

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 20-F**

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2022.

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report .....

For the transition period from                      to

Commission file number: 001-40533

**Dingdong (Cayman) Limited**

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

Building 1, 56 Fanchang Road

Shanghai, 201201

People's Republic of China

+86 21-6858-5011

(Address of principal executive offices)

Le Yu, Chief Strategy Officer

Telephone: +86 21-6858-5011

Email: ir@100.me

Building 1, 56 Fanchang Road

Shanghai, 201201

People's Republic of China

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American depositary shares (two American depositary shares representing three Class A ordinary share, par value US\$0.000002 per share)	DDL	New York Stock Exchange
Class A ordinary shares, par value US\$0.000002 per share*		New York Stock Exchange

\* Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report.

299,797,728 Class A ordinary shares (including 153,346 treasury shares held in forms of ADSs by our depository bank, and 29,701,893 shares held by our ESOP platforms for future exercise of share option awards granted under our share incentive plans), par value US\$0.000002 per share, as of December 31, 2022.

54,543,800 Class B ordinary shares, par value US\$0.000002 per share, as of December 31, 2022.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐ Yes ☐ No

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒ Yes ☐ No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒

International Financial Reporting Standards as issued by the International Accounting Standards Board ☐

Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ☐ Yes ☐ No

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## INTRODUCTION

Except where the context otherwise requires and for purposes of this annual report only:

- “ADRs” refers to the American depositary receipts that evidence the ADSs;
- “ADSs” refers to the American depositary shares, each two of which represent three Class A ordinary shares;
- “average order value” refers to a typical amount spent by a customer in each order, which is calculated by dividing total GMV during a given period by the number of orders placed in that period;
- “China” or the “PRC” refers to the People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- “Class A ordinary shares” refers to our Class A ordinary shares with a par value of US\$0.000002 per share;
- “Class B ordinary shares” refers to our Class B ordinary shares with a par value of US\$0.000002 per share;
- “Dingdong,” “we,” “us,” “our company” and “our” refer to Dingdong (Cayman) Limited, a Cayman Islands exempted company, and its subsidiaries and their respective subsidiaries, as the context requires;
- “D-G.A.P.” refers to “Dingdong-Good Agricultural Practices,” a set of good agricultural for production and sustainability designed by the Company, based on global G.A.P. and China G.A.P. standards, with adjustment in accordance with the actual characteristics of existing suppliers in China;
- “GMV” refers to gross merchandise value, which is the total value of all orders placed with us based on listed discounted prices of the ordered products. For the avoidance of doubt, the calculation of GMV does not take into consideration of discounts through coupons, and excludes shipping fees and orders that are returned, not delivered or not sold by all means;
- “ordinary shares” or “shares” refers to our Class A ordinary shares and Class B ordinary shares, par value US\$0.000002 per share;
- “Renminbi” or “RMB” refers to the legal currency of China;
- “SEC” refers to the United States Securities and Exchange Commission.
- “transacting user” refers to a user account that paid for transactions of products on *Dingdong Fresh*, our app and mini programs, in a given period, regardless of whether the order is subsequently refunded;
- “U.S. dollars” or “US\$” refers to the legal currency of the United States.

Our reporting currency is the Renminbi. This annual report contains translations from Renminbi to U.S. dollars solely for the convenience of the reader. Unless otherwise stated, all translations of Renminbi into U.S. dollars were made at RMB6.8972 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 30, 2022. We make no representation that the Renminbi or U.S. dollars amounts referred to in this annual report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all.

Due to rounding, numbers presented throughout this annual report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

## FORWARD-LOOKING INFORMATION

This annual report contains forward-looking statements that reflect our current expectations and views of future events. Known and unknown risks, uncertainties, and other factors, including those listed under “Risk Factors,” may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue,” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- our goals and strategies;
- our future business development, financial conditions, and results of operations;
- the expected outlook of the fresh grocery e-commerce market in China;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with our users, clients, business partners, and other stakeholders;
- competition in our industry;
- our proposed use of proceeds; and
- relevant government policies and regulations relating to our industry.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This annual report contains certain data and information that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. Our industry may not grow at the rate projected by market data, or at all. Failure of this market to grow at the projected rate may have a material and adverse effect on our business and the market price of the ADSs. In addition, the rapidly evolving nature of this industry results in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we have referred to in this annual report, completely and with the understanding that our actual future results may be materially different from what we expect.

## NON-U.S. GAAP FINANCIAL INFORMATION

In this annual report, we disclose non-GAAP financial measures, such as non-GAAP net loss, which is our net loss excluding share-based compensation expenses, or non-GAAP net loss margin, which is our non-GAAP net loss as a ratio to revenues, in evaluating our operating results and for financial and operational decision-making purposes. We believe that the non-GAAP financial measures help identify underlying trends in our business by excluding the impact of share-based compensation expenses, which are non-cash charges and do not correlate to any operating activity trends. We also believe that the non-GAAP financial measures provide useful information about our company's results of operations, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

The non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. The non-GAAP financial measures have limitations as analytical tools, and when assessing our operating performance, cash flows or liquidity, investors should not consider them in isolation, or as a substitute for net loss, cash flows provided by operating activities or other consolidated statements of operations and cash flows data prepared in accordance with U.S. GAAP. Our definition of non-GAAP financial measures may differ from those of industry peers and may not be comparable with their non-GAAP financial measures.

We mitigate these limitations by reconciling the non-GAAP financial measures to the most comparable U.S. GAAP performance measures, all of which should be considered when evaluating our performance. For more information on the non-GAAP financial measures, please see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Non-GAAP Measures."

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information**

**Our Corporate Structure**

Dingdong (Cayman) Limited is a Cayman Islands holding company with no material operations of its own. We conduct our operations through our subsidiaries located in China, or PRC subsidiaries. Investors in the ADSs are not purchasing equity securities of our PRC subsidiaries but instead are purchasing equity securities of a Cayman Islands holding company.

We face various risks and uncertainties relating to doing business in China. Our business operations are primarily conducted in China, and we are subject to complex and evolving PRC laws and regulations. For example, we face risks associated with regulatory approvals on offshore offerings, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy, which may impact our ability to conduct certain businesses, accept foreign investments, or list and conduct offerings on a United States or other foreign exchange. The PRC government's significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers may limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations in this nature may cause the value of such securities to significantly decline. Moreover, risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, may also result in a material adverse change in our operations and the value of our ADSs. For a detailed description of risks relating to doing business in China, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China."

**The Holding Foreign Companies Accountable Act**

The Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted on December 18, 2020. The HFCA Act states that if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for two consecutive years, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. These risks could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause the value of such securities to significantly decline or become worthless. Furthermore, on December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements under the HFCA Act, pursuant to which the SEC will identify a "Commission-Identified Issuer" if an issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in the foreign jurisdiction, and will then impose a trading prohibition on an issuer after it is identified as a Commission-Identified Issuer for two consecutive years. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor. On May 9, 2022, we were named by the SEC as a Commission-Identified Issuer, following our filing of annual report on Form 20-F for the fiscal year ended December 31, 2021 with the SEC on May 2, 2022. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. Our auditor is located in China, a jurisdiction where the PCAOB was historically

unable to conduct inspections completely. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China or Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China or Hong Kong, and we continue to use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCA Act. The related risks and uncertainties could cause the value of our ADSs to significantly decline. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—The PCAOB had historically been unable to inspect our auditor in relation to their audit work. Our ADSs will be prohibited from trading in the United States under the HFCA Act in the future if the PCAOB is unable to inspect or fully investigate auditors located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.”

### **Permissions Required from the PRC Authorities for Our Operations**

We conduct our operations through our PRC subsidiaries. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries have obtained the requisite licenses and permits from the PRC government authorities that are material for their business operations, including, among others, Food Operating Permit, Record-filing for Operation of Medical Devices, and Registration of Single-Purpose Commercial Prepaid Cards. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by relevant government authorities, we may be required to obtain additional licenses, permits, filings, or approvals for our business operations in the future. For more detailed information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.”

Furthermore, in connection with our historical issuance of securities to foreign investors, under currently effective PRC laws, regulations, and regulatory rules, as of the date of this annual report, we (i) are not required to obtain permissions from the China Securities Regulatory Commission, or the CSRC, (ii) are not required to proactively go through cybersecurity review by the Cyberspace Administration of China, or the CAC, and (iii) have not been requested to obtain such permissions by any PRC authority.

However, the PRC government has indicated an intent to exert more oversight and control over offerings that are conducted overseas by and/or foreign investment in China-based issuers. On February 17, 2023, the CSRC released Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Administrative Measures, and five supporting guidelines, which will come into effect on March 31, 2023. Pursuant to the Trial Administrative Measures, if any issuer completes the overseas’ listing and intends to conduct securities offering in the same market, such issuer shall file with CSRC within three business days after its completion of securities offering. For more detailed information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PRC government’s significant oversight over our business operation could result in a material adverse change in our operations and the value of our ADSs.”

### **Cash Flows through Our Organization**

Dingdong (Cayman) Limited is a Cayman Islands holding company with no material operations of its own. We conduct our operations through our PRC subsidiaries. As a result, although other means are available for us to obtain financing at the holding company level, the ability of Dingdong (Cayman) Limited to pay dividends to the shareholders and to service any debt it may incur may depend upon dividends primarily paid by our PRC subsidiaries. If any of our PRC subsidiaries incurs debt on its own behalf, the instruments governing such debt may restrict its ability to pay dividends to Dingdong (Cayman) Limited. In addition, under PRC laws and regulations, our PRC subsidiaries are permitted to pay dividends to Dingdong (Cayman) Limited only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Further, our PRC subsidiaries are required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are



not distributable as cash dividends except in the event of a solvent liquidation of the PRC subsidiaries. For more details, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure.”

Under PRC laws and regulations, our PRC subsidiaries are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by State Administration of Foreign Exchange, or SAFE. These restrictions are benchmarked against the paid-up capital and the statutory reserve funds of our PRC subsidiaries. For risks relating to the fund flows of our operations in China, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.” For the years ended December 31, 2020, 2021 and 2022, no dividends or distributions were made to Dingdong (Cayman) Limited by our PRC subsidiaries.

We have never declared or paid any dividends on our ordinary shares since our inception, nor have any present plan to pay any dividends on our ordinary shares or ADSs in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See “Item 8. Financial Information —A. Consolidated Statements and Other Financial Information—Dividend Policy.” For PRC and United States federal income tax considerations of an investment in our ADSs, see “Item 10. Additional Information—E. Taxation.”

Under PRC laws, Dingdong (Cayman) Limited may fund our PRC subsidiaries only through capital contributions or loans, subject to satisfaction of applicable government registration and approval requirements. For the years ended December 31, 2020, 2021 and 2022, the aggregate amount of capital contribution by Dingdong (Cayman) Limited and our intermediate holding companies to our PRC subsidiaries were RMB1,947.6 million, RMB2,951.2 million and RMB3,889.9 million (US\$564.0 million), respectively. For the years ended December 31, 2020, 2021 and 2022, the Cayman Islands holding company and our intermediary holding companies provided loans of nil, RMB2,900.4 million and RMB539.1 million (US\$78.2 million), respectively, to our PRC subsidiaries, and received loan repayments of nil, RMB333.0 million and RMB3,279.0 million (US\$475.4 million), respectively.

**A. [Reserved]**

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

**Summary of Risk Factor**

Set forth below is only a summary of the principal risks associated with an investment in our shares. See below under this “Item 3. Key Information —D. Risk Factors” for a detailed discussion of the numerous risks and uncertainties to which the Company is subject.

- Our limited operating history makes it difficult to evaluate our business and prospects. We cannot guarantee that we will be able to maintain the growth rate that we have experienced to date.
- We have incurred net losses in the past and we may continue to incur losses in the future.
- We face intense competition, and if we fail to compete effectively, we may lose market share, users and our business partners.

- If we fail to anticipate user needs and provide superior user experience to attract and retain users and increase their purchase with us or fail to adapt our services or business model to evolving user needs or emerging industry standards, our business may be materially and adversely affected.
- Any harm to our brand or reputation may materially and adversely affect our business and results of operations.
- We rely on our suppliers and other business partners to provide quality products and services which are critical to our business. Any changes, interruptions or disruptions of our relationships with them or any interruptions or disruptions of, or negative publicity around, their business may adversely affect our operation.
- Any failure to maintain food safety and consistent quality could have a material and adverse effect on our brand, business and financial performance.
- Our expansion into new product offerings or substantial increase in the number of our product offerings may expose us to new and increased challenges and risks.
- If our expansion into new geographical areas is not successful, our business prospects and results of operations may be materially and adversely affected.
- We had in the past withdrawn from certain cities due to our shift of strategic focus, which resulted in decline in transacting user number and order volume, and we may continue to do so in the future.
- Failure to manage our fulfillment infrastructure cost-effectively or any interruption in the operation of the warehouse facilities for an extended period may negatively affect our business, prospects and results of operations.
- If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.
- There could be adverse legal, tax, and other consequences if delivery riders or workers at our regional processing centers and frontline fulfillment stations were to be classified as our employees or dispatched employees instead of independent contractors.
- We engage labor service companies to provide outsourced personnel for a portion of our operations. We have limited control over these personnel and may be subject to liabilities arisen from contracts we enter into with such labor service companies.
- Failure to protect confidential information of our users and network against security breaches could damage our reputation and brand and substantially harm our business and results of operations.
- Our business is subject to complex and evolving laws and regulations regarding privacy and data protection. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.
- We are subject to payment processing risk.
- Any lack of requisite approvals, licenses, permits or filings or failure to comply with any requirements of PRC laws, regulations and policies may materially and adversely affect our daily operations and hinder our growth.
- We may engage in acquisitions, investments or strategic alliances in the future, which could require significant management attention and materially and adversely affect our business and results of operations.
- If we fail to hire, retain and train qualified employees or sufficient workforce while controlling our labor costs, our business may suffer.
- Our business may be subject to seasonal sales fluctuations.

