Keep Inc.

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

(Stock Code: 3650)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023 AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE ADOPTION OF THE THIRTEENTH AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

ANNUAL RESULTS HIGHLIGHTS

	For the year ended December 31,		
	2023	2022	Year-on-year change
	RMB'000	*RMB'000*	(%)
Revenues	**2,137,834**	2,211,551	(3.3)
Gross profit	**961,644**	900,380	6.8
Gross profit margin (%)	**45.0**	40.7	4.3 p.p
Profit/(loss) for the year	**1,105,908**	(104,551)	N/A
Adjusted net loss for the year (Non-IFRS measure) *(note)*	**(295,418)**	(666,907)	(55.7)
Adjusted net loss margin (%)	**(13.8)**	(30.2)	16.4 p.p

Note:

We define adjusted net loss as profit/(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: (i) share-based compensation expenses primarily represent the non-cash employee benefit expenses incurred in connection with our 2016 Plan, 2021 Plan and 2023 Plan. Such expenses in any specific year are not expected to result in future cash payments and (ii) fair value changes of convertible redeemable preferred shares mainly represent changes in the fair value of the convertible redeemable preferred shares issued by us and relate to changes in our valuation. We did not record any further fair value changes of the convertible redeemable preferred shares after the Listing as preferred shares liabilities were redesignated and reclassified from liabilities to equity after automatically converting into ordinary shares upon Listing.

The board (the "**Board**") of directors (the "**Directors**") of Keep Inc. (the "**Company**") is pleased to announce the audited consolidated results of the Company, its subsidiaries and the consolidated affiliated entities (collectively, the "**Group**") for the year ended December 31, 2023 (the "**Reporting Period**"). The contents of this annual results announcement have been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in relation to preliminary announcements of annual results, in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). Such annual results have also been reviewed and confirmed by the Board and the audit committee of the Board (the "**Audit Committee**"). Unless otherwise stated, the financial data of the Company are presented in Renminbi ("**RMB**").

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Throughout 2023, our focus remained firmly on our mission "to make the world move" and have worked extensively to further this goal and strengthen the unique value proposition we offer users pursuing healthy and active lifestyles. Our platform sets itself apart with its AI-powered personalized workout plans and professional online fitness content that includes pre-recorded classes and interactive live streaming which dynamically adjust content and intensity based on users' athletic levels and preferences. This content is supported by an extensive and complementary ecosystem of fitness related products as well as a large and thriving community. We are seamlessly connecting the physical and digital fitness world into a one-stop immerse fitness experience. Our unique platform, technology, deep user insights, and community position us to lead the industry forward as we work to ensure long-term sustainable growth.

Business Review

Key Operating Data

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

	Year ended December 31,	
	2023	2022
Average monthly active users ("**MAU(s)**") *(in thousand)*	**29,756**	36,388
Average monthly revenues per MAU *(in RMB)*	**6.0**	5.1
Average monthly subscribing members *(in thousand)*	**3,193**	3,621
Membership penetration rate	**10.7%**	10.0%

Overview

Despite the challenging macroeconomic environment, we remain committed to our strategy and are confident in our long-term business prospects. Our efforts throughout the year were focused on refining our products and services and improving our operational efficiency. We continued to invest in the production of premium online fitness content and app features to improve user engagement, strengthening our competitive advantages, and positioning ourselves for future growth. We also implemented prudent cost controls to support our sustainable and resilient business model without impacting user satisfaction for all our products, services, and sales networks.

Total revenues in 2023 were RMB2,137.8 million, representing a decrease of 3.3% from last year, primarily attributable to weaker-than-expected e-commerce consumer sentiment which impacted self-branded fitness product revenue, and our strategy to remain relatively cautious on the expansion of new products and market deployments; which were largely offset by an increase in revenue from online membership and paid content, driven by the strong performance of our virtual sports events. Our margin profile throughout the year improved significantly, with gross profit margin expanding to 45.0% from 40.7% last year. Adjusted net loss (non-IFRS measure) for 2023 narrowed significantly to RMB295.4 million from RMB666.9 million in 2022. In the second half of 2023, adjusted net loss margin (non-IFRS measure) was further narrowed to 6.3%, compared to 29.1% for the same period of 2022. These financial results reflect the progress we have made in enhancing the online content and services we offer, deploying a more efficient go-to-market strategy, strengthening supply chain management, and improving workforce productivity. These initiatives have positioned us to drive long-term sustained growth by generating high-quality revenue, expanding gross profit margins, and improving operating leverage. With a solid foundation now in place, our focus going forward in 2024 will be on refining and executing our core business initiatives and further empower users pursuing healthy and active lifestyles.

Average MAUs and average monthly subscribing members in 2023 were 29.8 million and 3.2 million, respectively, compared to 36.4 million and 3.6 million, respectively in 2022. The decreases were primarily due to (i) a temporary decrease in user activity in early 2023 caused by the surge in COVID-19 cases as well as an increase in post-pandemic offline leisure and travel; (ii) the high base effect for MAUs and subscribing members created in 2022 when COVID-related restrictions were still in place limiting outdoor activity; and (iii) a decrease in promotional activity and traffic acquisition associated with our strategic cost controls. Both average MAUs and average monthly subscribing members experienced moderating declines during the second half of 2023 and have begun to recover when compared to the first half of 2023 which underscores how we are regaining momentum supported by the gradual rollout of our new outdoor initiatives. In addition, our enhanced content and services drove an improvement in membership penetration rate to 10.7% in 2023 from 10.0% in last year. Supported by the continuous growth of our virtual sports events, average monthly revenue per MAU increased by 17.6% year-over-year in 2023.

Diverse Online Fitness Content

Since our inception, we have consistently strengthened every aspect of the member experience through our innovative and diverse online fitness content and services. This is directly supported by our high-quality in-house development capabilities, selective cultivation of third-party content, and rollout of periodic upgrades to existing content in our app.

Throughout 2023, we offered a greater selection of pre-recorded online courses exclusively for subscribing members. These courses include cardio, skipping rope, yoga, meditation, strength training, stretching/toning, and much more. The total number of pre-recorded courses available on our platform to paying members increased to 4,225 as of December 31, 2023, from 1,873 as of December 31, 2022. We released several new series of in-house developed courses including Big Arm Dumbbell Bicep Workout for Men (臂圍暴漲啞鈴男生手臂訓練) and Fat-Burning Walk High-Intensity Music (高消耗音樂燃脂走). We also issued updates to our popular existing professionally generated content (PGC) series of courses such as Training Series for a Sculpted Chest (鎧甲胸肌訓練系列) and Health-Improving Baduanjin Qigong (八段錦). New membership upgrades have access to content from well-known fitness influencers who are strategic partners with us. Notably, we partnered with Aurora Ouyang (歐陽春曉), one of the most prominent figures in the fitness industry, to develop exclusive premium pre-recorded courses Back & Neck Stretches for Perfect Shoulders (獨家全能！歐陽春曉迷人肩頸背系列) and Hourglass Waist Upgrade (獨家沙漏腰！歐陽春曉沙漏腰升級四部曲系列) tailored to meet the diverse preferences of our members.

