in its sole discretion, shall determine;
- (f) to determine whether and under what circumstances an option may be settled in cash instead of Shares;
- (g) to reduce the exercise price of any option to the then current fair market value if the fair market value of the Shares covered by such option has declined since the date the option was granted;
- (h) to initiate an option exchange program;
- (i) to prescribe, amend and rescind rules and regulations relating to the plans, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax law;
- (j) to allow optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an award that number of Shares having a fair market value equal to the amount required to be withheld. The fair market value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by optionees to have Shares withheld for this purpose shall be made in such form and under such conditions as the administrator may deem necessary or advisable;
- (k) to construe and interpret the terms of the plans and awards granted pursuant to the plans;
- (l) to make all other determinations that as the administrator may deem necessary or advisable to administrate the plans; and
- (m) to delegate any of the powers above.

### *Grant of Awards*

Awards include any option, award of stock purchase right, award of restricted share unit, award of restricted shares, or other share-based award as determined by the Board granted under the plans.

### *Options*

The Board is authorized to grant options to participants on the terms and conditions as set out in the 2016 Plan and the 2021 Plan. The option agreement evidencing the options shall include such additional provisions as may be specified by the Board.

The term of each option shall be stated in the option agreement; provided, however, that the term shall be no more than ten years from the date of grant thereof. The per share exercise price for the Shares to be issued upon exercise of an option shall be such price as is determined by the administrator. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the administrator. Such consideration may consist of (i) cash; (ii) check; (iii) promissory note; (iv) other Shares which (x) in the case of Shares acquired upon exercise of an Option, have been owned by the optionee for more than six (6) months on the date of surrender, and (y) have a fair market value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (v) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the plans; or (vi) any combination of the foregoing methods of payment. No new options may be granted under the Pre-[REDACTED] Share Incentive Plans after Listing.

#### *Restricted Share Units*

The Board may grant restricted share units to participants as the Board in its sole discretion shall determine at any time and from time to time. The award agreement evidencing the restricted share units shall specify such other terms and conditions as the Board, in its sole discretion, shall determine. The Company may continue to grant restricted share units after Listing in accordance with the terms of the respective Pre-[REDACTED] Share Incentive Plan.

#### *Limits on transfer*

Unless otherwise approved by the Board, the awards may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of succession and may be exercised, during the lifetime of the optionee, only by the optionee and in the event of death of the optionee, in accordance with the relevant provision in the plans.

#### *Adjustments*

Subject to any required action by Shareholders, the number of Shares covered by each outstanding Award, and the number of Shares which have been authorized for issuance under the plans but as to which no awards have yet been granted or which have been returned to the plans upon cancellation or expiration of an award, as well as the price per Share covered by each such outstanding award, shall be proportionately adjusted for any increase or decrease in the number of Shares resulting from a reclassification of the Shares, or any other increase or decrease in the number of Shares effected without receipt of consideration by the Company. The conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration". No issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an award. If the Company shall at any time increase or decrease the number of its outstanding Shares, or change in any way the rights and privileges of such Shares by means of the payment of a stock dividend or any other distribution upon such Shares, or through a stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the stock, then in relation to the Shares that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if such Shares had been issued and outstanding, fully paid and nonassessable at the time of such occurrence: (i) the number of shares of Shares as to which options may be granted under the plans; and (ii) the Shares included in each outstanding option granted.

*Amendment and termination*

The Board may at any time amend, alter, suspend or terminate Pre-[REDACTED] Share Incentive Plan. The Board shall obtain Shareholders’ approval of any amendment to the extent necessary and desirable to comply with applicable laws. No amendment, alternation, suspension or termination of the plans shall impair the rights of any optionee in any material way any optionee previously granted pursuant to the plans, unless mutually agreed otherwise in meeting between the optionee and the administrator. Termination of the plans shall not affect the administrator’s ability to exercise the powers granted to it with respect to options granted under the plans prior to the date of such termination.