- If we fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, meet our reporting obligations or prevent fraud.
- The defects in certain leased property interests and failure to register certain lease agreements may materially and adversely affect our business, financial condition, results of operations, and prospects.
- The COVID-19 pandemic has had and may continue to have an adverse impact on our business, operations and financial condition.
- The PCAOB had historically been unable to inspect our auditor in relation to their audit work. Our ADSs may be prohibited from trading in the United States under the HFCA Act in the future if the PCAOB is unable to inspect or fully investigate auditors located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.
- Changes in China's economic, political or social conditions or government policies could materially and adversely affect our business and results of operations.
- The PRC government's significant oversight over our business operation could result in a material adverse change in our operations and the value of our ADSs.
- We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.
- Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

### **Risks Relating to Our Business and Industry**

***Our limited operating history makes it difficult to evaluate our business and prospects. We cannot guarantee that we will be able to maintain the growth rate that we have experienced to date.***

We commenced our commercial operations in 2017 and have a limited operating history. We experienced significant growth since our inception. Our revenues increased from RMB11,335.8 million in 2020 to RMB24,221.2 million (US\$3,511.7 million) in 2022, representing a CAGR of 46.2%. Our average order value increased from RMB65.7 in 2020 to RMB74.5 in 2022. However, our historical performance may not be indicative of our future growth or financial results. We cannot assure you that we will be able to grow at the same rate as we did in the past, or avoid any decline in the future. Our growth may slow down or become negative, and revenues may decline for a number of possible reasons, some of which are beyond our control, including decreasing user spending, increasing competition, declining growth of our overall market or industry, the emergence of alternative business models, decreasing demand for online groceries, and changes in rules, regulations, government policies or general economic conditions. In addition, our growth pace may also be impacted by our strategic shift of focus on sustainable growth. It is difficult to evaluate our prospects as we may not have sufficient experience in addressing the risks to which companies operating in rapidly evolving markets may be exposed. If our growth rate declines, investors' perceptions of our business and prospects may be materially and adversely affected, and the market price of our ADSs could decline. You should consider our prospects in light of the risks and uncertainties that companies with a limited operating history may encounter.

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

Our total revenues grew from RMB11,335.8 million in 2020 to RMB20,121.1 million in 2021 and further grew to RMB24,221.2 million (US\$3,511.7 million) in 2022, and our GMV grew from RMB13,032.2 million in 2020 to RMB22,704.1 million in 2021 and further grew to RMB26,247.9 million (US\$3,805.6 million) in 2022. However, we recorded net loss of RMB3,176.9 million, RMB6,429.1 million and RMB806.9 million (US\$117.0 million) in 2020, 2021 and 2022, respectively, and non-GAAP net loss of RMB3,023.8 million, RMB 6,113.7 million and RMB571.0 million (US\$82.8 million) in 2020, 2021 and 2022, respectively. Starting from the third quarter of 2021, we shifted our strategic focus to "efficiency first, with due consideration of scale", and managed to achieve profitability. Guided by such strategy, we recorded GAAP net profit in the fourth quarter of 2022 for the first time since our inception.

However, we cannot assure you that we will be able to generate net profits in the future. Our ability to achieve and maintain profitability depends in large part on our ability to increase our gross margin by leveraging our product capabilities to manage our product mix and expand our product offerings, and our growth in scale to obtain more favorable terms from our suppliers. Accordingly, we intend to continue to invest for the foreseeable future in enhancement of product capabilities, technology innovation and research and development capabilities to support our sustainable growth. As a result of the foregoing, we may continue to incur losses in the future. In addition, any change in macroeconomic and regulatory environment, competitive dynamics and our inability to respond to these changes in a timely and effective manner may also affect our ability to achieve profitability, and cause us to incur losses in the future.

***We face intense competition, and if we fail to compete effectively, we may lose market share, users and our business partners.***

The e-commerce industry in China, in particular the fresh grocery e-commerce industry, is intensely competitive. We compete for users, orders, products and third-party suppliers. Our current or potential competitors include (i) other fresh grocery e-commerce players in China, (ii) traditional e-commerce and other Internet companies in China, and (iii) major traditional retailers in China that are moving into fresh grocery e-commerce and physical retail stores and supermarkets. See “Item 4. Information on the Company—B. Business Overview—Competition.”

Increased competition may reduce our pricing power and market share and impact brand recognition, or result in significant losses. When we set prices, we have to consider how competitors have set prices for the same or similar products. When they cut prices or offer additional benefits to compete with us, we may have to lower our own prices or offer additional benefits or risk losing market share, either of which could harm our financial condition and results of operations.

Some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger user bases, better access to users, higher penetration in certain regions or greater financial, technical or marketing resources than we do. In addition, smaller companies or new entrants may be acquired by, receive investment from or enter into strategic relationships with well-established and well-financed companies or investors which would help enhance their competitive positions. Some of our competitors may be able to secure more favorable terms from suppliers, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies and devote substantially more resources to their websites, mobile apps and systems development than us. We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

***If we fail to anticipate user needs and provide superior user experience to attract and retain users and increase their purchase with us or fail to adapt our services or business model to evolving user needs or emerging industry standards, our business may be materially and adversely affected.***

The fresh grocery e-commerce market in which we operate has been rapid changing, and user needs and preferences are constantly evolving. As a result, we must continually respond to changes in the market and user demand and preferences to remain competitive, grow our business and maintain our market position. We intend to further diversify our product and service offerings to add to our revenue sources in the future. New products and services, new types of users or new business models may involve risks and challenges we do not currently face. Any new initiatives may require us to devote significant financial and management resources and may not perform as well as we expected. Furthermore, we may have difficulty in anticipating user demand and preferences, and the products offered by us may not be accepted by the market. Therefore, any inability to adapt to these changes may result in a failure to capture new users or retain existing ones, the occurrence of which would materially and adversely affect our business, financial condition and results of operations.

In addition, to remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our app and mini programs to provide hassle-free experience for our users. The e-commerce market is characterized by rapid technological evolution, changes in user requirements and preferences, frequent introductions of new features and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete, or not satisfying for users. Our success will

depend, in part, on our ability to identify, develop and adapt to new technologies useful in our business, and respond to technological advances and emerging industry standards and practices, in particular with respect to mobile internet, in a cost-effective and timely way, so as to improve user's satisfaction. We cannot assure you that we will be successful in these efforts.

***Any harm to our brand or reputation may materially and adversely affect our business and results of operations.***

We believe that the recognition and reputation of our Dingdong or “叮咚买菜” brand among our users, suppliers and third-party service providers have contributed significantly to the growth and success of our business. Maintaining and enhancing the recognition and reputation of our brand are critical to our business and competitiveness. Many factors, some of which are beyond our control, are important to maintaining and enhancing our brand. These factors include our ability to:

- offer and maintain a wide selection of high-quality products;
- provide a superior online shopping experience to users;
- maintain the popularity, attractiveness, diversity, quality and authenticity of our product offerings;
- maintain the efficiency, reliability and quality of fulfillment and delivery services to our users;
- maintain or improve users' satisfaction with our after-sale services;
- increase brand awareness through marketing and brand promotion activities; and
- preserve our reputation and goodwill in the event of any negative publicity on consumer experience, internet and data security, product quality, price or authenticity, or other issues affecting us or other fresh grocery e-commerce businesses in China.

Public perception that tainted, spoiled, counterfeit, unauthorized, illegal, or infringing products are sold on *Dingdong Fresh* or that we do not provide satisfactory user services, or that we are incapable of sustaining our historical growth, even if factually incorrect or based on isolated incidents or biased complaints, could damage our reputation, diminish the value of our brand, undermine the trust and credibility we have established and have a negative impact on our ability to attract new users or retain our current users. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our brand, products and services, it may be difficult to maintain and grow our user base, and our business and growth prospects may be materially and adversely affected.

***We rely on our suppliers and other business partners to provide quality products and services which are critical to our business. Any changes, interruptions or disruptions of our relationships with them or any interruptions or disruptions of, or negative publicity around, their business may adversely affect our operation.***

We source products from third-party suppliers and vendors. We had approximately 2,600 suppliers in 2022. Our suppliers include local farms, cooperatives, brands, regional distributors and manufacturers. Maintaining strong relationships with these suppliers is important to the growth of our business. In particular, we depend significantly on our ability to procure products from suppliers on favorable pricing and payment terms and in sufficient quantities. We typically enter into one-year framework agreements with suppliers on an annual basis, and these framework agreements do not ensure the availability of products or the continuation of particular pricing practices or payment terms beyond the end of the contractual term. In addition, our agreements with suppliers typically do not restrict the suppliers from selling products to other buyers. We cannot assure you that our current suppliers will continue to sell products to us on commercially acceptable terms, or at all, after the term of the current agreement expires. Even if we maintain good relationships with our suppliers, their ability to supply products to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal decisions, customs and import restrictions, pandemics, natural disasters or other causes. In the event that we are not able to procure products at favorable prices and at sufficient quantities, our revenues and cost of revenues may be materially and adversely affected. In the event any distributor or reseller does not have authority from the relevant farms or manufacturers to sell certain products to us, such distributor or reseller may cease selling such products to us at any time. If our suppliers cease to provide us with favorable payment terms, our requirements for working capital may increase and our operations may be materially and adversely affected. Our accounts payable turnover days decreased from 47.3 days in 2020 to 41.3 days in 2021, primarily due to increased scale of reversed factoring arrangements we

entered with our suppliers over the years. Our accounts payable turnover days was 43.0 days in 2022 which was relatively stable compared with 2021. Despite our best efforts to have our suppliers paid in time, if we fail to pay our suppliers in a timely manner in accordance with the current payment terms, disputes may arise, and our relationship with our suppliers may deteriorate. We will also need to establish new supplier relationships to ensure that we have access to a steady supply of products on favorable commercial terms. If we are unable to develop and maintain good relationships with suppliers that would allow us to obtain a sufficient amount and variety of authentic and quality products on acceptable commercial terms, it may inhibit our ability to offer sufficient products sought by our users, or to offer these products at competitive prices. Any adverse developments in our relationships with suppliers could materially and adversely affect our business and growth prospects. Any disputes with suppliers could adversely affect our reputation and subject us to damages and negative publicity. In addition, as part of our growth strategy, we plan to further expand our product offerings. If we fail to attract new suppliers to sell their products to us due to any reason, our business and growth prospects may be materially and adversely affected.

Additionally, we also rely on a large number of business partners, such as logistic service providers, lessors of our regional processing centers and frontline fulfillment stations, and labor service companies to provide various services to our customers and ourselves. To the extent they are unable to provide satisfactory services, which may be attributable to events that are beyond our or their control, such as inclement weather or transportation service quality disruptions, our business and reputation may be adversely affected. Claims and negative publicity related to their business, e.g. personal injury, death or property damage resulting from traffic accidents caused by our riders, may result in our liabilities or negatively affect our brand image and reputation among customers and in the local community. As our business partners are not directly managed by us, we cannot assure you that breaches will not occur in the future regardless of the precautionary measures we have taken, and will take, to screen and monitor their performance. If we are unable to effectively address these risks, our brand image, reputation and financial performance may be materially and adversely affected.

***Any failure to maintain food safety and consistent quality could have a material and adverse effect on our brand, business and financial performance.***

Food safety and quality are critical to our reputation and success. Maintaining high and consistent quality and food safety depends significantly on the effectiveness of our quality control measures and assurance system.

Although we have developed end-to-end quality control procedures through our 7+1 Quality Control Procedure across the entire procurement and fulfillment process, we cannot assure you that we can always identify every quality control issue due to potential flaws, loopholes and bugs of our procedures and human errors, and our efforts to patch up or update our quality control procedures may suffer from delays or failures due to external factors not entirely under our control. In addition, there are inherent limitations in sampling inspection of non-standard products such as fresh produce, seafood, meats, which may not identify all the defects and flaws. Our business growth and development, which result in increased cooperation with an increasing number of suppliers and business partners, evolving and increasingly complex supply chain, and continued digitalization of the fulfillment process all possess the potential to exacerbate the pressure on our quality control procedures, which are in turn required to be perfected in a timely manner. We have detected and remedied several cases of sub-par products being sold on *Dingdong Fresh*, e.g. excessive pesticide or heavy metal residues. Despite our rectification efforts, we are unable to entirely rule out the possibility that similar incidents will take place again in the future. As the performance, reliability and robustness of our quality control procedures are vital to our success, our reputation may be materially and adversely affected, our market share could decline and we could be subject to product recalls, penalties or liability claims if we encounter disruptions caused by failures in our quality control procedures.

As a result, we may be exposed to product liability claims relating to food tampering, food safety or other related issues. Third parties subject to such injury or damage may bring claims or legal proceedings against us as the retailer of the product. Although we would have legal recourse against the suppliers of such products under PRC laws, attempting to enforce our rights against the manufacturer may be expensive, time-consuming and ultimately futile. In addition, we do not currently maintain any third-party liability insurance or product liability insurance in relation to products we sell, which is consistent with the industry norm, according to CIC. As a result, any material product liability claim or litigation could have a material and adverse effect on our business, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending

them and could have a negative impact on our reputation. We may also experience negative impact on our reputation due to actual or perceived quality or health issues with the food products we sold.