Our expanded and curated collection offers meticulously crafted classes with greater detail, accuracy, and quality. This enhanced experience provides clearer visual instruction, concise fitness guidance, and empowers users at any fitness level to easily achieve their goals. Our extensive library of proprietary content lets users filter and search for content based on various criteria, including instructors, fitness level, duration, class sequence, and discipline. The number of workout sessions completed by our members following these courses in 2023 increased by over 200% from 2022. Participation by members in these classes and their enthusiastic feedback reflect our leadership in full-body fitness solutions, empowering users to reach their full potential. Leveraging our deep user insights and ability to adapt to their ever-evolving needs, as well as our proven in-house content development capabilities, we will continue to strategically invest in content development to drive future demand.

In addition to rolling out a greater selection of member-only pre-recorded classes in 2023, we are excited at the future opportunities created by the launch of exclusive member-only outdoor classes within our app. Historically, classes within our app were mostly indoor exercises, targeting members at home or at the gym. These newly-added outdoor classes will be ideal for runners at all levels, from fun runs for beginners to interval runs for those seeking to lose weight, to advanced training for marathon runners. Following successful trials, we are confident that these outdoor classes will attract new members. We are pleased to see membership penetration and average monthly membership retention rates in 2023 improve from 2022, attributable to our enhanced member-only courses. We expect our premium content and new outdoor classes to continue driving member activity on our platform and increasingly contribute more to Keep’s value proposition.

Keeper Engagement and Virtual Sport Events

In 2023, participation in and the popularity of our online sports events continued to grow significantly. These events inspire users to join innovative and fun fitness activities, hit various fitness achievements, consistently track their activity progress and performance, and unlock exclusive incentives by Keep, such as in-house designed medals and virtual rewards. These medals and rewards are distinctive to memorialize the events and achievements for users. Event registration fees for users are flexible and affordable, with tiered packages ranging from RMB20 to RMB179 to complete running, cycling, walking and other exercises alongside other participants. While we organize these events, we typically partner with renowned brands or popular IP owners to market it to different user groups. Partnering with renowned brands and leveraging our integrated marketing capabilities on social media and short video platforms, we are able to expand our outreach efforts and engage with a much wider audience. Following the success of the virtual sports events we jointly hosted with our gaming IP partners, we further expanded our profile among Anime Comic Games (ACG) fans with the launch of Keep x Honkai: Star Rail Online Charity Run (崩跑吧, 開拓者! 星穹鐵道線上公益跑) and Keep x Light and Night Online Challenge (光與夜之戀線上挑戰賽). In addition, we began collaborating with renowned marathon organizers, including those that host the Guangzhou and Wuhan marathons, to offer runners a wider array of online and participation choices. Our team leads the industry at collaborating with brands to develop events with awards, engaging gameplay and fun rules that deliver value and an enjoyable, relaxed and engaging fitness experience. This expands our brand profile and helps us acquire new user traffic. Average revenue per paying user (ARPPU) reached record highs in 2023, increasing by over 30% compared to 2022. Our partnerships with increasingly more renowned brands have fueled our engagement with diverse markets and regions, catering to the increasing demand for premium fitness content across diverse user groups.

Furthermore, our app included even more outdoor classes and experiences in the past year. These new offerings also include personalized route recommendations and navigation, enhanced social features that allow users to compete with each other, seamless integration with fitness products such as wristbands, bikes, and shoes. With these newly integrated offerings, our app can synchronize real-time fitness data recorded by users' smart wearables, such as heart rate, calories burned, speed and distance. These outdoor classes are the results of our dedication to community building, improved user engagement, and expanded content (both mainstream and niche). We will continue developing data analysis tools, smart features, and diverse activities to empower our passionate community and unlock exciting new opportunities.

Self-branded Fitness Products

We continue to strengthen our position within core product categories to ensure we are the preferred choice for users seeking intelligent and professional fitness products. Aside from diverse content offerings and a large engaging community, we also offer an extensive range of self-branded products including smart fitness devices (such as bikes, wristbands, and treadmills) and complementary fitness products (including fitness gear, apparel and food). We sell our self-branded fitness products to users either directly through online retail channels (including our online store and third-party e-commerce platforms) or though third-party wholesale channels. Creating synergies between these products and our online fitness content ideally positions us at the one-stop comprehensive fitness solution for all users.

Due to the extensive range of devices and products we offer and soft consumer demand, we maintained a relatively cautious approach to market promotion and deployment throughout 2023. To ensure our products set themselves apart, our focus over the past year has been on the design, functionality, and cost structure of our smart devices. Latest updates on product launched in 2023 are as follows:

- *Flagship and Core Products:* we launched our new exercise bike, the self-powered Bike C1 Mini+, B4 Lite wristband, our very first A1 rowing machine, and K4 treadmill in 2023, to widespread positive reviews for their excellent design and functionality that meet the needs of our diverse users. By implementing universal design principles across our devices, we have achieved significant cost reductions and improved gross margins significantly. Bike C1 Mini+ builds upon the legacy of Bike Mini's economical and lightweight design, coming in at only 29kg and covering less than 0.52 square meters. The B4 Lite wristband was positioned to specifically target younger generations with unique features such as track-running modes (操場跑) favored by college students as well as real-time fitness monitoring that syncs directly with our app. The A1 rowing machine was recognized for its design, space-saving foldability, and futuristic-sleek appearance by being awarded the Red Dot Product Design Award in 2023. The K4 treadmill can automatically adjust and customize speed and inclines for users based on their running course targets. Featuring a modern sleek design with a borderless running belt, the K4 treadmill was awarded the world's most prestigious IF Design Award for 2024.

- Complementary content is a critical piece of any smart fitness device and we continued to roll out additional updates for each product. Keep Bike saw its library of themed outdoor cycling routes expand to 74 by the end of 2023. Keep Wristband continues to receive iterative updates as we expand its real-time tracking capabilities allowing users to closely monitor their performance and heart rates as they engage in various types of physical activity. The A1 rowing machine comes with a full library of low-impact, full-body cardio and strength classes.