*Term of the Pre-[REDACTED] Share Incentive Plans*

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

**Details about the outstanding options granted under the Pre-[REDACTED] Share Incentive Plans**

*General*

The below table sets out the key details of outstanding options granted under the Pre-[REDACTED] Share Incentive Plans as of March 21, 2023:

(a) Total grantees with outstanding options:	
- under the 2016 Plan	205
- under the 2021 Plan	270
(b) Total number of outstanding options:	
- under the 2016 Plan	19,013,250
- under the 2021 Plan	4,916,075
(c) Total Shares underlying the outstanding options:	
- under the 2016 Plan	19,013,250
- under the 2021 Plan	4,916,075
(d) Dates between which outstanding options were granted:	
- for the 2016 Plan	March 7, 2016 - September 1, 2022
- for the 2021 Plan	June 8, 2021 - February 14, 2023
(e) Range of exercise price for outstanding options:	
- for the 2016 Plan	US\$0.005 to US\$2.956
- for the 2021 Plan	US\$2.3356 to US\$2.956
(f) Consideration for accepting the outstanding options granted:	No cash consideration was paid by the grantees for the outstanding options granted.

As our Group incurred losses for the year ended December 31, 2022, the dilutive potential of the ordinary shares arising from any options from the Share Incentive Plans are not included in the

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calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended December 31, 2022 was the same as basic loss per share for the corresponding periods. As at the date of this document, 10,000 Shares remain to be issued under the Pre-[REDACTED] Share Incentive Plans, which, if fully issued, would have a nominal dilutive effect on our total issued share capital.

*Details of outstanding options held by Directors, senior management and other connected persons*

The table below sets out the details of the outstanding options granted to our Director. No other outstanding options that remain outstanding were granted to any other Directors, senior management or connected persons of our Company.

<u>Name</u>	<u>Role</u>	<u>Address</u>	<u>Plan</u>	<u>Date of grant</u>	<u>Vesting period<sup>(2)</sup></u>	<u>Exercise price</u>	<u>Number of Shares underlying the outstanding options granted</u>	<u>Approximate percentage of issued shares immediately after completion of the [REDACTED]<sup>(1)</sup></u>
<b>Directors</b>	Executive	No. 304,	2016	April 22,	See	US\$0.80	10,000	[REDACTED]%
Mr. Liu Dong	Director	Building 1, Jiuzhoujiayuan Longyuan Road Longgang District Shenzhen City Guangdong Province China	Plan	2021	note 2.	per Share		

Notes:

(1) The calculations are made assuming the Presumptions.

(2) 50% of the Shares underlying the option shall vest upon the second anniversary of the vesting commencement date. Another 25% of the Shares subject to the option shall vest upon the third and fourth anniversary of the vesting commencement date respectively or at such time that the plan administrator may designate at its sole discretion. If requested by the Company or any representative of the Company’s [REDACTED] in connection with an [REDACTED], the grantee will not be permitted to sell or otherwise transfer any of the Shares or securities of the Company during the 180-day period following the closing date of such [REDACTED].

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*Details of outstanding options granted to other grantees*

The table below sets out the details of the outstanding options granted to the remaining 393 grantees under the Pre-[REDACTED] Share Incentive Plans, as of March 21, 2023, who are not Directors, members of the senior management or connected persons of our Company:

Range of Shares Underlying outstanding Options	Total number of grantees	Date of grant	Vesting period <sup>(2)</sup>	Exercise price (US\$)	Number of Shares underlying the outstanding options granted	Approximate percentage of issued shares immediately after completion of the [REDACTED] <sup>(1)</sup>
<b>Under the 2016 Plan:</b>						
0 to 27,999 Shares . . . . .	68	March 7, 2016 - August 23, 2022	see note 2	0.125 - 2.956	936,750	[REDACTED]
28,000 to 399,999 Shares . . .	129	March 7, 2016 - September 1, 2022	see note 2	0.005 - 4.098	13,266,500	[REDACTED]
400,000 Shares or above . . . .	7	November 11, 2016 - June 8, 2021	see note 2	0.125 - 2.416	4,800,000	[REDACTED]
<b>Sub-total:</b> . . . . .	204 grantees				19,003,250	[REDACTED]
<b>Under the 2021 Plan:</b>						
0 to 27,999 Shares . . . . .	222	June 8, 2021 - February 14, 2023	see note 2	2.3356 - 2.956	1,996,075	[REDACTED]
28,000 to 399,999 Shares . . .	48	June 8, 2021 - February 14, 2023	see note 2	2.3356 - 2.956	2,990,000	[REDACTED]
400,000 Shares or above . . . .	0	-	-	-	-	[REDACTED]
<b>Sub-total:</b> . . . . .	270 grantees				4,916,075	[REDACTED]
<b>Under both the 2016 Plan and 2021 Plan:</b>						
0 to 27,999 Shares . . . . .	212	March 7, 2016 - February 14, 2023	see note 2	0.125 - 2.956	1,947,575	[REDACTED]
28,000 to 399,999 Shares . . .	174	March 7, 2016 - February 14, 2023	see note 2	0.005 - 4.098	17,061,750	[REDACTED]
400,000 Shares or above . . . .	7	November 11, 2016 - June 8, 2021	see note 2	0.125 - 2.416	4,910,000	[REDACTED]
<b>Total:</b> . . . . .	393 grantees				23,919,325	[REDACTED]

Notes:

- (1) The calculations are made assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Plans.
- (2) Please refer to Note 29(b) of the Accountant’s Report in Appendix I for the vesting schedule. If requested by the Company or any representative of the Company’s [REDACTED] in connection with an [REDACTED], the grantee will not be permitted to sell or otherwise transfer any of the Shares or securities of the Company during the 180-day period following the closing date of such [REDACTED].

**POST-[REDACTED] SHARE INCENTIVE PLAN**

**Overview**

The following is a summary of the principal terms of the 2023 Plan approved by our Company in [●] 2023, which will be adopted immediately prior to Listing. This plan will constitute a share scheme governed by Amended Chapter 17.

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### *Purpose*

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

### *Eligibility*

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

<i>Employee Participants</i>	A director, officer or employee of our Group on the grant date.
<i>Related Entity Participant</i>	A director, officer or employee of (i) our holding company (if any); (ii) subsidiaries of our holding company other than our Group (if any); and (iii) associate companies of our Company.
<i>Service Provider Participant</i>	Persons providing services to our Group on a continuing basis in its ordinary and usual course of business that are in the interests of the long term growth of our Group, as determined by the scheme administrator, pursuant to the criteria set out in this plan, and:  (a) includes (i) content creators that provide significantly contributes to our Group and business; (ii) third-party platforms that is, or is anticipated to be going forward, a significant business partner or otherwise significant to our business; and (iii) consultants, suppliers and service providers that is, or is anticipated to be going forward, a significant business partner or otherwise significant to our business; but  (b) does not include (i) placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions; or (ii) professional service providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity.

### *Awards and Scheme Limits*

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

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The 2023 Plan shall have the following scheme:

<i>Total scheme limit</i>	The total number of Shares which may be issued pursuant to all awards to be granted under this plan and under any other share schemes of our Company is 10% of the Shares in issue on the [REDACTED].
<i>Service Provider Participants sub-limit</i>	The total number of Shares which may be issued pursuant to all awards to be granted to Service Provider Participants under this plan is 2,500,000 Shares.

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

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

### *Administration*

This plan shall be administered by our Board, which may establish a committee and appoint person(s) to administer and implement this plan (collectively, the “**scheme administrator**”). The scheme administrator’s powers are subject to applicable laws, rules and regulations, and include the power to: (a) interpret the plan rules; (b) make grants and determine conditions of the awards granted (e.g., grant date, vesting period, vesting schedule and conditions such as performance targets, clawback arrangements, exercise price and period, exercise method and how to settle vested awards, and other conditions and restrictions); (c) approve award letters; and (d) take any other actions deemed necessary or prudent to give effect to the terms and intent of the plan rules or awards.

Notwithstanding these powers, the administration of this plan shall comply with all applicable shareholder approval, announcement, circular, and reporting requirements imposed by the Listing Rules (as amended from time to time) and shall be subject to applicable laws, rules and regulations.

### *Grants*

Grants of awards shall be determined by the scheme administrator and shall be made to Eligible Participants only.