***Our expansion into new product offerings or substantial increase in the number of our product offerings may expose us to new and increased challenges and risks.***

We have expanded our offerings from fresh produce, meat and seafood to prepared food and other food products such as baked goods, dairy, seasonings, beverage, instant food, oil, and snacks, and we may expand to other offerings in the future. In the future, we will continue to offer new and innovative products to fuel our business growth. Offering new SKUs, and expanding into diverse new products and offerings involves risks and challenges. Our lack of familiarity with new products and lack of relevant experience relating to these new offerings may make it more difficult for us to anticipate user demand and preferences. We may misjudge user demand and the potential profitability of a new product. We may find it more difficult to inspect and control quality and ensure proper handling, storage, and delivery of new products. We may experience higher return rates on new products, user complaints about new products and services, and costly liability claims as a result of selling such products and services, any of which would harm our brand and reputation as well as our results of operations. We may need to adjust our pricing strategies and make additional marketing efforts to gain market share or remain competitive in new categories including offering users category-specific coupons and organizing cross-category promotion events. It may be difficult for us to achieve profitability in the new product or service categories and our profit margin, if any, may be lower than we anticipate or have experienced historically, which would adversely affect our results of operations. We cannot assure you that we will be able to recoup our investments in introducing any new product and service categories.

***If our expansion into new geographical areas is not successful, our business prospects and results of operations may be materially and adversely affected.***

We have successfully expanded our business to around 30 cities across China as of December 31, 2022. And, as of the date of this annual report, a significant portion of our revenue and GMV was derived from the Yangtze River Delta Megalopolis. We may selectively expand into more markets which we believe have growth potential. Expansion into new geographical areas involves new risks and challenges. Our lack of familiarity with, and relevant transaction data relating to, these geographical areas may make it more difficult for us to keep pace with the evolving consumer demands and preferences. In addition, there may be one or more existing market leaders in any geographical area that we decide to expand into. Such companies may be able to compete more effectively than us by leveraging their experience in doing business in that market as well as their deeper data insight and greater brand recognition among consumers. We may need to adjust our pricing strategies and make additional marketing efforts to gain market share or remain competitive in new markets. Furthermore, we cannot assure you that we will be able to lease suitable fulfillment facilities on commercially acceptable terms or at all. Moreover, there may be a lack of demand for fresh grocery, the order density in those smaller, less developed areas may not be sufficient to allow us to operate our own delivery network in a cost-efficient manner and we may need to adjust our pricing strategies to adapt to local economic conditions. Also, the expansion into new geographical areas may strain our managerial, financial, operational and other resources. If we fail to manage such expansion successfully, our growth potential, business and results of operations may be materially and adversely affected.

***We had in the past withdrawn from certain cities due to our shift of strategic focus, which resulted in decline in transacting user number and order volume, and we may continue to do so in the future.***

Starting from the third quarter of 2021, we shifted our strategic focus to “efficiency first, with due consideration of scale”. Led by such initiative, we had withdrawn from cities which contributed immaterial GMV historically but required substantial investment and efforts to build up a strong market presence and achieve economy of scale. We also closed down certain regional processing centers and frontline fulfillment stations in these cities. This had resulted in increases in certain of our costs and expenses, including among others, (i) penalties we paid to landlord for early termination of leases for our fulfillment facilities, (ii) employee severance payment due to early termination of their employment agreements, and (iii) loss on disposal of property and equipment. Moreover, this also resulted in declines in the number of transacting user and order volume in the short-term, however, we believe that this will enhance our operating efficiency and cost-effectiveness in the longer term. Going forward, we will closely monitor the performance of our existing markets, and may continue to withdraw from cities when necessary to further enhance our operational efficiency, which may negatively impact our performance and reputation.

***Failure to manage our fulfillment infrastructure cost-effectively or any interruption in the operation of the warehouse facilities for an extended period may negatively affect our business, prospects and results of operations.***

We believe that our fulfillment infrastructure, consisting of strategically located regional processing centers and frontline fulfillment stations, is essential to our success. In the future, to accommodate our growth and development strategy, we may establish regional processing centers and frontline fulfillment stations in new regions, or combine, relocate or close existing ones, to enhance our fulfillment efficiency. As our business grows, our fulfillment network becomes increasingly complex and challenging to operate. We cannot assure you that we will be able to take on suitable fulfillment facilities on commercially acceptable terms or at all. We may not be able to recruit a sufficient number of qualified employees for our fulfillment infrastructure. In addition, management of our fulfillment infrastructure may strain our managerial, financial, operational and other resources. If we fail to manage the overall fulfillment infrastructure successfully, our growth potential, business and results of operations may be materially and adversely affected. Even if we manage our fulfillment infrastructure cost-effectively, it may not give us the competitive advantage that we expect if improved third-party fulfillment services become widely available at reasonable prices to e-commerce companies in China.

In addition, our ability to process and fulfill orders accurately and provide high quality user service depends on the smooth operation of our regional processing centers and frontline fulfillment grid and their respective facilities. Most of the fulfillment facilities we use are operated by ourselves and staffed by our fulfillment specialists and outsourced workers recruited through third-party vendors. We provide our operating standards under our agreements with third-party vendors and typically renew these agreements on an annual basis. Any decrease in the quality of service offered by these third-party vendors will adversely affect our reputation and business operations. The warehouse facilities may be vulnerable to damage caused by fire, flood, power outage, telecommunications failure, break-ins, earthquake, human error and other events. If any of such facilities were rendered incapable of operations, then we may be unable to fulfill our orders on a timely basis. For example, business operations at certain of our frontline fulfillment stations had been temporarily disrupted in various ways during the COVID-19 pandemic. For details, please see “— The COVID-19 pandemic has had and may continue to have an adverse impact on our business, operations and financial condition.” Furthermore, a large portion of the products we offer are perishable in nature, or require strict temperature-controlled storage condition. In the event of any interruption or disruption of our storage, processing and fulfillment, we may suffer significant inventory losses. In addition, we may be required to search for and relocate to, alternative properties in case of such damages or if the properties concerned are challenged by third parties or governmental authorities, which would cause interruption to our business. Please also refer to “— The defects in certain leased property interests and failure to register certain lease agreements may materially and adversely affect our business, financial condition, results of operations, and prospects.” We do not carry business interruption insurance, and the occurrence of any of the foregoing risks could have a material adverse effect on our business, prospects, financial condition and results of operations.

***If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.***

Our scale and business model require us to manage a large volume of inventory, including perishable fresh groceries, effectively. We depend on our demand forecasts for various kinds of products to make purchase decisions and to manage our inventory. Demand for products, however, can change significantly between the time inventory is ordered and the date by which we target to sell it. Demand may be affected by seasonality, new product launches, changes in product cycles and pricing, product defects, changes in consumer spending patterns, changes in consumer tastes with respect to our products and other factors, and our users may not order products in the quantities that we expect. In addition, when we begin selling a new product, it may be difficult to establish supplier relationships, determine appropriate product selection, and accurately forecast demand. The acquisition of certain types of inventory may require significant lead time and prepayment, and they may not be returnable.

Our inventories increased by 39.1% from RMB386.4 million as of December 31, 2020 to RMB537.5 million as of December 31, 2021, and further increased by 12.5% from RMB537.5 million as of December 31, 2021 to RMB604.9 million (US\$87.7 million) as of December 31, 2022. While our inventory turnover days are shorter than those of our peers, as we plan to continue expanding our product offerings, we expect to include more products in our inventory, which will make it more challenging for us to manage our inventory effectively and will put more pressure on our warehousing system.



If we fail to manage our inventory effectively, we may be subject to a 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. 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. Furthermore, if we underestimate demand for our products, or if our suppliers fail to supply quality products in a timely manner, we may experience inventory shortages, which might result in missed sales, diminished brand loyalty and lost revenues, any of which could harm our business and reputation.

***There could be adverse legal, tax, and other consequences if delivery riders or workers at our regional processing centers and frontline fulfillment stations were to be classified as our employees or dispatched employees instead of independent contractors.***

We have established business outsourcing relationships with third-party labor service companies for provision of delivery riders and workers at our regional processing centers and frontline fulfillment stations, pursuant to which we pay service fees to third-party labor service companies who, as our independent contractors, shall be responsible for the hire of workers and entry into relevant agreement with those workers accordingly. We believe that our workforce model is consistent with the prevailing practice in the fresh grocery e-commerce industry and recent policies of the State Council of the People's Republic of China, or the State Council, that promote consumer service businesses and the associated workforce model through flexible regulatory measures. Furthermore, as those workers do not have any contractual relationships with us and get paid from third-party labor service companies, we believe such delivery riders and workers are independent from us. As such, we do not believe that they should be deemed as our employees or dispatched employees under the relevant PRC laws and regulations. As of the date of this annual report, our workforce arrangement had not been investigated or challenged by any government authorities, nor are we aware of any government action contemplated or threatened, and we have not received any material complaints from, or had any material disputes with any parties in respect of such workforce arrangement. However, we had in the past been involved in individual lawsuits brought by third parties to seek compensation from us for injuries caused by delivery riders during their course of services. While third-party labor service companies have purchased insurance policies for the delivery riders, we cannot assure you that such insurance coverage is sufficient to prevent the delivery riders from any loss.

We cannot assure you that we will not be involved in lawsuits or arbitration cases in which the judge or arbitrator may side with the claimant in determining the relationship with delivery riders in the future. We also cannot assure you that we will not be subject to government investigations on or challenges to the legality of our workforce model in the future. If, as a result of legislation or judicial decisions, we are required to classify delivery riders or workers at our regional processing centers and frontline fulfillment stations as our employees or dispatched employees, we would incur significant additional expenses for compensating delivery riders, potentially including expenses associated with various employee benefits pursuant to relevant PRC laws and regulations. In addition, we may be required to fundamentally change our operation model to comply with the relevant PRC laws and regulations, including the requirement that the total number of dispatched employees may not exceed 10% of the total number of workforce. We would also be subject to claims for vicarious liability in relation to torts committed by delivery riders during their course of services, or other claims under the relevant PRC laws and regulations under such scenario. Any of the foregoing could significantly increase our costs to serve users, harm our reputation and brand, subject us to rectification orders and fines, and cause us to significantly alter our existing business model and operations. As a result, our business, financial condition, results of operations and prospects will be materially and adversely affected.

***We engage labor service companies to provide outsourced personnel for a portion of our operations. We have limited control over these personnel and may be subject to liabilities arisen from contracts we enter into with such labor service companies.***

We engage labor service companies who send a large number of their employees to work at our facilities for picking, packing and delivery, etc. We enter into agreements with the labor service companies only and therefore do not have any direct contractual relationship with these outsourced personnel. Since these outsourced personnel are not directly employed by us, our control over them is more limited as compared to our own employees. If any outsourced personnel fails to operate or perform its duties in accordance with our protocols, policies and business guidelines, our market reputation, brand image and results of operations could be materially and adversely affected.

Our agreements with the labor service companies provide that they independently assume employers' responsibilities or other responsibilities stipulated by laws and regulations for outsourced personnel and that they will be the party responsible for any personal or property losses during the outsourced personnel's work. However, if the labor service companies violate any relevant requirements under the applicable PRC labor laws, regulations or their employment agreements with the personnel, such personnel may claim compensation from us as they provide their services at our facilities. As a result, we may incur legal or financial liability, and our market reputation, brand image as well as our business, financial condition and results of operations could be materially and adversely affected.

***Failure in our IT systems or delays in the development and implementation of updates or enhancements to those systems could significantly disrupt our operations.***

The proper functioning of our IT systems is essential to our business. The satisfactory performance, reliability and availability of our IT systems are critical to our success, our ability to attract and retain users and our ability to maintain and deliver consistent services to our users. However, our technology infrastructure may fail to keep pace with increased sales on *Dingdong Fresh*, in particular with respect to our new product and service offerings, and therefore our users may experience delays as we seek to source additional capacity, which would adversely affect our results of operations as well as our reputation.

Additionally, we must continue to upgrade and improve our technology infrastructure to support our business growth. However, we cannot assure you that we will be successful in executing these system upgrades, and the failure to do so may impede our growth. We currently rely on cloud services and servers operated by external cloud service providers to store our data, to allow us to analyze a large amount of data simultaneously and to update our user database and profiles quickly. Any interruption or delay in the functionality of these external cloud service and server providers may materially and adversely affect the operations of our business.

We may be unable to monitor and ensure high-quality maintenance and upgrade of our IT systems and infrastructure on a real-time basis, and users have experienced service outages and delays in the past in accessing and using our app and mini programs to place orders. In addition, we may experience surges in online traffic and orders associated with promotional activities and generally as we scale, which can put additional online demand at specific times. 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 that result in the unavailability or slowdown of our app and mini programs or reduced order fulfillment performance could reduce the volume of products sold and the attractiveness of our product offerings. 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, delays or errors in transaction processing, loss of data or the inability to accept and fulfill orders. 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.