We continue to enhance the competitiveness of our core apparels and gears portfolio, including yoga apparel, workout equipment, protective gear, sports underwear, and fitness pants, continue to gain popularity. Catering to users' demands, we have expanded our portfolio from indoor fitness apparel and equipment to outdoor-related categories, providing users with a broader range of options tailored for various exercise scenarios. Outdoor-related products generated solid momentum in the past year. In 2023, we not only able to enhance our state-of-the-art designs, but also improve operating efficiency by successfully decreased the inventory turnover days and lowered the sales and marketing expense ratio. Our strong emphasis on sound products and technology have led to the development of innovative features and functionalities, coupled with an exceptional user experience.

Outlook

Despite all the uncertainties in the global economic recovery, we successfully executed our strategies, and balanced growth with cost-control initiatives we implemented across the organization. The strong appeal of fitness and wellness is reflected in our resilient performance in 2023. We continue to be optimistic about our long-term growth prospects and will work towards improving efficiency in our commercialization of services and products and strengthening profitability.

Our focus going forward will be squarely on:

- Investing in immersive, exclusive, and professional online fitness content that will form the foundation of our business and allow us to acquire and retain high-quality users and enhance our leadership position in the online fitness market;

- Further expanding and refining our outdoor fitness functions and products to better serve users going outdoors. We recently launched a full upgraded version 8.0 of our app that allows users to easily sort through classes, offers deeper community engagement functionality, and facilitates user feedback to recommend and inspire others to explore and join;

- Developing and applying new technologies and intelligent features, by exploring AI-driven technology application prospects in overseas markets. We plan to leverage AI advancements to drive innovative and elevated fitness experiences in a more efficient and distinguished way, in order to attract new users groups and discover new commercialization opportunities;

- Continuously driving user conversions and enhancing commercialization efficiency; and

- Collaborating with renowned brands on marketing and service innovation to acquire new user segments.

FINANCIAL REVIEW

Revenues

Total revenues were RMB2,137.8 million for the year ended December 31, 2023, representing a 3.3% decrease from RMB2,211.6 million for the year ended December 31, 2022, primarily due to a decrease in revenues from self-branded fitness products. The breakdown of our revenues by segment for the years are presented as follows:

	Year ended December 31,		
	2023	2022	Year-on-year change
	RMB'000	*RMB'000*	(%)
Revenues:			
Self-branded fitness products	**946,087**	1,136,971	(16.8)
Online membership and paid content	**995,760**	894,167	11.4
Advertising and others	**195,987**	180,413	8.6
Total	**2,137,834**	2,211,551	(3.3)

Revenues from self-branded fitness products were RMB946.1 million for the year ended December 31, 2023, representing a 16.8% decrease from RMB1,137.0 million for the year ended December 31, 2022. The decrease was mainly attributable to (i) the overall online consumer sentiment being lower than expected in a challenging environment; (ii) an increase in offline leisure and travel activities post-pandemic in 2023, leading to a decrease in consumption of indoor fitness products; and (iii) with a view to enhancing business health and reducing losses, we continued to proceed with the strategy to reduce costs and increase efficiency, which included strategic control over costs related to product development, deployment, and marketing.

Revenues from online membership and paid content were RMB995.8 million for the year ended December 31, 2023, representing a 11.4% increase from RMB894.2 million for the year ended December 31, 2022, mainly attributable to an increase in revenues generated from our virtual sports events. See "Management Discussion and Analysis — Business Review — Keeper Engagement and Virtual Sport Events" for more details of the increase of virtual sports events.

Revenues from advertising and others were RMB196.0 million for the year ended December 31, 2023, representing a 8.6% increase from RMB180.4 million for the year ended December 31, 2022, mainly attributable to a recovery in our advertising business in the second half of 2023 as we provided advertising customers more online to offline integrated advertising services.

Cost of revenues

Cost of revenues was RMB1,176.2 million for the year ended December 31, 2023, representing a 10.3% decrease from RMB1,311.2 million for the year ended December 31, 2022, which has decreased significantly more than the slight decline in our revenues during the same year, primarily due to the success of our cost containment.

	Year ended December 31,		
	2023	2022	Year-on-year change
	RMB'000	*RMB'000*	(%)
Cost of revenues:			
Self-branded fitness products	**683,876**	816,883	(16.3)
Online membership and paid content	**370,085**	409,082	(9.5)
Advertising and others	**122,229**	85,206	43.5
Total	**1,176,190**	1,311,171	(10.3)

Cost of self-branded fitness products was RMB683.9 million for the year ended December 31, 2023, representing a 16.3% decrease from RMB816.9 million for the year ended December 31, 2022, mainly attributable to the decrease in cost of self-branded fitness products sold as the revenues from self-branded fitness products decreased.

Cost of online membership and paid content was RMB370.1 million for the year ended December 31, 2023, representing a 9.5% decrease from RMB409.1 million for the year ended December 31, 2022, mainly attributable to decrease of (i) RMB22.2 million in employee benefits; (ii) RMB18.4 million in content related costs; and (iii) RMB9.4 million in channel fees paid to third-party application stores and other payment channels, which were partially offset by a RMB26.8 million increase in costs associated with virtual sports events.

Cost of advertising and others was RMB122.2 million for the year ended December 31, 2023, representing a 43.5% increase from RMB85.2 million for the year ended December 31, 2022, mainly attributable to an increase of RMB31.9 million in advertising costs associated with integrated online-to-offline advertising campaigns.

Gross profit and gross profit margin

As a result of the foregoing, gross profit was RMB961.6 million for the year ended December 31, 2023, representing a 6.8% increase from RMB900.4 million for the year ended December 31, 2022.

Gross profit margin was 45.0% for the year ended December 31, 2023, representing a 4.3 percentage point increase from 40.7% for the year ended December 31, 2022, mainly attributable to an increase in revenues and gross profit contribution from online membership and paid content.

Gross profit from self-branded fitness products decreased by 18.1% from RMB320.1 million for the year ended December 31, 2022 to RMB262.2 million for the year ended December 31, 2023, mainly attributable to the decrease in revenues from self-branded fitness products.

Gross profit from online membership and paid content increased by 29.0% from RMB485.1 million for the year ended December 31, 2022 to RMB625.7 million for the year ended December 31, 2023, mainly attributable to an increase in revenues and the further optimization of content related costs and employee benefits.

Gross profit from advertising and others decreased by 22.5% from RMB95.2 million for the year ended December 31, 2022 to RMB73.8 million for the year ended December 31, 2023, primarily due to an increase in costs associated with integrated online-to-offline advertising campaigns.

Fulfillment expenses

Fulfillment expenses were RMB155.7 million for the year ended December 31, 2023, representing a 22.8% decrease from RMB201.6 million for the year ended December 31, 2022, primarily due to a decrease in revenues from self-branded fitness products and the further optimization of logistics and storage costs.

Selling and marketing expenses

Selling and marketing expenses were RMB569.3 million for the year ended December 31, 2023, representing a 11.9 % decrease from RMB646.2 million for the year ended December 31, 2022. The decrease was primarily due to a decrease of RMB79.2 million in promotion and advertising expenses as we reduced certain marketing activities and improved user acquisition efficiency.