Grants shall not be made in contravention of the Model Code set out in Appendix 10 to the Listing Rules and where our Company is in possession of inside information and until (and including) one full trading day after the date that such information is announced, including within the one month prior to the earlier of our Board approving any annual, half-year or quarterly results, or the deadline for our Company announcing such results under the Listing Rules.



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### *Acceptance*

The scheme administrator shall determine the period within which a grant may be valid for acceptance by the grantee, and the method of and purchase price (if any) payable with acceptance, which shall be set out in the award letter. However, if not otherwise specified in the award letter, a grantee shall have 10 Business Days from the grant date to accept the award. Any awards not accepted by the grantee within the acceptance period (in the manner specified) shall be deemed as declined and automatically lapse.

### *Vesting period*

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

### *Vesting conditions*

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

### *Voting and dividend rights*

Awards do not carry any right to vote at general meetings of our Company, nor any right to dividends, transfer or other rights. No grantee shall enjoy any of the rights of a Shareholder by virtue of being granted an award unless and until the Shares underlying an award are delivered to the grantee pursuant to the vesting and exercise of such award.

### *Transferability*

Awards are personal to the grantee and shall not be assignable or transferrable, except where a waiver has been granted by the Stock Exchange with respect to the proposed transfer, and such transfer has been made in compliance with the Listing Rules and with the consent of our Company. Following such transfer, the transferee shall be bound by the plan rules and award letter as if the transferee were the grantee.

### *Clawback*

Where certain events specified in the plan arise, our Board may determine that, with respect to a grantee, awards granted but not yet exercised shall immediately lapse, and with respect to any Shares delivered or amount paid to the grantee, the grantee be required to transfer the same value, whether in Shares and/or cash, back to our Company (or nominee). These circumstances are:

- (a) the grantee ceasing to be an Eligible Participant by reason of termination for cause or without notice, or the result of being charged/penalized/convicted of an offense involving the grantee’s integrity or honesty;

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- (b) the grantee commits a serious misconduct or breach, including with respect to a policy or code of or other agreement with our Group, which is considered to be material; or
- (c) the award is no longer determined to be appropriate and aligned with the purpose of this plan.

### *Lapsed and canceled awards*

The scheme administrator may cancel an award with the prior consent of the grantee. Award shares underlying canceled awards shall be treated in the manner required under the Listing Rules.

Awards shall automatically lapse upon the following events:

- (a) the award has not been accepted by the grantee (in the manner specified) within the acceptance period;
- (b) expiry of the exercise price;
- (c) the clawback mechanism being triggered;
- (d) following the grantee's death or permanent incapacity, bankruptcy, or where the grantee ceases to be an Eligible Participant or terminates their employment or contractual engagement with our Group for reasons other than as already provided for in this plan, or where the grantee's employment or contractual engagement has been suspended, or the grantee's position in or with respect to our Group has been vacated, for more than six months;
- (e) forfeiture of the award by the grantee; or
- (f) the grantee transfers the award in breach of the transferability provisions specified in the plan.

### *Term of this plan and termination*

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

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

### *Amendment and termination*

The scheme administrator may, in their sole discretion, amend this plan or an award provided that:

- (a) the amendment, and the amended plan or award, shall comply with the relevant requirements under Amended Chapter 17; and
- (b) additional approvals (e.g., from the relevant grantee, Shareholders at general meeting, or another body) are obtained as, and in the manner, required under the Notes to Rule 17.03(18) of Amended Chapter 17.

*Award letter*

A grant shall be accompanied by an award letter, which shall set out the particulars, terms and conditions of the grant, including particulars of the grant/award, vesting conditions, method of settlement, and other rights or restrictions attached to or in respect of the award (or underlying award shares).]

**OTHER INFORMATION**

**Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

**Litigation**

Save as disclosed in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company’s results of operations or financial condition.