***Undetected programming errors or flaws or failure to maintain effective user service could harm our reputation or even cause direct loss to us which would materially and adversely affect our results of operations.***

Our app, mini programs and internal systems rely on software that is highly technical and complex. In addition, our app, mini programs and internal systems depend on the ability of such software to store, retrieve, process and manage an immense amount of data and the ability of its operators to operate this complex system properly. The software on which we rely may contain undetected programming errors or design defects, some of which may only be discovered after the code has been released for external or internal use. Improper operations or other human errors may also occur from time to time as a result of operating this software and complex system. Programming errors or design defects within the software or human errors in connection with the operation of the software may result in negative user experience, delay in introductions of new features or enhancements or compromise our ability to provide effective user service and enjoyable user engagement. They could cause harm to our reputation, loss of users, and/or direct economic loss to us.

***Failure to protect confidential information of our users and network against security breaches could damage our reputation and brand and substantially harm our business and results of operations.***

A significant challenge to the e-commerce industry is the secure storage of confidential information and its secure transmission over public networks. A majority of the orders and the payments for our products are made through our mobile app. In addition, almost all online payments are settled through third-party online payment services. Maintaining complete security on app and mini programs and systems for the storage and transmission of confidential or private information, such as users' personal information, payment-related information and transaction information, is essential to maintain consumer confidence in our systems.

We have adopted strict security policies and measures, including encryption technology, to protect our proprietary data and order information. We have not encountered instances of material data breach or unauthorized system intrusion. However, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining such confidential or private information we hold with respect to our users. Such individuals or entities obtaining confidential or private information may further engage in various other illegal activities using such information. In addition, we have limited control or influence over the security policies or measures adopted by third-party providers of online payment services through which some of our users may choose to make payment for purchases. Any negative publicity on our safety or privacy protection mechanisms and policies, and any claims asserted against us or fines imposed upon us as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations. Any compromise of our information security or the information security measures of our contracted third-party online payment service providers could have a material and adverse effect on our reputation, business, prospects, financial condition and results of operations.

***Our business is subject to complex and evolving laws and regulations regarding privacy and data protection. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.***

Our business collects, generates and processes a large amount of data. We face risks inherent in handling and protecting them. Concerns about the collection, use, or security of personal information or other privacy-related matters, even for those without merit, could damage our reputation, cause us to lose users and adversely affect our

business and results of operations. In particular, we face a number of challenges relating to data from transactions and other activities on our app and mini programs, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behavior by our employees;
- addressing concerns related to privacy and safety, security and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data.

We are required by privacy and data protection laws in China and other jurisdictions, including, without limitation, the PRC Cybersecurity Law, the PRC Data Security Law and Personal Information Protection Law, to ensure the confidentiality, integrity and availability of the information of our users, members, and suppliers, which is also essential to maintaining their confidence in our services. However, the interpretation and implementation of such laws in China and elsewhere are often uncertain and in flux.

In November 2016, the Standing Committee of the National People's Congress promulgated the PRC Cybersecurity Law, which provides that network operators must meet their cybersecurity obligations and must take technical measures and other necessary measures to protect the safety and stability of their networks. Although we only gain access to user information that is necessary for, and relevant to, the services provided, the data we obtain and use may include information that is deemed as "personal information" under the PRC Cybersecurity Law and related data privacy and protection laws and regulations. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Internet Privacy." In addition, on June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law, which took effect on September 1, 2021. The PRC Data Security Law provides for a data security review procedure for the data processing activities that affect or may affect national security. It also imposes data security obligations on persons and entities conducting data processing activities and requires data processors to take necessary measures to protect data security. Furthermore, on August 20, 2021, the Standing Committee of the National People's Congress issued the Personal Information Protection Law, which provides the basic regime for personal information protection and sets forth detailed obligations and responsibilities for personal information handlers in their collecting and processing personal information. Although we follow our long-standing policy that is to only access and process users' personal information that is necessary for, and relevant to provision of our services and we update our privacy policies and practices from time to time for compliance with regulatory developments, we may be required to make further adjustments to our data processing practices as the PRC Data Security Law and PRC Personal Information Protection Law are newly promulgated and the interpretation of many of their specific requirements remain to be clarified by the government authorities or is otherwise subject to uncertainties.

While we take measures to comply with all applicable data privacy and protection laws and regulations, we cannot guarantee the effectiveness of the measures undertaken by us and our business partners. The activities of third parties, such as our users, suppliers, and other business partners are beyond our control. If any of these parties violate the applicable data privacy and protection and related laws and regulations, or fail to fully comply with the service agreements with us, or if any of our employees fails to comply with our internal control measures and misuses the information, we may be subject to regulatory actions. Any failure or perceived failure to comply with all applicable data privacy and protection laws and regulations, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with our internal control measures, may result in negative publicity and legal proceedings or regulatory actions against us, and could damage our reputation, discourage current and potential users and business partners from using our services and subject us to claims, fines, and damages, which could have a material adverse effect on our business and results of operations.

New laws or regulations concerning data protection, or the interpretation and implementation of existing data security and privacy protection laws or regulations may be announced, published for public consultations, issued, or promulgated from time to time. For example, on December 28, 2021, the Cyberspace Administration of China, or the CAC, together with other PRC governmental authorities, promulgated the Measures for Cybersecurity Review, or the Cybersecurity Measures, which took effect from February 15, 2022. Pursuant to the Cybersecurity Measures, (i) the purchase of network products and services of a critical information infrastructure operator and data processing

activities of an online platform operator that affect or may affect national security shall be subject to the cybersecurity review, (ii) particularly, if a critical information infrastructure operator purchases network products and services that affect or may affect national security, or an online platform operator possessing personal information of over one million users and pursues a foreign listing, such operator must apply for cybersecurity review, and (iii) relevant governmental authorities in the PRC may initiate cybersecurity review if such governmental authorities determine any network products and services, and data processing activities affect or may affect national security. On November 14, 2021, the CAC published the Regulations on the Administration of Cyber Data Security (Draft for Comments), or the Draft Cyber Data Regulations. The Draft Cyber Data Regulations provides that data processor conducting the following activities shall apply for conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization, or division of internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests, which affects or may affect national security; (ii) a foreign listing by a data processor processing personal information of over one million users; (iii) a listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. As of the date of this annual report, there has been no further clarifications from the authorities as to the standards for determining such activities that “affects or may affect national security.” The period for which the CAC solicited comments on the Draft Cyber Data Regulations ended on December 13, 2021, but there is no timetable as to when the draft regulations will be enacted. As such, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation, and implementation of the Draft Cyber Data Regulations. As of the date of this annual report, the Draft Cyber Data Regulations is still in draft form and has not come into force. New laws or regulations concerning data protection and cyber security, or the interpretation and implementation of such new laws or regulations, which is often uncertain and in flux, may be inconsistent with our practices. The introduction of new products or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny. 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.

***We are subject to payment processing risk.***

Our users pay for our products using a variety of different online payment methods. We rely on third parties to process such payment. Acceptance and processing of these payment methods are subject to certain rules and regulations and require payment of interchange and other fees. To the extent there are increases in payment processing fees, material changes in the payment ecosystem, such as delays in receiving payments from payment processors and/or changes to rules or regulations concerning payment processing, our revenue, operating expenses and results of operation could be adversely impacted.

We also do not have control over the security measures of our third-party payment service providers, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer 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 security breach were to occur, users concerned about the security of their online payments may become reluctant to purchase our products and services through payment service providers even if the publicized breach did not involve payment systems or methods used by us. If any of the above were to occur and damage our reputation or the perceived security of the payment systems that we use, we may lose users as they may be discouraged from purchasing products or services in our community, which may adversely affect our business and results of operations.

***Any lack of requisite approvals, licenses, permits or filings or failure to comply with any requirements of PRC laws, regulations and policies may materially and adversely affect our daily operations and hinder our growth.***

Our business is subject to governmental supervision and regulation by the relevant PRC governmental authorities, including the Ministry of Commerce, or MOFCOM, the State Administration for Market Regulation and other governmental authorities in charge of the relevant categories of products sold by us. Together, these government authorities promulgate and enforce regulations that cover many aspects of the operation of online retailing, including entry into this industry, the scope of permissible business activities, licenses and permits for various business activities, and foreign investment. The fresh grocery e-commerce industry is subject to comprehensive government regulations and supervisions, and we are required to hold or apply for various permits, licenses or filings for conducting our business covering various business type, such as hot or cold food production, online operating, food sale or food distribution. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating

to Licenses, Permits, Registrations and Filings.” We have made great efforts to obtain all the applicable permits, licenses or filings, but due to the large number of products sold on our mobile app and our business expansion to other areas, we may not always be able to obtain such permits, licenses or filings in a timely manner.

Under relevant PRC laws and regulations, the address of any warehouse which is established outside the operation place of any of our PRC operating subsidiary shall be specified in the food operating license of such PRC operating subsidiary, or otherwise, such subsidiary may be ordered to rectify, and even subject to warnings and regulatory fines of up to RMB2,000 if fails to rectify as per requested by relevant governmental authority. As of the date of this annual report, not all of the addresses of our regional processing centers and frontline fulfillment stations are currently specified in the relevant food operating licenses. While we are in the process of completing such registration to cover the addresses of all of our regional processing centers and frontline fulfillment stations, we cannot assure you that we can complete such registration in a timely manner or at all due to certain factors that are beyond our control. If the relevant regulators require us to rectify and we fail to do so, we may be subject to regulatory fines of up to RMB2,000 per incidence of violation. As of the date of this annual report, we have not received any notice of warning or been subject to penalties or other disciplinary action from the relevant governmental authorities regarding the conducting of our business without the above mentioned approvals, filings, registration and permits. However, we cannot assure you that we will not be subject to any penalties in the future.

As the online retail industry is still evolving in China, new laws and regulations may be adopted from time to time and regulators may interpret existing laws and regulations differently from what they do now to require additional licenses and permits other than those we currently have, and to address new issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to online retail businesses. Any of these regulatory actions by the PRC governmental authorities, including issuance of official notices, change of policies, promulgation of regulations and imposition of sanctions, may adversely affect our business and have a material and adverse effect on our results of operations.

In addition to licenses, filings, registration and permits, laws and regulations may require e-commerce operators to take measures to protect consumer rights. Failure to do so may subject the e-commerce operators to rectification requirements and penalties. Although we endeavor to follow the laws and regulations, there is no assurance that we can timely react to the evolving requirements, and the government authorities may, to certain extent, have discretion in determining whether such requirements have been strictly complied with. If the government authorities deem that we fail to meet such requirements, we may receive warnings, be ordered to make rectifications, or subject to other administrative sanctions that may have material adverse effect on our business, financial condition and our results of operations.

***We may engage in acquisitions, investments or strategic alliances in the future, which could require significant management attention and materially and adversely affect our business and results of operations.***

We may identify strategic partners to form strategic alliances, invest in or acquire additional assets, technologies or businesses that are complementary to our existing business. These transactions may involve minority investments in other companies, acquisitions of controlling stakes in other companies or acquisitions of selected assets.

In the past, we have invested in or acquired additional businesses that are complementary to our existing business. Provided with suitable opportunities, we may pursue alliances and investment in the future. Any future strategic alliances, investments or acquisitions and the subsequent integration of the new assets and businesses obtained or developed from such transactions into our own may divert management from their primary responsibilities and subject us to additional liabilities. In addition, the costs of identifying and consummating investments and acquisitions may be significant. We may also incur costs and experience uncertainties in completing necessary registrations and obtaining necessary approvals from relevant government authorities in China and elsewhere in the world. The costs and duration of integrating newly acquired assets and businesses could also materially exceed our expectations. Any such negative developments could have a material adverse effect on our business, financial condition, results of operations and cash flow.

***If we fail to hire, retain and train qualified employees or sufficient workforce while controlling our labor costs, our business may suffer.***

We depend on the continued contributions of our senior management and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers or other key employees could harm our business. Our future success depends on our ability to attract, retain and train a large number of qualified employees. Our fulfillment infrastructure is labor intensive and requires a substantial number of workers, and these positions tend to have higher than average turnover. We have observed an overall tightening of the labor market and an emerging trend of shortage of labor supply. Failure to obtain stable and dedicated warehousing, delivery personnel and other labor support may lead to underperformance of these functions and cause disruption to our business. Labor costs in China have increased with China's economic development, particularly in the large cities where we operate our regional processing centers and frontline fulfillment stations. Because we operate our own fulfillment infrastructure, which requires a large and rapidly growing workforce, our cost structure is more vulnerable to labor costs than that of many of our competitors, which may put us at a competitive disadvantage. If we are unable to attract and retain sufficient and qualified personnel, our business and growth may be materially and adversely affected. Our need to significantly increase the number of our qualified employees and retain key employees may cause us to materially increase compensation-related costs, including stock-based compensation.

***Our operating metrics and other estimates are subject to inherent challenges in measuring our operating performance, which may harm our reputation.***

We regularly review our operating metrics in relation to our users to evaluate growth trends, measure our performance, and make strategic decisions. These metrics are calculated using our internal data, have not been validated by an independent third party, and may not be indicative of our future operation results. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring how our app and mini programs are used across a large population in China. Errors or inaccuracies in our metrics or data could result in incorrect business decisions and inefficiencies. For instance, if a significant understatement or overstatement of transacting users were to occur, we might expend resources to implement unnecessary business measures or fail to take required actions to remedy an unfavorable trend. If investors do not perceive our user or other operating metrics to accurately represent our user base, or if we discover inaccuracies in our user or other operating metrics, our reputation may be harmed.