Administrative expenses

Administrative expenses were RMB209.3 million for the year ended December 31, 2023, representing a 14.8% decrease from RMB245.6 million for the year ended December 31, 2022, primarily attributable to a decrease of RMB47.6 million in administrative personnel costs (including related share-based compensation expenses).

Research and development expenses

Research and development expenses were RMB449.7 million for the year ended December 31, 2023, representing a 16.2% decrease from RMB536.9 million for the year ended December 31, 2022, primarily attributable to a decrease of (i) RMB59.3 million in research and development personnel costs (including related share-based compensation expenses); (ii) RMB17.0 million in cloud computing service fees; and (iii) RMB7.8 million in outsourcing and other labor costs.

Income tax expense

Our income tax expense was nil for the year ended December 31, 2023 compared to approximately RMB1.0 million for the year ended December 31, 2022. Income tax expense for the year ended December 31, 2022 was composed of a withholding tax for certain royalty license fees.

Fair value changes of convertible redeemable preferred shares

Fair value changes of convertible redeemable preferred shares was RMB1.4 billion for the year ended December 31, 2023, compared with RMB665.0 million for the year ended December 31, 2022. The fair value changes of convertible redeemable preferred shares before the Listing was primarily attributable to changes in the valuation of the Company. We did not record any further fair value changes of the convertible redeemable preferred shares following the Listing as preferred shares liabilities were redesignated and reclassified from liabilities to equity after automatically converting into ordinary shares upon Listing.

Profit/(loss) for the year

As a result of the foregoing, profit for the year ended December 31, 2023 was RMB1.1 billion, compared with a loss of RMB104.6 million for the year ended December 31, 2022, primarily attributable to fair value changes of convertible redeemable preferred shares of RMB1.4 billion for the year ended December 31, 2023. Adjusted net loss (non-IFRS measure) was RMB295.4 million and RMB666.9 million for the years ended December 31, 2023 and 2022, respectively.

Non-IFRS Measures

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

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

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

– Share-based compensation expenses primarily represent the non-cash employee benefit expenses incurred in connection with the Amended and Restated 2016 Employee's Stock Option Plan adopted in June 2021 (the "**2016 Plan**"), the Amended and Restated 2021 Employee's Stock Option Plan adopted in June 2021 (the "**2021 Plan**") and the Post-IPO Share Incentive Plan (the "**2023 Plan**") effective upon the Listing Date. 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 did not record any further fair value changes of the convertible redeemable preferred shares after the Listing as preferred shares liabilities were 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 years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS Accounting Standards, which is profit/(loss) for the years ended December 31, 2023 and 2022:

	For the year ended December, 31	
	2023	2022
	RMB'000	*RMB'000*
Reconciliation of profit/(loss) to adjusted net loss (Non-IFRS measure):		
Profit/(loss) for the year	**1,105,908**	(104,551)
Adjustments for:		
Share-based payment expenses	**30,935**	102,613
Fair value changes of convertible redeemable preferred shares	**(1,432,261)**	(664,969)
Adjusted net loss for the year (Non-IFRS measure)	**(295,418)**	(666,907)

Liquidity and capital resource

For the year ended December 31, 2023, we funded our cash requirements primarily from historical equity financing activities. Our cash and cash equivalents primarily consist of cash in hand, deposits held at call with banks, highly liquid investments placed in banks with original maturities of three months or less and cash held at third party payment platform that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

We had cash and cash equivalents of RMB1.6 billion as of December 31, 2023, compared with RMB1.7 billion as of December 31, 2022. The decrease was primarily due to the use of cash for operating activities, which was partly offset by proceeds from the issuance of ordinary shares relating to the Listing. Most of the Group's cash and cash equivalents were denominated in Renminbi while most of the time deposits were denominated in U.S. dollars.

Significant investments

We did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of December 31, 2023) during the Reporting Period.

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

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

Future plans for material investments and capital assets

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

Employee and remuneration

As of December 31, 2023, the Group had 955 full-time employees, as compared to 1,243 as at December 31, 2022. Total employee benefits for the year ended December 31, 2023, was RMB639.8 million, compared with RMB766.8 million for the year ended December 31, 2022.

Bank borrowings and gearing ratio

As of December 31, 2023, outstanding borrowings amounted to RMB10.0 million.

As of December 31, 2023, the Group's gearing ratio (i.e. total liabilities divided by total assets) was 0.24, compared with 3.85 as of December 31, 2022, mainly due to the conversion of convertible redeemable preferred shares to ordinary shares.

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

Contingent liabilities

As of December 31, 2023, we did not have any material contingent liabilities or guarantees.

Pledge of assets

As of December 31, 2023, there was no material pledge of assets.

Interest rate risk and foreign exchange risk

We exposed to insignificant interest rate risk. This is primarily attributable to the fact that the Group did not hold any significant assets or liabilities that were carried at floating rates. Our financial assets and liabilities are primarily composed of fixed-rate instruments and, as such, are not subject to frequent fluctuations in interest rates. This strategic financial stance has shielded our operations from the volatility often associated with varying interest rates and has contributed to our stable financial performance.