**Joint Sponsors**

The listing of our Shares on the Hong Kong Stock Exchange is jointly sponsored by Goldman Sachs (Asia) L.L.C. and China International Capital Corporation Hong Kong Securities Limited. Goldman Sachs (Asia) L.L.C. is not considered an independent sponsor under Rule 3A.07(1) of the Listing Rules, on the basis that a member of the “sponsor group” (as defined under Rule 3A.01(9) of the Listing Rules), GS Capital, holds or will hold directly more than **[REDACTED]** of the issued share capital of the Company. GS Capital is wholly owned by Goldman Sachs Capital Holdings I Pte. Ltd, which is in turn indirectly wholly owned by The Goldman Sachs Group, Inc. (NYSE: GS). Goldman Sachs (Asia) L.L.C. is a subsidiary of The Goldman Sachs Group, Inc.. Accordingly, GS Capital is a member of the “sponsor group” under the Listing Rules.

China International Capital Corporation Hong Kong Securities Limited is an independent sponsor under Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate of US\$1 million for acting as the Company’s sponsor for the Listing.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### Consent of experts

This document contains statements made by the following experts:

<u>Name</u>	<u>Qualification</u>
Goldman Sachs (Asia) L.L.C.	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Commerce & Finance Law Offices	Qualified PRC lawyers
Harney Westwood & Riegels	Cayman Islands attorneys-at-law
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50)  Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
China Insights Industry Consultancy Limited	Industry consultant
Global Law Office	Qualified PRC lawyers

As at the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

### Binding effect

[REDACTED]

### Bilingual document

[REDACTED]

The English version of this document is the official version, and where are inconsistencies between the English version and translations thereof, the English version of this document shall prevail.

### Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

### Disclaimers

- (a) Save as disclosed in this document and in the section “[REDACTED]”, within the two years immediately preceding the date of this document:
  - (i) there are no commissions [(but not including commission to [REDACTED])] for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and
  - (ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in “—Other information—Consent of experts” received any such payment or benefit.
- (b) Save as disclosed in this document:
  - (i) there are no founder, management or deferred shares in our Company or any member of our Group (other than the 990,000 Restricted Shares held by Bulldog Group Ltd and the 14,440,000 Restricted Shares held by Calorie Fortune Limited);
  - (ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;
  - (iii) none of the Directors or the experts named in “—Other information—Consent of experts” above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and
  - (iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;
  - (v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
  - (vi) there are no outstanding debentures of our Company or any member of our Group;
  - (vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;
  - (viii) there are no arrangements under which future dividends are waived or agreed to be waived;
  - (ix) there were no significant interruptions in the business of the Group which may have or have had a significant effect on our financial position in the last 12 months;
  - (x) and save for the Share Incentive Plans, no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;

- (xi) there are no restrictions affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong;
- (xii) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

**APPENDIX V**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents,:

- (a) a copy of the [REDACTED];
- (b) the written consents referred to in “Statutory and general information—Other information—Consent of experts” in Appendix IV; and
- (c) copies of the material contracts referred to in “Statutory and general information—Further information about our business—Summary of material contracts” in Appendix IV.

**DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be available on display on the Company’s website ([REDACTED]) and the Stock Exchange’s website (<https://www.hkexnews.hk>) up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and the Articles;
- (b) the material contracts referred to in “Statutory and general information—Further information about our business—Summary of material contracts” in Appendix IV;
- (c) the service contracts and the letters of appointment with our Directors referred to in “Statutory and general information—Further information about our Directors—Particulars of Directors’ service contracts and appointment letters” in Appendix IV;
- (d) the report issued by China Insights Industry Consultancy Limited, a summary of which is set forth in “Industry overview”;
- (e) the PRC legal opinions issued by Commerce & Finance Law Offices, our PRC Legal Adviser on PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;
- (f) the PRC legal opinions issued by Global Law Office, our PRC legal adviser in respect of PRC data compliance law;
- (g) the Accountant’s Report and the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the texts of which are set out in Appendix I and Appendix II, respectively;
- (h) the audited consolidated financial statements as of and for the years ended December 31, 2020, 2021 and 2022;
- (i) the letter of advice prepared by Harney Westwood & Riegels, our legal adviser on Cayman Islands law, summarizing certain aspects of Cayman company law referred to in Appendix III;
- (j) the Cayman Companies Act;
- (k) the written consents referred to in “Statutory and general information—Other information—Consent of experts” in Appendix IV; and
- (l) the terms of the Share Incentive Plans.