***We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.***

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. We have been, and from time to time in the future may be, subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by products offered by our suppliers and our services or other aspects of our business. There could also be existing patents of which we are not aware that our products may inadvertently infringe. We cannot assure you that holders of patents purportedly relating to some aspect of our technology platform or business, if any such holders exist, would not seek to enforce such patents against us in China, the United States or any other jurisdictions. Further, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question. Finally, we use open source software in connection with our products and services. Companies that incorporate open source software into their products and services have, from time to time, faced claims challenging the ownership of open source software and compliance with open source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or noncompliance with open source licensing terms. Some open source software licenses require users who distribute open source software as part

of their software to publicly disclose all or part of the source code to such software and make available any derivative works of the open source code on unfavorable terms or at no cost. Any requirement to disclose our source code or pay damages for breach of contract could be harmful to our business, results of operations and financial condition.

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

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete agreements with our employees, to protect our proprietary rights. We are aware of certain copycat websites that attempt to cause confusion or diversion of traffic from us at the moment, against which we are considering initiating lawsuits, and we may continue to become an attractive target to such attacks in the future because of our brand recognition in the online retail industry in China. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that (i) our application for registration of trademarks, patents, and other intellectual property rights will be approved, (ii) any intellectual property rights will be adequately protected, or (iii) such intellectual property rights will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Further, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms.

It is often difficult to register, maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our management and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We can provide no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

***We have granted and may continue to grant options and other types of awards under our share incentive plan, which may result in increased share-based compensation expenses.***

We adopted a series of equity incentive plans to attract and retain key personnel and employees. In 2020, 2021 and 2022, we recorded share-based compensation expenses of RMB153.1 million, RMB315.4 million and RMB235.9 million (US\$34.2 million), respectively. Competition for highly skilled personnel is often intense and we may incur significant costs or may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. 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 will continue to grant share-based awards in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

***Our business may be subject to seasonal sales fluctuations.***

We experience seasonality in our business, reflecting a combination of seasonal fluctuations in internet usage and traditional retail seasonality patterns. We have experienced seasonal fluctuations in customer purchases in our business. For example, we typically experience higher user traffic and more purchase orders during the summer holidays as families tend to cook more often for children at home during their school break and lower traffic during the Chinese New Year, as some of our users would return to their hometowns where our services currently not cover.



Due to the foregoing factors, our financial condition and results of operations for future quarters may continue to fluctuate and our historical quarterly results may not be comparable to future quarters. As a result, the trading price of our ADSs may fluctuate from time to time due to seasonality.

***We rely on proper operation and maintenance of our mobile platform and internet infrastructure and telecommunications networks in China. Any malfunction, capacity constraint or operation interruption may have an adverse impact on our business.***

Currently, all of our sales of products are generated online through *Dingdong Fresh*, our mobile app and mini-programs. Therefore, the satisfactory performance, reliability and availability of our mobile platform are critical to our success and our ability to attract and retain users. Our business depends on the performance and reliability of the internet infrastructure in China. The reliability and availability of our mobile platform depends on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we are unable to enter into and renew agreements with these providers on acceptable terms, or if any of our existing agreements with such providers are terminated as a result of our breach or otherwise, our ability to provide our services to our users could be adversely affected. Access to internet in China is maintained through state-owned telecommunications carriers under administrative control, and we obtain access to end-user networks operated by such telecommunications carriers and internet service providers to give users access to our mobile platform. The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our mobile platform. Service interruptions prevent users from accessing our mobile platform and placing orders, and frequent interruptions could frustrate users and discourage them from attempting to place orders, which could cause us to lose users and harm our operating results.

***Misconduct, errors and failure to function by our employees could harm our business and reputation.***

Illegal, fraudulent or collusive activities by our employees could also subject us to liability or negative publicity. Although we have implemented internal controls and policies with regard to sales activities and other relevant matters, we cannot assure you that our controls and policies will prevent fraud or illegal activity by our employees or that similar incidents will not occur in the future. Any illegal, fraudulent or collusive activity could severely damage our brand and reputation, which could drive consumers away from us, and materially and adversely affect our business, financial condition and results of operations.

***Failure of us, our employees, affiliates and business partners such as suppliers and third-party couriers to comply with anti-corruption laws and regulations and our anti-corruption policies and procedures could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.***

We are subject to risks in relation to actions taken by us, our employees, affiliates and business partners such as suppliers, labor service companies and logistic service providers that constitute violations of the anti-corruption laws and regulations. While we have adopted anti-corruption policies and strict internal procedures to ensure compliance with relevant laws and regulations, these policies may not be followed at all times, and they may not effectively detect and prevent all violations by us or our employees, affiliates or business partners. If we, our employees, affiliates and business partners violate related laws, rules or regulations or our policies, we could be subject to fines and/or other penalties and our reputation, corporate image and business operations may be materially and adversely affected. Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our interpretation or to adopt additional anti-bribery or anti-corruption related regulations could also require us to make changes to our operations. If we are unable to effectively address these risks, fail to comply with these measures, or become the target of any negative publicity as a result of actions taken by us, our employees, affiliates and business partners, our brand image, reputation and financial performance may be materially and adversely affected.

***We may be subject to legal, regulatory and/or administrative proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, it could have a material adverse effect on our business and results of operations.***

We have been and in the future may be subject to regulatory actions, litigations, penalties, disputes or claims of various types brought by relevant regulatory authorities or our competitors, users, employees, delivery riders, suppliers, landlords or other third parties against us in the ordinary course of our business. Such regulatory actions, disputes, allegations, complaints, or legal claims or proceedings may damage our reputation, evolve into litigations or otherwise have a material adverse impact on our reputation and business. For example, third parties could assert legal claims against us alleging product quality issues, traffic accidents involving our riders, labor disputes, supply contract disputes, and lease disputes, and others, where we could be held liable. We have in the past received claims alleging our infringement of third parties' rights, and as of the date of this annual report we are not subject to any material pending claims arising from our ordinary course of business. Irrespective of the validity of such claims, we could incur significant costs and efforts in either defending against or settling such claims. The outcomes of the actions instituted against us may not be favorable to us. Any of these events could generate negative publicity that significantly harms our reputation, and have a material and adverse effect on our business, results of operations or financial condition.

***User growth and activity on mobile devices depend upon effective use of mobile operating systems, networks and standards that are beyond our control.***

Purchases using mobile devices by consumers generally, and by our users specifically, have increased significantly, and we expect this trend to continue. To optimize the mobile shopping experience, we are somewhat dependent on our users downloading our specific mobile apps for their particular devices as opposed to accessing our sites from an internet browser on their mobile device. As new mobile devices and platforms are released, it is difficult to predict the problems we may encounter in developing applications for these alternative devices and platforms, and we may need to devote significant resources to the development, support and maintenance of such applications. In addition, our future growth and our results of operations could suffer if we experience difficulties in the future in integrating our mobile apps into mobile devices or if problems arise with our relationships with providers of mobile operating systems or mobile app download stores, if our apps receive unfavorable treatment compared to competing apps on the download stores, or if we face increased costs to distribute or have users use our mobile apps. We are further dependent on the interoperability of our sites with popular mobile operating systems that we do not control, such as iOS and Android, and any changes in such systems that degrade the functionality of our sites or give preferential treatment to competitive products could adversely affect the usage of our sites on mobile devices. In the event that it is more difficult for our users to access and use our sites on their mobile devices, or if our users choose not to access or to use our sites on their mobile devices or to use mobile products that do not offer access to our sites, our user growth could be harmed and our business, financial condition and operating results may be adversely affected.

***Uncertainties exist with respect to the interpretation and implementation of Anti-Monopoly Guide of the Antimonopoly Commission of the State Council for the Platform Economy Sector and how these may impact our business operations.***

On February 7, 2021, Anti-Monopoly Guide of the Anti-monopoly Commission of the State Council for the Platform Economy Sector, or the Guide, was officially issued and became effective. The Guide provides operational standards and guidelines to be applied in identifying certain monopolistic acts of internet platforms which are prohibited to restrict unfair competition and safeguard users' interests, including without limitation, prohibiting personalized pricing using big data and analytics, selling products below cost without reasonable causes, actions or arrangements seen as exclusivity arrangements, using technology means to block competitors' interface, using bundle services to sell services or products. In addition, internet platforms' compulsory collection of unnecessary user data may be viewed as abuse of dominant market position that may have the effect to eliminate or restrict competition. As the Guide is relatively new, uncertainties exist with respect to its interpretation and implementation. The enactment of the Guide may significantly change the competitive landscape of overall e-commerce industry, which may have adverse effect on our business operation.

***If we fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, meet our reporting obligations or prevent fraud.***

As a public company in the United States, we are subject to Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, which requires that we include a report of management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ended December 31, 2022 and requires our auditor to attest to, and report on, the assessment made by our management.

In connection with the preparation of this annual report, we carried out an evaluation of the effectiveness of our internal control over financial reporting. Based on this assessment and evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2022. Our independent registered public accounting firm has issued an attestation report as of December 31, 2022. See “Item 15. Controls and Procedures—Attestation Report of the Registered Public Accounting Firm.” Effective internal control over financial reporting is necessary for us to produce reliable financial reports. Any failure to maintain effective internal control over financial reporting could prevent us from identifying fraud and result in the loss of investor confidence in the reliability of our financial statements, which in turn could have a material and adverse effect on the trading price of our ADSs. Furthermore, we may need to incur additional costs and use additional management and other resources as our business and operations further expand or in an effort to remediate any significant control deficiencies that may be identified in the future.

***The defects in certain leased property interests and failure to register certain lease agreements may materially and adversely affect our business, financial condition, results of operations, and prospects.***

We lease premises in China in various locations for our regional processing centers, frontline fulfillment stations, and offices. With respect to our leased premises, some lessors do not possess or have not provided us with property ownership certificates or other documents evidencing their rights to lease such premises to us, have other restrictions on their ownership or the usage of the properties, or have not completed required registrations. If our lessors’ right to lease premises is successfully challenged by any third party or governmental authority, we may be required to relocate the concerned properties. Therefore, we cannot assure you that we will not be subject to any challenges, lawsuits, or other actions taken against us with respect to our leased premises. In addition, as of the date of this annual report, the fits-outs of some of our regional processing center and frontline fulfillment stations currently in use have not yet completed the required filings with the applicable government authorities in accordance with local regulations and policies. While we are in the process of completing such fire-control filing, we cannot control whether our lessors have completed or would cooperate with us to complete the required fire-control filings, or whether we would be able to complete such fire control filing in a timely manner or at all. PRC laws and regulations provide various requirements with respect to fire safety in China, however, detailed measures and requirements vary materially among different regions and are still evolving, and the application of such measures and requirements are subject to the discretion of the local regulators and have significant uncertainties across various cities in China. If our lessors fail to cooperate with us to complete the required filings, or the filings are otherwise not completed, we may be subject to fines or other penalties.

We have not registered a large portion of our lease agreements with the relevant government authorities. Under the relevant PRC laws and regulations, all lease agreements are required to be registered and filed with the relevant government authority. The failure to register the lease agreements for our leased properties will not affect the validity of these lease agreements, but the relevant government 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 after receiving the notice from the relevant PRC government authorities. As of the date of this annual report, we have not been ordered by relevant government authorities to register our lease agreements or been subject to any administrative penalties or other disciplinary actions from the relevant governmental authorities for failure of registering our lease agreements. Although we have proactively requested that applicable lessors to complete or cooperate with us to complete the registration in a timely manner, we are unable to control whether and when such lessors will do so and therefore we cannot assure you that we will complete registration of our lease agreements in a timely manner or at all. In the event that a fine is imposed on both the lessor and lessee, and if we are unable to recover from the lessor any fine paid by us, such fine will be borne by us.

***We have limited business insurance coverage.***

In line with general market practice, we maintain business insurances covering damages to our properties and IT infrastructures, but do not maintain any business interruption insurance or key man life insurance, which are not mandatory under the applicable laws. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all.

If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. In addition, not all of our regional processing centers and frontline fulfillment stations are covered by insurances. Consequently, any material or extended business disruption may result in substantial costs and expenses and the diversion of our resources, financial, managerial, or otherwise, which could have an adverse effect on our business, results of operations, financial condition, and prospects.

***The COVID-19 pandemic has had and may continue to have an adverse impact on our business, operations and financial condition.***

Our operations were adversely affected by the COVID-19 pandemic. In 2022, there had been resurgences of COVID-19 outbreaks across China due to the Delta and Omicron variants. As a result, the Chinese government implemented a series of measures to contain the further spread of COVID-19. The city-wide containment measures implemented by local governments from time to time strained our supply chain, fulfillment efficiency, and production. For example, since mid-March to the end of May 2022, Shanghai government had implemented a series measures to contain the spread of Omicron variant, including among others, encouraging residents to stay at home and temporarily suspending public transport, and partially suspending intra- and inter-city logistics. The suspension of intra- and inter-city logistics disrupted the delivery of our products from our suppliers to regional processing centers and to frontline fulfillment stations. Additionally, some of our regional processing centers and frontline fulfillment stations were requested by local authorities to suspend operations from time to time, which typically lasted one to two weeks. In April and May 2022, approximately 20% to 40% of our frontline fulfillment stations in Shanghai were intermittently closed. In mid-June 2022, substantially all of our frontline fulfillment stations in Shanghai resumed operation, and in early July 2022, all of our regional processing centers and frontline fulfillment stations had fully recovered from the COVID-19 related disruptions. Moreover, our delivery speed across the city became uncertain or was largely delayed, due to exponential surge of orders and factors beyond our control. Furthermore, in April and May 2022, four of our Dingdong production plants were requested by local governments to suspend operations for a duration of days to months, all of which resumed operations in June 2022. All of the above to some extent had adversely affected our abilities to serve our users, which may negatively impact our users' shopping experience with us and harm their satisfaction. Therefore, our abilities to attract new users or retain existing ones may have been adversely affected.