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

During the year ended December 31, 2023, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Revenues	*5*	**2,137,834**	2,211,551
Cost of revenues		**(1,176,190)**	(1,311,171)
Gross profit		**961,644**	900,380
Fulfillment expenses		**(155,652)**	(201,586)
Selling and marketing expenses		**(569,266)**	(646,177)
Administrative expenses		**(209,287)**	(245,614)
Research and development expenses		**(449,700)**	(536,877)
Other income		**44,137**	6,509
Other gains/(losses), net	*7*	**2,539**	(65,375)
Operating loss		**(375,585)**	(788,740)
Finance income		**54,514**	27,536
Finance expenses		**(5,282)**	(7,313)
Finance income, net		**49,232**	20,223
Fair value changes of convertible redeemable preferred shares		**1,432,261**	664,969
Profit/(loss) before income tax		**1,105,908**	(103,548)
Income tax expense	*8*	**–**	(1,003)
Profit/(loss) for the year	*6*	**1,105,908**	(104,551)
Profit/(loss) for the year attributable to:			
Owners of the Company		**1,105,908**	(104,551)
Non-controlling interests		**–**	–
		1,105,908	(104,551)
Earnings/(loss) per share for the profit/(loss) attributable to the owners of the Company (expressed in RMB per share)	*9*		
Basic		**3.78**	(0.76)
Diluted		**3.50**	(0.76)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Profit/(loss) for the year	**1,105,908**	(104,551)
Other comprehensive expense		
Items that will not be reclassified to profit or loss		
Fair value change on convertible redeemable preferred shares due to own credit risk	**(138,007)**	(46,730)
Currency translation differences	**(260,551)**	(700,844)
Other comprehensive expense for the year, net of tax	**(398,558)**	(747,574)
Total comprehensive income/(expense) for the year	**707,350**	(852,125)
Total comprehensive income/(expense) for the year attributable to		
Owners of the Company	**707,350**	(852,125)
Non-controlling interests	**–**	–
	707,350	(852,125)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
	Note	**2023**	2022
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**17,982**	30,603
Right-of-use assets		**62,256**	90,659
Intangible assets		**11,561**	9,316
Financial assets at fair value through profit or loss		**13,519**	15,000
Other non-current assets		**51,994**	58,763
		157,312	204,341
Current assets			
Inventories		**121,380**	167,737
Accounts receivables	*10*	**228,279**	251,676
Prepayments and other current assets		**174,842**	128,966
Financial assets at fair value through profit or loss		**65,199**	139,864
Short-term time deposits		**88,960**	68,740
Cash and cash equivalents		**1,612,769**	1,672,217
		2,291,429	2,429,200
Total assets		**2,448,741**	2,633,541
EQUITY/(DEFICIT IN EQUITY)			
Equity/(deficit in equity) attributable to owners of the Company			
Share capital		**168**	61
Other reserves		**8,187,464**	(89,833)
Accumulated losses		**(6,314,483)**	(7,420,391)
Equity/(deficit in equity) attributable to owners of the Company		**1,873,149**	(7,510,163)
Total equity/(deficit in equity)		**1,873,149**	(7,510,163)

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**32,453**	59,069
Convertible redeemable preferred shares		**–**	9,401,472
Other non-current liability		**10,968**	16,048
		43,421	9,476,589
Current liabilities			
Accounts payables	*12*	**157,417**	154,095
Accrued expenses		**177,355**	244,537
Other current liabilities		**57,838**	65,301
Contract liabilities		**93,280**	84,104
Borrowings		**10,009**	74,524
Lease liabilities		**36,272**	44,554
		532,171	667,115
Total liabilities		**575,592**	10,143,704
Total equity/(deficit in equity) and liabilities		**2,448,741**	2,633,541

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). IFRS Accounting Standards comprise International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The IASB has issued certain new and revised IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3.1 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are consistent with those of the Accountant’s Report in the Prospectus of the Company, except for the adoption of certain new and amended IFRS Accounting Standards which has had no significant impact on the results and the financial position of the Group.

3.1 Adoption of new and revised IFRS Accounting Standards

(a) Application of new and revised IFRS Accounting Standards

The Group has applied the following new and amendments to IFRS Accounting Standards issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2023 for the preparation of the consolidated financial statements:

Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRS Accounting Standards in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. IAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies to the consolidated financial statements.

(b) Revised IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following amendments to standards and interpretation that have been issued but are not yet effective:

Standards and amendments	**Effective for accounting periods beginning on or after**
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to IAS 21 – Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the IASB

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. 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
- Online membership and 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 online membership and paid content primarily consists of payment channel fees paid to third-party application stores and other payment channels, salaries and benefits paid to employees and content related cost, and cost of virtual sports events. The cost of revenues for the advertising and others primarily consists of 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, 2023 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, 2023 and 2022. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statement of profit or loss.

The segment results for the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31, 2023			
	Self-branded fitness products	**Online membership and paid content**	**Advertising and others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue	**946,087**	**995,760**	**195,987**	**2,137,834**
Cost of revenues	**(683,876)**	**(370,085)**	**(122,229)**	**(1,176,190)**
Gross profit	**262,211**	**625,675**	**73,758**	**961,644**

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

5. REVENUES

The breakdown of revenues for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Self-branded fitness products		
– Online retail sales	**680,715**	886,106
– Wholesale channels sales	**265,372**	250,865
Online membership and paid content	**995,760**	894,167
Advertising and others	**195,987**	180,413
Total	**2,137,834**	2,211,551

Timing of revenue recognition is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue recognized at a point in time	**976,837**	1,200,022
Revenue recognized over time	**1,160,997**	1,011,529
Total	**2,137,834**	2,211,551

All the revenues derived from a single external customer was less than 10% of the Group's total revenues for the years ended December 31, 2023 and 2022.

6. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cost of self-branded fitness products sold	**663,838**	790,571
Cost of virtual sports events	**190,443**	163,674
Share-based compensation expenses – non-employee	**(30)**	7,910
Depreciation of right-of-use assets	**38,107**	40,008
Depreciation of property and equipment	**13,838**	14,522
Amortisation of intangible assets	**4,422**	2,451
Credit loss allowances on financial assets	**22,522**	7,293
Provision for impairment of inventories	**3,930**	6,226
Listing expense	**31,077**	41,084
Auditor's remuneration	**7,431**	310
– Audit fee	**7,360**	39
– Non-audit fee	**71**	271

7. OTHER GAINS/(LOSSES), NET

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Net losses on disposal of property and equipment	**(1,231)**	(65)
Net fair value gains on financial assets at fair value through profit or loss	**57**	1,164
Net fair value losses on financial liabilities at fair value through profit or loss	**–**	(67,271)
Net foreign exchange gains/(losses)	**1,401**	(582)
Others	**2,312**	1,379
Total	**2,539**	(65,375)

8. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Withholding tax in PRC		
Current tax -provision for the year	**–**	1,003

(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

No provision for Hong Kong Profits Tax for the years ended December 31, 2023 and 2022 have been made as there is no assessable profit subject to Hong Kong Profits Tax.

(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 EIT at a uniform rate of 25%. Beijing Calorie Information Technology Co., Ltd. ("BJ IT") and Beijing Calorie Technology Co., Ltd. ("BJ Tech") were qualified as a High and New Technology enterprise ("HNTE") since 2017 and 2018 respectively and enjoyed a preferential tax rate of 15% for the years ended December 31, 2023 and 2022. From December 2020 to December 2022, Shenzhen Calorie Technology Co., Ltd. ("Shenzhen Calorie") was qualified as a HNTE and enjoyed a preferential tax rate of 15% for the year ended December 31, 2022. Shenzhen Calorie is subject to EIT at a rate of 25% for the year ended December 31, 2023. The other entities incorporated in the PRC are subject to an enterprise income tax at a rate of 25%.

According to the regulations promulgated by the State Tax Bureau of the PRC that was effective from March 2021 to September 2022, enterprises engaging in research and development activities were entitled to claim 175% of their research and development activities incurred when determining their tax assessable profits for that year ("Super Deduction"). The State Tax Bureau announced to increase the Super Deduction rate to 200% of their research and development expenses from October 1, 2022 to December 31, 2022. The State Tax Bureau further announced in March 2023 that enterprises engaging in research and development activities would be entitled to claim 200% of their research and development expenses as Super Deduction from January 1, 2023 onwards.

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

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

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. According to the arrangement between the mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the immediate holding company in Hong Kong is the beneficial owner of the FIE and owns directly at least 25% of the shares of the FIE). In accordance with accounting guidance, all undistributed earnings are presumed to be transferred to the parent company and withholding taxes should be accrued accordingly. All FIEs are subject to the withholding tax from January 1, 2003. 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, 2023. As at December 31, 2023 and 2022, the Company did not record any withholding tax on the retained earnings of its subsidiaries and structured entities in the PRC as they were still in accumulated deficit position.

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share for the years ended December 31, 2023 and 2022 are calculated by dividing the profit/(loss) attributable to the Company's owners by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31, 2023	2022
Net profit/(loss) attributable to owners of the Company *(RMB'000)*	**1,105,908**	(104,551)
Weighted average number of ordinary shares in issue *(thousand shares)*	**292,302**	138,363
Basic earnings/(loss) per share *(expressed in RMB per share)*	**3.78**	(0.76)

(b) Diluted earnings/(loss) per share

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

	Year ended December 31, 2023	2022
Net profit/(loss) attributable to owners of the Company *(RMB'000)*	**1,105,908**	(104,551)
Weighted average number of ordinary shares in issue *(thousand shares)*	**292,302**	138,363
Adjustments for RSUs and share options *(thousand shares)*	**23,667**	–
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share *(thousand shares)*	**315,969**	138,363
Diluted earnings/(loss) per share *(expressed in RMB per share)*	**3.50**	(0.76)

As the Company incurred loss for the year ended December 31, 2022, the potential ordinary shares was not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, the amount of diluted loss per share for the year ended December 31, 2022 was the same as basic loss per share.

10. ACCOUNTS RECEIVABLES

The detailed information of accounts receivables is as below:

	As at December 31, 2023 *RMB'000*	2022 *RMB'000*
Accounts receivables	**257,701**	258,576
Less: credit loss allowances	**(29,422)**	(6,900)
Total	**228,279**	251,676

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Up to 3 months	**152,530**	135,423
3 to 6 months	**35,947**	48,144
6 to 9 months	**9,149**	21,137
9 months to 1 year	**3,967**	11,466
Over 1 year	**56,108**	42,406
Total	**257,701**	258,576

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

11. DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2023 and 2022.

12. ACCOUNTS PAYABLES

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Up to 3 months	**157,417**	154,095

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

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

13. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after December 31, 2023.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The change included reclassification of other non-current assets to financial assets at fair value through profit or loss.

AUDITOR'S OPINION

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended December 31, 2023:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

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

The Company and the Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the Reporting Period, except for deviation from code provision C.2.1 as explained under the paragraph headed "Chairman and Chief Executive Officer" below.

Chairman and Chief Executive Officer

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

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

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code throughout the period from the Listing Date up to the date of this announcement.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Sufficiency of Public Float

According to the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained to comply with the minimum public float percentage requirement under Rule 8.08(1) of the Listing Rules at any time during the period from the Listing Date to the date of this announcement.

Audit Committee

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

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended December 31, 2023 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members.

Scope of Work of Auditors

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended December 31, 2023 as set out in the annual results announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on the annual results announcement.

Use of Proceeds

With the shares of the Company listed on the Stock Exchange on July 12, 2023, the net proceeds from the Global Offering were approximately HK$192.0 million after deducting underwriting commissions and offering expenses, which will be utilized for the purposes as set out in the Prospectus. As of the date of this announcement, there was no change in the intended use of net proceeds as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. To the extent that net proceeds are not immediately used for the intended use and to the extent permitted by the relevant law and regulations, the Company placed the net proceeds as cash and cash equivalents and short-term deposits only at licensed banks or financial institutions. The Group will continue to utilize the net proceeds of the Global Offering in accordance with the intended purposes as set out in the Prospectus. The table below sets out the planned allocations of the net proceeds and actual usage up to December 31, 2023:

Intended use of net proceeds	Net proceeds from the Global Offering in the same manner and proportion as stated in the Prospectus approximate	Percentage of total net proceeds as stated in the Prospectus	Utilized net proceeds during the year ended December 31, 2023	Net proceeds unutilized as of December 31, 2023	Expected timeline of full utilization of the net proceeds
For research and development to advance our technological capabilities and drive product innovation:	**HK$67.2 million**	**35%**	**Nil**	**HK$67.2 million**	**Before December 31, 2025**
1. to attract, retain and incentivize our research and development talents to support our research and development initiatives and product innovation and enhance the integration of self-branded fitness products with our online fitness content, thereby enabling a more seamless experience	HK$28.8 million	15%	Nil	HK$28.8 million	
2. to invest in Keep smart fitness devices, including conducting continuous research and development and adding new features to our existing offerings, and creating new and innovative products for users with various fitness needs	HK$19.2 million	10%	Nil	HK$19.2 million	
3. invest in artificial intelligence, data analysis and technology infrastructure to strengthen our technological capabilities and enhance digital connectivity and interaction among platform participants	HK$19.2 million	10%	Nil	HK$19.2 million	

Intended use of net proceeds	Net proceeds from the Global Offering in the same manner and proportion as stated in the Prospectus approximate	Percentage of total net proceeds as stated in the Prospectus	Utilized net proceeds during the year ended December 31, 2023	Net proceeds unutilized as of December 31, 2023	Expected timeline of full utilization of the net proceeds
For the development and diversification of our fitness content:	**HK$57.6 million**	**30%**	**Nil**	**HK$57.6 million**	**Before December 31, 2025**
1. to invest in our in-house, vertically integrated content development capability by increasing the number of recorded fitness courses and live streaming classes and catering to users' diversified preferences, thereby further driving user engagement	HK$23.0 million	12%	Nil	HK$23.0 million	
2. to expand our fitness content library and enrich users' experience through other innovative initiatives	HK$17.3 million	9%	Nil	HK$17.3 million	
3. to introduce more specialized content and expand into new fitness categories by cultivating more fitness influencers on our platform and collaborating with more fitness professionals	HK$11.5 million	6%	Nil	HK$11.5 million	
4. to expand our content offerings by purchasing more valuable and exclusive fitness intellectual properties and acquiring qualified third-party content to build competitive moats and satisfy the evolving needs of our users	HK$5.8 million	3%	Nil	HK$5.8 million	
For the investment in branding and promotion	**HK$48.0 million**	**25%**	**Nil**	**HK$48.0 million**	**Before December 31, 2025**
1. to be used in user acquisition activities to continue to gain mindshare and attract users across different ages, areas of interest, and locations	HK$23.0 million	12%	Nil	HK$23.0 million	
2. to be used in branding activities used to continue to promote our brand and strengthen its image and influence among users	HK$19.2 million	10%	Nil	HK$19.2 million	
3. to be used in promotional activities to continue to promote our fitness devices and products through placing ads in social media, holding live streaming promotion sessions and collaborating with other brands, among others	HK$5.8 million	3%	Nil	HK$5.8 million	
For general corporate purposes and working capital needs	**HK$19.2 million**	**10%**	**Nil**	**HK$19.2 million**	**Before December 31, 2025**

Dividend

The Board did not recommend the distribution of an annual dividend for the year ended December 31, 2023.