In response to the outbreak of COVID-19, we have also taken a series of measures, including among others, remote working arrangements for some of our employees. These measures temporarily affected the capacity and efficiency of our operations. In addition, we provided our riders and fulfillment workers with masks, hand sanitizers and other protective equipment immediately after the outbreak. Starting from 2022, we arranged COVID-19 mass testing for our employees and delivery riders from time to time as requested by local governments. All of these increased and may continue to increase costs and expenses of our operations. Furthermore, our business operations could be disrupted if any of our employees contracts or is suspected of contracting COVID-19, since our employees could be subject to contact tracing and quarantined, and/or our offices could be shut down for quarantine control. In response to the disruption to our Dingdong production plants, we temporarily increased the portion of private label products manufactured by third parties to ensure sufficient supply to our users. In December 2022, Chinese government eased its dynamic zero-COVID policy and lifted most of COVID-19 related restrictions, which led to a surging wave of infections across the country. As a result, many of our delivery riders and workers in the regional processing centers and frontline fulfillment stations contracted COVID-19, which had led to a temporary shortage of fulfillment capacity. However, with our delivery riders and workers recovered from infections, our front-line fulfillment soon returned to normal.

While the COVID-19 pandemic adversely impacted our business operation, it has accelerated an ongoing trend of consumers shifting away from traditional retail towards online channels, which has benefited e-commerce players,

including us. We have seen increasing user acceptance of online grocery shopping during the pandemic, and it is expected that such trend will last after the pandemic ends. This positively affected both of our total number of orders and average order value. In 2022, in places where local governments implemented measures to contain the spread of the variant, including encouraging people to stay at home, we experienced growth in both order volume and average order value, which had driven our business growth. However, due to the non-recurring nature of the COVID-19 pandemic, the circumstances that have accelerated the growth of e-commerce transactions may not continue in the future once the impact of the COVID-19 pandemic tapers. We cannot assure you that as China and world economies re-open after the end of pandemic, consumers' demand for online products will remain at the level of where it was during the pandemic, or consumers' buying behaviors will continue to shift from offline to online.

The extent to which COVID-19 impacts our results of operations will depend on the future developments of the outbreak, including the frequency, duration of the outbreak, the appearance of new variants with different characteristics, the unpredictability of declining population immunity to result in resurgence of cases, which are highly uncertain and unpredictable. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the Chinese economy in general. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this annual report, such as those relating to our level of indebtedness, our need to generate sufficient cash flows to service our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

***We face risks related to natural disasters, health epidemics and other outbreaks.***

Our operation could be severely disrupted if our suppliers, users or business partners were affected by natural disasters or health epidemics. Our business could be adversely affected by the effects of epidemics, including avian influenza, severe acute respiratory syndrome (SARS), influenza A (H1N1), Ebola or another epidemic. Any such occurrences could cause severe disruption to our daily operations, including our fulfillment infrastructure and our customer service centers, and may even require a temporary closure of our facilities. We are also vulnerable to natural disasters and other calamities. If any such disaster were to occur in the future affecting Beijing, Shanghai, Shenzhen, Nanjing, or any other city where we have major operations in China, our operations could be materially and adversely affected due to loss of personnel and damages to property, including our inventory and our technology systems. Our operation could also be severely disrupted if our suppliers, users or business partners were affected by such natural disasters or health epidemics.

***The current tensions in international trade and rising political tensions, particularly between the United States and China, may adversely impact 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 the U.S. government in August 2020 that prohibit certain transactions with certain selected leading Chinese internet companies as well as their products. Rising political tensions could reduce levels of trades, investments, technological exchanges, and other economic activities between the two major economies. Such tensions between the United States and China, and any escalation thereof, may have a negative impact on the general, economic, political, and social conditions in China and, in turn, adversely impacting our business, financial condition, and results of operations.

***The PCAOB had historically been unable to inspect our auditor in relation to their audit work. Our ADSs may be prohibited from trading in the United States under the HFCA Act in the future if the PCAOB is unable to inspect or fully investigate auditors located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.***

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Our auditor is located in mainland China, a jurisdiction where the PCAOB had been historically unable to conduct inspections and investigations completely before 2022. The inability of the PCAOB to conduct inspections of auditors in mainland China in the past has made it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of mainland China that are subject to the PCAOB inspections.

The HFCA Act, which was signed into law on December 18, 2020, states that if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection for the PCAOB for two consecutive years, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong and our auditor was subject to that determination. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China or Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we and investors in our ADSs would be deprived of the benefits of such PCAOB inspections, which could cause investors and potential investors in our ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements, and moreover, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. On May 9, 2022, we were named by the SEC as a Commission-Identified Issuer, following our filing of annual report on Form 20-F for the fiscal year ended December 31, 2021 with the SEC on May 2, 2022. In accordance with the HFCA Act, our shares and ADSs would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. A prohibition of being able to trade in the United States would substantially impair the investors' ability to sell or purchase our ADSs when the investors wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

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

Shareholder claims or regulatory investigation that are common in jurisdictions outside China 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. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States or other jurisdictions may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the PRC territory, and without the consent by the Chinese securities regulatory authorities and the other competent governmental agencies, no entity or individual may provide documents or materials related

to securities business to any foreign party. While detailed interpretation of or implementation rules under the article have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigations or evidence collection activities within China and the potential obstacles for information provision may further increase difficulties faced by you in protecting your interests. See also “—Risks Relating to Our ADSs—You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law” for risks associated with investing in us as a Cayman Islands company.

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

The global macroeconomic environment is facing challenges. The growth rate of the Chinese economy has gradually slowed in recent years 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. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. Furthermore, the recent eruptions of regional tensions, such as the ongoing military conflict involving Ukraine and Russia, and the related sanctions against Russia have resulted in major economic shocks worldwide and substantial volatility across global financial markets. There have also been concerns on the relationship among China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. 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 PRC economy may materially and adversely affect our business, results of operations, and financial condition. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs.

#### **Risks Relating to Doing Business in China**

***Changes in China’s economic, political or social conditions or government policies could materially and adversely affect our business and results of operations.***

Substantially all of our operations are conducted in China. Accordingly, our results of operations, financial condition, and prospects are influenced by economic, political, and legal developments in China. China’s economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. The PRC government exercises significant control over China’s economic growth through strategically allocating resources, controlling the 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, that growth has been uneven across different regions and between economic sectors and may not continue. The growth of the Chinese economy may not continue at a rate experienced in the past, and the impact of the COVID-19 pandemic and the corresponding vaccination campaign on the Chinese economy may continue. Any prolonged slowdown in the Chinese economy may reduce the demand for our services and materially and adversely affect our business and results of operations. Furthermore, any adverse changes in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on China’s overall economic growth. Such developments could adversely affect our business and results of operations, lead to reduction in demand for our products and services and adversely affect our competitive position.

***The PRC government’s significant oversight over our business operation could result in a material adverse change in our operations and the value of our ADSs.***

We conduct our business primarily through our PRC subsidiaries. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight over the conduct of our business, and it may influence our operations, which could result in a material adverse change in our operation and/or the value of our ADSs.

Also, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. For example, on July 6, 2021, the relevant PRC government authorities promulgated the Opinions on Strictly Scrutinizing Illegal Securities Activities in Accordance with the Law, or the Opinions. The Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On December 28, 2021, the CAC issued the Cybersecurity Measures, which required that, among others, online platform operators holding over one million users' personal information must apply with the Cybersecurity Review Office for a cybersecurity review before any public offering in a foreign country. On November 14, 2021, the CAC published the Draft Cyber Data Regulations for public comments, which stipulates, among others, that a prior cybersecurity review is required for listing in a foreign country of data processors which process over one million users' personal information, and the listing of data processors in Hong Kong which affects or may affect national security.

On February 17, 2023, CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five ancillary guidelines, or the Trial Administrative Measures, which will come into effect on March 31, 2023. The Trial Administrative Measures stipulate that, PRC domestic companies that seek to offer and list securities in overseas markets, either through direct or indirect means, are required to complete the filing procedure with the CSRC. If any issuer completes the overseas listing and intends to conduct securities offering in the same market, such issuer shall file with CSRC within three business days after its completion of securities offering. Furthermore, any issuer shall report relevant information to CSRC within three business days from public the announcement in any of the following circumstances: (i) any change of control, (ii) subject to any investigation or penalty by overseas securities regulatory or relevant governmental authorities, (iii) any change of listing status or listing board, or (iv) voluntarily or being forced to terminate the listing. Any violation of the Trial Administrative Measures may subject the PRC domestic company, its person-in-charge, controlling shareholder(s) and actual controller(s), to warnings and penalties.

Since the Opinion, the Cybersecurity Measures and Trial Administrative Measures were recently issued and remained unclear on how it will be interpreted, amended and implemented by the relevant PRC governmental authorities. If we are required to obtain any approval or completing any filing from CSRC, CAC or other regulatory agencies for our future offshore offerings or listing in another overseas securities market, we may be unable to obtain such approvals or filings in a timely manner, or at all, and such approvals or filings may be rescinded even if obtained. Any such circumstance could significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

***The legal system in China embodies uncertainties which could limit the legal protections available to us or impose additional requirements and obligations on our business, which may materially and adversely affect our business, financial condition, and results of operations.***

The legal system in China is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases may be cited for reference but have less precedential value. The legal system in China evolves rapidly, and the interpretations of laws, regulations, and rules may contain inconsistencies. However, these laws, regulations, and legal requirements are constantly changing and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to internet-related industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.



In addition, new laws and regulations may be enacted from time to time and substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to our businesses. In particular, the PRC government authorities may continue to promulgate new laws, regulations, rules and guidelines governing internet companies with respect to a wide range of issues, such as intellectual property, competition and antitrust, privacy and data protection, and other matters, which may result in additional obligations imposed on us. Compliance with these laws, regulations, rules, guidelines, and implementations may be costly, and any noncompliance or associated inquiries, investigations, and other governmental actions may divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, or materially and adversely affect our business, financial condition, and results of operations.

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

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of the State Internet Information Office (with the involvement of the State Council Information Office, MIIT, and the Ministry of Public Security). The primary role of the State Internet Information Office is to facilitate the policy-making and legislative development in this field, to direct and coordinate with the relevant departments in connection with the relevant administration and to deal with cross-ministry regulatory matters in relation to the internet industry.

We are required to hold a number of licenses and permits for our business operation, including food operating permit and we are in the process of applying for additional licenses to cover other aspects of our business, the approval of which cannot be guaranteed. Furthermore, as we offer and plan to continue to offer content in various formats, including certain video and live streaming content on our *Dingdong Fresh*, our content offerings may be considered as online transmission of audio and video programs, if the PRC regulatory authorities deem that we are not in compliance with the relevant legal requirements to hold a valid audio-visual permit or other registration or filing to cover the video and live streaming content, we may be subject to fines, penalties, and/or orders to cease offering video and live streaming content, shut down website or revoke licenses, which may materially and adversely affect our business, financial condition, and results of operations.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we have obtained all the approvals, permits or licenses or filings required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the proper approvals, licenses or permits or filings or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy 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 and results of operations.

***We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.***

Under the People’s Republic of China Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008 and was most recently amended on December 29, 2018, an enterprise established outside China whose “de facto management body” is located in China is considered a “PRC resident enterprise” and will generally be

subject to the uniform 25% enterprise income tax rate, or the EIT rate, on its global income. Under the implementation rules of the EIT Law, “de facto management body” is defined as the organization body that effectively exercises full management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, State Administration of Taxation, or SAT, released the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, that sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Further to SAT Circular 82, on July 27, 2011, SAT issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, to provide more guidance on the implementation of SAT Circular 82, which became effective on September 1, 2011 and latest revised on June 15, 2018. SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities’ procedures.

Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals, and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. SAT Bulletin 45 specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the PRC controlled offshore incorporated enterprise.

Although Circular 82 and SAT Bulletin 45 explicitly provide that the above standards only apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign individuals, Circular 82 and SAT Bulletin 45 may reflect SAT’s criteria for how the “de facto management body” test should be applied in determining the tax residence of foreign enterprises in general, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by PRC or foreign individuals. If the PRC tax authorities determine that we were treated as a PRC resident enterprise for PRC enterprise income tax purposes, the 25% PRC enterprise income tax on our global taxable income could materially and adversely affect our ability to satisfy any cash requirements we may have.

***PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.***

A number of PRC laws and regulations, including the M&A Rules, the Anti-monopoly Law promulgated by the Standing Committee of the National People’s Congress in August 2007, the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by the Ministry of Commerce in August 2011, and the Measures for the Security Review of Foreign Investment promulgated by the NDRC and the Ministry of Commerce in December 2020 have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex. These include requirements in some instances that the approval from the Ministry of Commerce be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions involving an industry that implicates national security to be subject to merger control review or security review.

We may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the Ministry of Commerce or other government agencies may publish explanations in the future determining that our business is in

an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

***The heightened scrutiny over acquisition transactions by PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.***

On February 3, 2015, SAT issued the Public Notice Regarding Certain Enterprise Income Tax Matters on Indirect Transfer of Assets by Non-PRC Resident Enterprises, or SAT Bulletin 7, which provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of PRC taxable assets. Under SAT Bulletin 7, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC taxable assets, when a non-resident enterprise transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC taxable assets and without any other reasonable commercial purpose. However, SAT Bulletin 7 contains certain exemptions, including (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling shares of an overseas listed company which holds such PRC taxable assets on a public market; and (ii) where there is an indirect transfer of PRC taxable assets, but if the non-resident enterprise had directly held and disposed of such PRC taxable assets, the income from the transfer would have been exempted from PRC enterprise income tax under an applicable tax treaty or arrangement.

On October 17, 2017, SAT issued the Announcement on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises, or SAT Circular 37, which became effective on December 1, 2017 and abolish certain provisions in SAT Bulletin 7. SAT Circular 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax. Pursuant to SAT Circular 37, where the party responsible to deduct such income tax did not or was unable to make such deduction, or the non-resident enterprise receiving such income failed to declare and pay the taxes that should have been deducted to the relevant tax authority, both parties may be subject to penalties. The taxable gain is calculated as balance of the total income from such transfer net of the net book value of equity interest.

We may conduct acquisitions involving changes in corporate structures. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our ADSs or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

***Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs.***

A number of our PRC operating entities enjoy various types of preferential tax treatment pursuant to the prevailing PRC tax laws. Our PRC subsidiaries may, if they meet the relevant requirements, qualify for certain preferential tax treatment.

Enterprises that qualify as small-scale enterprises with minimal profits ("SSE") are eligible for a preferential enterprise income tax rate of 20%. A number of our PRC operating subsidiaries are qualified as SSE and thus entitled to enjoy a preferential tax rate of 20% in 2020, 2021 and 2022. If such subsidiaries fail to maintain its qualification as SSE under the relevant PRC laws and regulations, the applicable enterprise income tax rates may increase to 25%, which could have an adverse effect on our financial condition.

***PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of our offshore financing 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 may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of shareholders' loans or capital contributions. Any loans to our PRC subsidiaries, which are foreign-invested enterprises, cannot exceed a statutory limit, and shall be filed with the State Administration of Foreign Exchange, or SAFE, or its local counterparts, or local banks. Furthermore, any capital contributions we make to our PRC subsidiaries shall be registered with the State Administration for Market Regulation or its local counterparts, and reported to the Ministry of Commerce or its local counterparts.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19. SAFE Circular 19, however, allows foreign invested enterprises in China to use their registered capital settled in RMB converted from foreign currencies to make equity investments, but the registered capital of a foreign invested company settled in RMB converted from foreign currencies remains not allowed to be used, among other things, for investment in the security markets, or offering entrustment loans, unless otherwise regulated by other laws and regulations. On June 9, 2016, SAFE further issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which, among other things, amended certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign invested company is regulated such that Renminbi capital may not be used for purposes beyond its business scope or to provide loans to non-affiliates unless otherwise permitted under its business scope. On October 23, 2019, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment, or SAFE Circular 28, which removes the restrictions on domestic equity investments by non-investment foreign-invested enterprises with their capital funds, provided that certain conditions are met. If our subsidiaries require financial support from us or our other PRC subsidiaries in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our subsidiaries' operations will be subject to statutory limits and restrictions, including those described above. The applicable foreign exchange circulars and rules may limit our ability to transfer the net proceeds from our initial public offering to our PRC subsidiaries and convert the net proceeds into RMB, which may adversely affect our business, financial condition, and results of operations.

***We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our resident shareholders or beneficial owners in China fail to comply with relevant PRC foreign exchange regulations.***

SAFE issued the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Overseas Investment, Financing and Round-Trip Investment through Special Purpose Vehicles, or SAFE Circular 37, effective on July 4, 2014. The SAFE Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or its local branches in connection with their direct establishment or indirect control of an offshore special purpose vehicle, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. In addition, such PRC residents shall update their foreign exchange registrations with SAFE or its local branches when the offshore special purpose vehicle in which such residents directly hold the equity interests undergoes any change of basic information (including change of such PRC individual shareholder, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a PRC resident as determined by SAFE Circular 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, effective on June 1, 2015 and was amended on December 30, 2019. In accordance with SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under Circular 37, with qualified banks, instead of SAFE or its local branches. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and therefore, we may not be able to identify all our shareholders or beneficial owners who are PRC residents to ensure their compliance with SAFE Circular 37 or other related rules. In addition, we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by the SAFE Circular 37 or other related rules in a timely manner. Even if our shareholders and beneficial owners who are PRC residents comply with such request, we cannot provide any assurance that they will successfully obtain or update any registration required by the SAFE Circular 37 or other related rules in a timely manner due to many factors, including those beyond our and their control. If any of our shareholders who is a PRC resident as determined by SAFE Circular 37 fails to fulfill the required foreign exchange registration, they could be subject to fines or legal sanctions, our PRC subsidiaries may be prohibited from distributing their profits and dividends to us or from carrying out other subsequent cross-border foreign exchange activities, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries, which may adversely affect our business.

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

We are a holding company that has no material operation of our own, and we principally rely on dividends and other distributions on equity that may be paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our ordinary shares 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, wholly foreign-owned enterprises in China, may pay dividends only out of their accumulated after-tax 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, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. At the discretion of the wholly foreign-owned enterprise, it may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds, and staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

***Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.***

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries in Renminbi. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our ADSs, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

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 SAFE approval by complying with certain procedural requirements. However, approval from or registration or filings with competent government authorities is required where Renminbi 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. Pursuant to SAFE Circular 19, a foreign-invested enterprise may convert up to 100% of the foreign currency in its capital account into Renminbi on a discretionary basis according to the actual needs. The SAFE Circular 16 provides for an integrated standard for conversion of foreign exchange under capital account items on a discretionary basis, which applies to all enterprises registered in China. In addition, SAFE Circular 16 has narrowed the scope of purposes for which an enterprise must not use the Renminbi funds so converted, which include, among others, (i) payment for expenditure beyond its business scope or otherwise as prohibited by the applicable laws and regulations, (ii) investment in securities or other financial products other than banks' principal-secured products, (iii) provision of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope of the enterprise, and (iv) construction or purchase of non-self-used real properties, except for real estate developers. The PRC government may at its discretion further restrict access to foreign currencies for current account transactions or capital account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency needs, we may not be able to pay dividends in foreign currencies to our shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

***Fluctuations in exchange rates could result in foreign currency exchange losses.***

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the 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 Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

Substantially all of our income and expenses are denominated in Renminbi and our reporting currency is Renminbi. Significant revaluation of the Renminbi may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would reduce the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of paying dividends or for other business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amount available to us.

Few hedging options are available in China to reduce our exposure to exchange rate fluctuations. We have only engaged in limited hedging activities in 2022, in connection with our obligations under our syndicated loan. While we may decide to enter into additional hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure adequately or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

***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 Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company. Pursuant to these notices, 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 or its local branches 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 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 since our Company becomes an overseas-listed company. Failure to complete SAFE registrations may subject them or us to fines, 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.

In addition, the 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.

***Failure to make adequate contributions to various employee benefit plans as required by PRC regulations or otherwise comply with labor-related laws and regulations may subject us to penalties and other risks.***

Companies operating in China are required to participate in various employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where the businesses are operated. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. We had not made full contribution to the social insurance and housing funds for a small number of our employees as required by applicable PRC laws and regulations in the past, and we have recorded accruals for estimated underpaid amounts in our financial statements. In addition, we are required by PRC laws and regulations to comply with labor laws and regulations, including obtaining approvals for flexible working hour and comprehensive working hour systems. If the relevant PRC authorities determine that we shall make supplemental contributions, that we are not in compliance with labor laws and regulations, or that we fail to obtain any approval, license, registration or filing as required under relevant labor laws and regulations or become subject to fines or other legal sanctions, such as order of timely rectification, our business, financial condition and results of operations may be adversely affected.

Furthermore, pursuant to the Individual Income Tax Law of the PRC, as amended on August 31, 2018, which became effective on January 1, 2019, an individual's taxable income shall be an amount equal to such individual's total annual income less a general deductible of RMB60,000 and various special deductibles permitted under relevant laws. Determination and calculation of such special deductibles in accordance with relevant laws may result in an increase of our operating costs and expenses. However, as there exist uncertainties with respect to the interpretation and implementation of the Individual Income Tax Law, our determination and calculation of the special deductibles based on our understanding may be different from how the tax authorities or our employees would do. These differences may result in inquiries or reassessment by the tax authorities and potential disputes between the tax authorities and our employees.

## Risks Relating to Our ADSs

*The trading price of the ADSs is likely to be volatile, which could result in substantial losses to investors.*

The trading price of the ADSs is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. In addition to market and industry factors, the price and trading volume for the ADSs may be highly volatile for factors specific to our own operations, including the following:

- actual or anticipated variations in our revenues, earnings, cash flow, and changes or revisions of our expected results;
- fluctuations in operating metrics;
- announcements of new investments, acquisitions, strategic partnerships, or joint ventures by us or our competitors;
- announcements of new products and services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- announcements of studies and reports relating to the quality of our product and service offerings or those of our competitors;
- changes in the economic performance or market valuations of other fresh grocery e-commerce companies;
- conditions in the fresh grocery e-commerce market;
- detrimental negative publicity about us, our competitors, or our industry;
- additions or departures of key personnel;
- release of lockup or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- regulatory developments affecting us or our industry;
- general economic or political conditions in China or elsewhere in the world;
- fluctuations of exchange rates between the RMB and the U.S. dollar; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which the ADSs will trade. Furthermore, the stock market in general experiences price and volume fluctuations that are often unrelated or disproportionate to the operating performance of companies like us. These broad market and industry fluctuations may adversely affect the market price of our ADSs. Volatility or a lack of positive performance in our ADS price may also adversely affect our ability to retain key employees, most of whom have been granted equity incentives.

In the past, shareholders of public companies have often brought securities class action suits against companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Please see "— We and certain of our directors and officers have been named as defendants in a shareholder class action lawsuit in the U.S., which could have a material adverse impact on our business, results of operation, and reputation." Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.



***We and certain of our directors and officers have been named as defendants in a shareholder class action lawsuit in the U.S., which could have a material adverse impact on our business, results of operation, and reputation.***

A shareholder class action lawsuit has been filed against us and certain of our directors and officers in the U.S. We are currently unable to estimate the potential loss, if any, associated with the resolution of such lawsuit, if it proceeds. We anticipate that we will continue to be a target for lawsuits in the future, including class action lawsuits brought by shareholders. There can be no assurance that we will be able to prevail in our defense or reverse any unfavorable judgment on appeal, and we may decide to settle lawsuits on unfavorable terms. Any adverse outcome of these cases, including any plaintiffs' appeal of the judgment in these cases, could result in payments of substantial monetary damages or fines, or changes to our business practices, and thus have a material adverse effect on our business, results of operation, and reputation. In addition, there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. The litigation process may utilize a significant portion of our cash resources and divert management's attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results.

***If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding the ADSs, the market price for the ADSs and trading volume could decline.***

The trading market for the ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade the ADSs, the market price for the ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for the ADSs to decline.

***Techniques employed by short sellers may drive down the market price of the ADSs.***

Short selling is the practice of selling securities that a seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. Short sellers hope to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as short sellers expect to pay less in that purchase than they received in the sale. As it is in short sellers' interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions and allegations regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Public companies listed in the United States that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of, among other things, lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies have conducted or are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or SEC enforcement actions.

We may be the subject of short selling, and it is not clear what long-term effect the related negative publicity could have on us. We may also be subject to short seller attacks from time to time in the future. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we may have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short sellers by principles of freedom of speech, applicable state law or issues of commercial confidentiality. Such a situation could be costly and time-consuming, and could divert management's attention from the day-to-day operations of our company. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact the market price of our ADSs and our business operations.

***Our dual-class voting structure will concentrate a majority of voting power in our founder and Chief Executive Officer, and will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.***

Our authorized and issued ordinary shares are divided into Class A ordinary shares and Class B ordinary shares (with certain shares remaining undesignated, with power for our directors to designate and issue such classes of shares as they think fit). Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to 20 votes per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the Class A ordinary shares.

Any future issuances of Class B ordinary shares may be dilutive to the voting power of holders of Class A ordinary shares. Any conversions of Class B ordinary shares into Class A ordinary shares may dilute the percentage ownership of the existing holders of Class A ordinary shares within their class of ordinary shares. Such conversions may increase the aggregate voting power of the existing holders of Class A ordinary shares. In the event that we have multiple holders of Class B ordinary shares in the future and certain of them convert their Class B ordinary shares into Class A ordinary shares, the remaining holders who retain their Class B ordinary shares may experience increases in their relative voting power.

As of December 31, 2022, Mr. Changlin Liang, our chief executive officer and chairman of the board, beneficially owned 54,543,800 Class B ordinary shares. Mr. Changlin Liang beneficially owned approximately 26.1% of our total issued and outstanding share capital and 81.2% of the aggregate voting power of our total issued and outstanding share capital due to the disparate voting powers associated with our dual-class share structure. As a result of the dual-class share structure and the concentration of ownership, holders of Class B ordinary shares have considerable influence over matters such as decisions regarding mergers and consolidations, election of directors, and other significant corporate actions. Such holders may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay, or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover, or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

***Our dual-class voting structure may render the ADSs representing our Class A ordinary shares ineligible for inclusion in certain stock market indices, and thus adversely affect the trading price and liquidity of the ADSs.***

We cannot predict whether our dual-class share structure with different voting rights will result in a lower or more volatile market price of the ADSs, adverse publicity, or other adverse consequences. Certain index providers have announced restrictions on including companies with multi-class share structures in certain of their indices. For example, S&P Dow Jones and FTSE Russell have changed their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. As a result, our dual-class voting structure may prevent the inclusion of the ADSs representing our Class A ordinary shares in such indices, which could adversely affect the trading price and liquidity of the ADSs representing our Class A ordinary shares. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structure and our dual-class structure may cause shareholder advisory firms to publish negative commentary about our corporate governance, in which case the market price and liquidity of the ADSs could be adversely affected.