CHANGE OF AUDITOR

Reference is made to the announcement of the Company dated February 9, 2024 (the "**Announcement**") in relation to the resignation of PricewaterhouseCoopers ("**PwC**") and appointment of RSM Hong Kong ("**RSM**") as the Company's auditor ("**Auditor**").

Resignation of Auditor

As disclosed in the Announcement, PwC has agreed to resign as the Auditor with effect from February 9, 2024 upon request from the Board, given that PwC could not reach a consensus with the Company on a mutually acceptable audit timetable for the Group's financial results for the year ended December 31, 2023 ("**FY2023**").

In the resignation letter of PwC dated February 9, 2024 (the "**Resignation Letter**"), PwC indicated that they have not been able to obtain sufficient and appropriate audit evidence that they require to ascertain and support the business substance and/or services provided or to be provided by the various counterparties regarding the Marketing Services Transaction (as defined below) and Other Transactions (as defined below) (collectively the "**Audit Matters**"). PwC considered the Audit Matters should be brought to the attention of the shareholders and creditors of the Company.

Marketing Services Transaction

Keep Sports PTE. LTD. ("**Keep Singapore**"), a subsidiary of the Company incorporated in Singapore, executed an agreement (the "**Marketing Services Agreement**") with a third party ("**Entity A**") to appoint Entity A as the Company's overseas marketing promoter for a term of 5 years from July 1, 2023. The Marketing Services Agreement was undated and PwC understood from the Company's management that the Marketing Services Agreement was agreed by both parties in late June 2023. PwC noted that Keep Singapore paid Entity A marketing promotion costs totalling US$12 million in accordance with the payment schedule stipulated in the Marketing Services Agreement (the "**Marketing Services Transaction**").

PwC noted that the Marketing Services Agreement did not contain details such as the detailed scope of marketing services to be provided, the project timelines by phase or milestones and the key deliverables to be provided by Entity A. PwC further noted that the Marketing Services Agreement also provided that an unspecified amount representing revenue and bonus would be paid to Entity A upon the satisfactory completion of the annual marketing services. PwC understood from the Company that the basis for calculating such amount was still being negotiated between the Company and Entity A at the time the Marketing Services Agreement was executed.

A further agreement (the "**Termination Agreement**") was entered into on September 26, 2023 between Keep Singapore and Entity A to terminate the Marketing Services Agreement and Entity A returned the US$12 million to Keep Singapore by November 2023.

In November 2023, the Audit Committee appointed a law firm based in Hong Kong (the "**Investigation Team**") to assist the Audit Committee in conducting an investigation over the Marketing Services Transaction (the "**Investigation**").

In December 2023, the Investigation Team issued their preliminary findings and conclusions of the Investigation, noting among other things (the "**Investigation Findings**"), there is sufficient contemporaneous documentary evidence, which is corroborated by explanations given by the interviewees from the Group and Entity A, to demonstrate that the Marketing Services Agreement and the payments thereunder and the Termination Agreement are of commercial substance. Notwithstanding the Investigation Findings, PwC's high-level observations (the "**Observations**") were as follows:

(1) Certain marketing materials allegedly prepared by Entity A and sent to the Company in June 2023 included the logo of a previous overseas marketing agent employed by the Company;

(2) The research report sent to the Company by Entity A in August 2023 which was allegedly prepared by Entity A, included a large proportion of content that was identical to two other articles published on the internet by other third parties in 2022; and

(3) e-Discovery Procedures (as defined below) have not been carried out and the Investigation Team has not yet had full access to the WeChat messages of the relevant personnel of the Company in relation to the Marketing Services Transaction.

Other Transactions

PwC noted that Calorie Technology HK Company Limited ("**Keep Hong Kong**"), a subsidiary of the Company incorporated in Hong Kong, executed a number of agreements in commissioning financial adviser services, capital market consulting/research services as well as for a subscription of an investment fund. As a result of these agreements, a number of wire payments were made by Keep Hong Kong in the amounts of US$2 million, US$1 million, HK$7.8 million and US$5.15 million to various parties in July 2023 (the "**Other Transactions**").

Actions taken by the Company

The Company, including the Board and the Audit Committee, for the matters raised in the Resignation Letter, has taken the following actions, amongst other things:

(1) The Company has maintained ongoing dialogue with PwC to assist PwC in its audit work with respect to the Marketing Services Transaction and the Other Transactions, including, inter alia, provision of the underlying agreements and such other documents or information requested by PwC;

(2) To follow the best practices of corporate governance, following the efforts of the Company, the Termination Agreement was entered to terminate the Marketing Services Agreement and all payments made pursuant thereto were refunded to Keep Singapore by November 2023;

(3) With the assistance from the Investigation Team, the Audit Committee as authorized by the Board initiated the Investigation into the transactions surrounding the Marketing Services Agreement to assess the substance and impact of the arrangement with Entity A and continue to refine the scope of the Investigation and carry out additional investigation procedures in response to the Observations made by the PwC, including, amongst others, carrying out additional interviews with relevant personnel of Entity A and verified all the WeChat messages exchanged between the relevant employees of the Company and Entity A regarding the Marketing Services Transaction. The Investigation Team that, in their view, the Marketing Services Agreement and the associated payments and the Termination Agreement are of commercial substance based on the Investigation Team's review of contemporaneous documentary evidence, which is corroborated by explanations given by the interviewees from the Group and Entity A;

(4) As part of the auditor engagement acceptance procedure, the Company provided RSM with materials to better understanding the Audit Matters and Observations made by PwC and has been maintaining an ongoing dialogue with RSM;

(5) After RSM gained an understanding of the Audit Matters and Observations, it formulated tailored audit procedures (as described below) to address the Audit Matters and Observations and the Audit Committee closely reviewed such procedures;

(6) The Audit Committee engaged an independent service provider (the "**Forensic Investigator**") to carry out additional investigation work (the "**Supplemental Investigation Work**"), including collecting, processing and reviewing copies of electronic data held on the Company's email servers and Company's computers of the Company's personnel associated with the Marketing Services Transaction (the "**e-Discovery Procedures**"). Having completed its Supplemental Investigation Work, the Forensic Investigator has not identified any issues or matters which would contradict the Investigation Findings;

(7) The Company has formed a dedicated team (the "**Independent Review Committee**") to conduct an internal review into the Other Transactions to assess the substance and impact of the Other Transactions with the assistance of the Forensic Investigator (the "**Internal Investigation**"). The Forensic Investigator advised and the Independent Review Committee concurred no evidence suggests the unreasonableness of the commercial substance or payment arrangement under the Other Transactions.

(8) With the cooperation of the Company, RSM has carried out the following additional audit steps (the "**Audit Steps**") to address the Audit Matters and Observations, including:–

   a. holding discussions with the Company's management to comprehend the commercial rationale for conducting the Marketing Services Transaction and Other Transactions. This includes, but is not limited to, the reasons behind any prepayments and subsequent refunds, and entails a thorough review of all pertinent documentation.

   b. pursuant to authorisation from the Audit Committee, engaging with the Investigation Team to:–

      i. obtain their investigation scope and methodology;

      ii. review the preliminary draft of the Investigation Findings report from them; and

iii. conduct interviews with key Investigation Team members to discuss their findings and the basis of their conclusions.

c. with approval from the Audit Committee and the Independent Review Committee, cooperate with the Forensic Investigator, participate in defining the scope and methodology of the Supplemental Investigation Work and the Internal Investigation, as well as in monitoring key investigatory procedures, which include:

   i. participating in interviews with personnel of the Company and those involved from the counterparty as conducted by the Forensic Investigator;

   ii. assessing external communications, including confirmations between the Forensic Investigator and involved counterparties;

   iii. attending the Forensic Investigator's briefings to the Audit Committee and the Independent Review Committee regarding their findings on the Supplemental Investigation Work and the Internal Investigation;

   iv. obtaining and reviewing the preliminary drafts of the Supplemental Investigation Work memorandum and the Internal Investigation memorandum from the Forensic Investigator;

   v. conducting interviews with key Forensic Investigator members to discuss their findings and basis of their conclusions; and

   vi. obtaining essential working papers from the Forensic Investigator that are relevant to the investigations.

d. independently execute essential procedures previously conducted by the Investigation Team and the Forensic Investigator, in particular:–

   i. amassing and scrutinising documentary evidence related to the Marketing Services Transaction and/or Other Transactions; and

   ii. performing comprehensive background checks on the involved entities to identify any potential relationships between the Group and the counterparties.

e. evaluating the Investigation Findings and findings of the Supplemental Investigation Work and the Internal Investigation in conjunction with the results of audit procedures.

f. independently evaluate the independence, competence and capability of the Investigation Team and the Forensic Investigator.

g. conducting a detailed scrutiny and analysis of payment transactions and financial records of the Group to identify large-value, non-operational payments that may pose potential risks or compliance concerns.

RSM's Review

To evaluate the Audit Matters and Observations raised by the predecessor auditor and also to opine on the consolidated financial statements of the Group for the year ended December 31, 2023 as a whole, RSM, has considered whether the preparation by the Directors of the consolidated financial statements give a true and fair view in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirement of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**"), and to evaluate the audit evidence and audit work performed as a whole so as to provide the basis for their opinion on the consolidated financial statements of the Group for the year ended December 31, 2023 as a whole.

RSM's objectives were to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion.

RSM did not solely rely on the Investigation findings, the findings of the Supplemental Investigation Work and the Internal Investigation to address the Audit Matters and Observations and form their audit opinion, but also involved in the Audit Steps in respect of the Audit Matters and Observations as set out above.

Based on the results of their work, RSM is expected to issue an unmodified audit opinion on the consolidated financial statements of the Group and give a true and fair value of the financial position of the Group as at December 31, 2023 and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the IASB and have been properly prepared in compliance with the disclosure requirement of the Companies Ordinance.

Audit Committee's Views

The Audit Committee has reviewed the findings of the Investigation, the Supplemental Investigation Work, the Internal Investigation and the Audit Steps and is of the view that these measures are appropriate and adequate and have investigated into the Audit Matters raised by PwC and addressed the Observations, to the extent that is practicable, and agrees with the findings of the these measures.

Internal Control Improvements

Following the entry of the Marketing Services Transaction, the Company noted inapplicability of the indirect procurement policy to ad-hoc overseas business development engagements such as the Marketing Services Transaction and rooms to improve its internal policies, the Company has therefore reviewed its internal control measures and has taken the following actions to improve its internal control systems:–

1. revising the indirect procurement policy to expressly cover any ad-hoc overseas business development engagements and retitled it the general procurement policy;

2. updating the relevant employee of the Group of the revisions and applicability of the general procurement policy;

3. arranging a periodic review of the general procurement policy to identify whether any further changes are required;

4. revising the contract management policy to, among other things, clarify the responsibilities of the relevant departments (the relevant business unit, the legal department, the financial and taxation department) and include an expedited contract approval procedure for specific circumstances, to encourage adherence to the policy; and

5. conducting regular assessments and an annual review on the implementation of the internal contract management system to identify any deficiencies and formulate remedial measures where necessary.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, the Company is not aware of any significant event that might affect the Group since December 31, 2023 and up to the date of this announcement.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE ADOPTION OF THE THIRTEENTH AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board is pleased to propose (a) certain amendments to the current articles of association of the Company (the "**Articles of Association**") for the purpose of, *inter alia*, (i) bringing the Articles of Association in line with the Listing Rules which mandate the electronic dissemination of corporate communications by listed issuers to their securities holders from December 31, 2023 onwards; (ii) making other house-keeping amendments to clarify, update and/or modify certain provisions of the Articles of Association in accordance with, or to better align with the applicable laws (collectively, the "**Proposed Articles Amendments**"); and (b) to adopt the Thirteenth Amended and Restated Memorandum and Articles of Association incorporating and consolidating all the Proposed Articles Amendments.

The Proposed Articles Amendments and the adoption of the Thirteenth Amended and Restated Memorandum and Articles of Association are subject to the approval of the Shareholders by way of a special resolution at the forthcoming annual general meeting of the Company scheduled to be held Wednesday, June 19, 2024 (the "**AGM**") or any adjourned meeting. A circular of the Company containing, inter alia, further details on the aforesaid subject matters, together with a notice of the AGM, will be despatched to the Shareholders (if necessary) in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, June 14, 2024 to Wednesday, June 19, 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered, and Shareholders whose names on the register of members of the Company on Wednesday, June 19, 2024 shall have the right to attend and vote at the AGM. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, June 13, 2024.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **https://keep.com/**. The annual report of the Company for the year ended December 31, 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders (if necessary) and made available on the same websites in due course.

APPRECIATION

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

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

Hong Kong, March 28, 2024

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