***We currently do not expect to pay dividends in the foreseeable future. Therefore, you must rely on price appreciation of our ADSs for return on your investment.***

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands exempted company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

***Our memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and the ADSs.***

Our memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges and relative participating, optional or special rights and the qualifications, limitations, or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption, and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, including ordinary shares represented by ADSs. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of the ADSs may fall and the voting and other rights of the holders of our ordinary shares and the ADSs may be materially and adversely affected.

***The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct the voting of the underlying ordinary shares represented by your ADSs.***

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights attached to the ordinary shares underlying your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Where any matter is to be put to a vote at a general meeting, then upon receipt of your voting instructions, the depositary will try, as far as is practicable, to vote the underlying ordinary shares represented by your ADSs in accordance with your instructions. You will not be able to directly exercise your right to vote with respect to the underlying ordinary shares unless you cancel and withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting.

When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the ordinary shares represented by your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the underlying ordinary shares represented by your ADSs and from becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, upon our instruction the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the underlying ordinary shares represented by your ADSs.

In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct how the underlying ordinary shares represented by your ADSs are voted and you may have no legal remedy if the underlying ordinary shares represented by your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

Further, under the deposit agreement for the ADSs, if you do not vote, the depositary will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs at shareholders' meetings unless:

- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that you cannot prevent our Class A ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may adversely affect your interests and make it more difficult for shareholders to influence the management of our company. Holders of our Class A ordinary shares are not subject to this discretionary proxy.

***You may not receive cash dividends if the depositary decides it is impractical to make them available to you.***

The depositary will pay cash distributions on the ADSs only to the extent that we decide to distribute dividends on our ordinary shares or other deposited securities, and we do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. To the extent that there is a distribution, the depositary has agreed to pay you the cash dividends or other distributions it or the custodian receives on our shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to you.

***You may be subject to limitations on transfer of your ADSs.***

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of the ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

***You may experience dilution of your holdings due to inability to participate in rights offerings.***

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

***You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.***

We are an exempted company with limited liability incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, as amended from time to time, the Companies Act (As Revised) of the Cayman Islands (the “Companies Act”), and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have the standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (other than the memorandum and articles of association and any special resolutions passed by such companies, the registers of mortgages and charges of such companies, and the list of current directors of such companies) or to obtain copies of lists of shareholders of these companies. Under Cayman Islands law, the names of our current directors can be obtained from a search conducted at the Registrar of Companies. Our directors have discretion under our memorandum and articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of our board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Act (As Revised) of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see “Item 10. Additional Information—B. Memorandum and Articles of Association—Differences in Corporate Law.”

***Certain judgments obtained against us by our shareholders may not be enforceable.***

We are a Cayman Islands company and substantially all of our assets are located outside of the United States. All of our current operations are conducted in China. In addition, most of our current directors and officers are nationals and residents of countries other than the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

***Forum selection provisions in our memorandum and articles of association and our deposit agreement with the depositary bank could limit the ability of holders of our Class A ordinary shares, ADSs, or other securities to obtain a favorable judicial forum for disputes with us, our directors and officers, the depositary bank, and potentially others.***

Our memorandum and articles of association provide that the federal district courts of the United States are the exclusive forum within the United States (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, regardless of whether such legal suit, action, or proceeding also involves parties other than us. Our deposit agreement with the depositary bank also provides that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) will have jurisdiction to hear and determine any suit, action, or proceeding and to settle any dispute between the depositary bank and us that does not involve any other person or party that may arise out of or relate in any way to the deposit agreement, including claims under the Securities Act or the Exchange Act. Holders and beneficial owners of our ADSs, by holding an ADS or an interest therein, understand and irrevocably agree that any legal suit, action, or proceeding against or involving us or the depositary bank arising out of or related in any way to the deposit agreement, ADSs, or the transactions contemplated thereby or by virtue of ownership thereof, including without limitation claims under the Securities Act or the Exchange Act, may only be instituted in the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks jurisdiction or such designation of the exclusive forum is, or becomes, invalid, illegal, or unenforceable, in the state courts of New York County, New York). However, the enforceability of similar federal court choice of forum provisions has been challenged in legal proceedings in the United States, and it is possible that a court could find this type of provision to be inapplicable, unenforceable, or inconsistent with other documents that are relevant to the filing of such lawsuits. If a court were to find the federal choice of forum provision contained in our memorandum and articles of association or our deposit agreement with the depositary bank to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. If upheld, the forum selection clause in our memorandum and articles of association, as well as the forum selection provisions in the deposit agreement, may limit a security-holder's ability to bring a claim against us, our directors and officers, the depositary bank, and potentially others in his or her preferred judicial forum, and this limitation may discourage such lawsuits. In addition, the Securities Act provides that both federal and state courts have jurisdiction over suits brought to enforce any duty or liability under the Securities Act or the rules and regulations thereunder. Accepting or consent to this forum selection provision does not constitute a waiver by you of compliance with federal securities laws and the rules and regulations thereunder. You may not waive compliance with federal securities laws and the rules and regulations thereunder. The exclusive forum provision in our memorandum and articles of association will not operate so as to deprive the courts of the Cayman Islands from having jurisdiction over matters relating to our internal affairs.

***ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.***

The deposit agreement governing the ADSs representing our ordinary shares provides that, to the fullest extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, by a federal or state court in the City of New York, which has nonexclusive jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waive the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before entering into the deposit agreement.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the depositary, lead to increased costs to bring a claim, limited access to information and other imbalances of resources between such holder and us, or limit such holder's ability to bring a claim in a judicial forum that such holder finds favorable. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs shall relieve us or the depositary from our respective obligations to comply with the Securities Act and the Exchange Act nor serve as a waiver by any holder or beneficial owner of ADSs of compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

***An ADS holder's right to pursue claims against the depositary is limited by the terms of the deposit agreement.***

Under the deposit agreement, the United States District Court of the Southern District of New York (or, if the United States District Court of the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts of New York County, New York) will have jurisdiction to hear and determine any suit, action, or proceeding and to settle any dispute between the depositary bank and us that does not involve any other person or party that may arise out of or relate in any way to the deposit agreement, including claims under the Securities Act or the Exchange Act. Holders and beneficial owners of our ADSs, by holding an ADS or an interest therein, understand and irrevocably agree that any legal suit, action, or proceeding against or involving us or the depositary, arising out of or related in any way to the deposit agreement, ADSs, or the transactions contemplated thereby or by virtue of ownership thereof, including without limitation claims under the Securities Act or the Exchange Act, may only be instituted in the United States District Court for the Southern District of New York (or, if the Southern District of New York lacks jurisdiction or such designation of the exclusive forum is, or becomes, invalid, illegal, or unenforceable, in the state courts of New York County, New York), and a holder of our ADSs will have irrevocably waived any objection which such holder may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such suit, action, or proceeding. However, the enforceability of similar federal court choice of forum provisions in other companies' organizational documents has been challenged in legal proceedings in the United States, and it is possible that a court could find this type of provision to be inapplicable or unenforceable. Accepting or consenting to this forum selection provision does not represent you are waiving compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder. Furthermore, investors cannot waive compliance with the U.S. federal securities laws and rules and regulations promulgated thereunder.

The depositary may, in its sole discretion, require that any dispute or difference arising from the relationship created by the deposit agreement, our shares, the ADSs, or the transactions contemplated thereby be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement, while to the extent there are specific federal securities law violation aspects to any claims against us and/or the depositary brought by any holder or beneficial owner of ADSs, the federal securities law violation aspects of such claims may, at the option of

such holders or beneficial owners, remain in the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute or such designation of the exclusive forum is, or becomes, invalid, illegal, or unenforceable, in the state courts of New York County in New York). We believe that a contractual arbitration provision, especially when excluding matters relating to federal securities law violation, is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement.

***We are a “controlled company” within the meaning of the NYSE Listed Company Manual and, as a result, can rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.***

We are a “controlled company” within the meaning of the NYSE Listed Company Manual, because our founder and Chief Executive Officer, Mr. Changlin Liang, beneficially owns more than 50% of our total voting power. For so long as we remain a controlled company under that definition, we are permitted to elect to rely on, and may rely on, certain exemptions from corporate governance rules, including an exemption from the rule that a majority of our board of directors must be independent directors. As a result, you may not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

***As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the New York Stock Exchange listing standards.***

As a Cayman Islands company listed on the New York Stock Exchange, we are subject to the New York Stock Exchange listing standards, which requires listed companies to have, among other things, a majority of their board members to be independent and independent director oversight of executive compensation and nomination of directors. However, the New York Stock Exchange rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the New York Stock Exchange listing standards. Currently, we elect to rely on home country practices to be exempted from the corporate governance requirements to (i) have a majority of independent directors, (ii) have a minimum of three members at our audit committee, (iii) have a nominating committee composed entirely of independent directors, and (iv) have a compensation committee composed entirely of independent directors. Our shareholders may be afforded less protection than they would otherwise enjoy if we complied fully with the New York Stock Exchange listing standards.

***We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.***

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the New York Stock Exchange. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers, and such information will not be required to be reviewed by an independent registered public accounting firm. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.



***If we are a passive foreign investment company for U.S. federal income tax purposes for any taxable year, United States Holders of our ADSs or Class A ordinary shares could be subject to adverse U.S. federal income tax consequences.***

We will be classified as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes for any taxable year if, applying the applicable look-through rules, either (a) 75% or more of our gross income for such year consists of certain “passive income” (as defined in the relevant provisions of the Internal Revenue Code of 1986, as amended), or (b) 50% or more of the value of our assets (generally determined based on an average of the quarterly value of the assets) during such year is attributable to assets that produce or are held for the production of passive income. Based on our market capitalization and the nature and composition of our income and assets, we do not believe we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2022, although there can be no assurances in this regard. A separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year and involves extensive factual investigation, including ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income that we earn. Moreover, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you that the Internal Revenue Service (“IRS”) will agree with any position that we take. Accordingly, there can be no assurance that we will not be treated as a PFIC for any taxable year or that the IRS will not take a position contrary to any position that we take.

Changes in the nature or composition of our income or assets may cause us to be or become a PFIC for the current or subsequent taxable years. The determination of whether we will be a PFIC for any taxable year may also depend in part upon the value of our goodwill and other unbooked intangibles not reflected on our balance sheet (which may be determined by reference to the market price of our ADSs or Class A ordinary shares from time to time, which may be volatile) and also may be affected by how, and how quickly we spend our liquid assets, including the cash generated from our operations and raised in our initial public offering. In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our market capitalization. Among other matters, if our market capitalization declines, we may be more likely to be a PFIC for the current or future taxable years because our liquid assets and cash (which are for this purpose considered assets that produce passive income) may then represent a greater percentage of our overall assets. Further, while we believe our classification methodology and valuation approach are reasonable, it is possible that the IRS may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our being or becoming a PFIC for one or more taxable years.

Certain adverse U.S. federal income tax consequences could apply to a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations”) if we are a PFIC for any taxable year during which such U.S. Holder holds our ADSs or Class A ordinary shares. U.S. Holders should consult their tax advisors about the potential application of the PFIC rules to their investment in our ADSs or Class A ordinary shares. For further discussion, see “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company.”

***We may continue to incur increased costs as a result of being a public company.***

We are now a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the New York Stock Exchange, impose various requirements on the corporate governance practices of public companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly.

As a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

## **Item 4. Information on the Company**

### **A. History and Development of the Company.**

Our founder, Mr. Changlin Liang, started our business in May 2017 through Shanghai 100me Internet Technology Co., Ltd., or Shanghai 100me. Over the years, we undertook several rounds of equity financings and expanded our business primarily through Shanghai 100me and its subsidiaries.

In October 2018, we incorporated Dingdong (Cayman) Limited under the laws of the Cayman Islands as our offshore holding company, and Dingdong Fresh Holding Limited, or Dingdong Fresh BVI, as a wholly-owned subsidiary of Dingdong (Cayman) Limited. In January 2019, we established Dingdong Fresh (Hong Kong) Limited, or Dingdong HK, a wholly-owned subsidiary of Dingdong Fresh BVI, under the laws of Hong Kong as our intermediary holding company. Later in August 2019, we purchased 100% ownership of Shanghai 100me through Dingdong HK, making Shanghai 100me our wholly-owned subsidiary.

In June 2021, we listed our ADSs on the New York Stock Exchange under the symbol “DDL”. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information that we file electronically with the SEC. The address of the SEC’s Internet site is <http://www.sec.gov>. The address of our Internet site is <https://ir.100.me/>.

We maintain our principal executive offices at Building 1, 56 Fanchang Road, Shanghai, People’s Republic of China, 201201. Our telephone number at that address is +86 21-6858-5011.

### **B. Business Overview**

#### **Overview**

We are a leading fresh grocery e-commerce company in China with sustainable growth. We directly provide users and households with fresh groceries, prepared food and other food products through delivering a convenient and excellent shopping experience supported by an extensive self-operated frontline fulfillment grid. We aim to be the Chinese families’ first choice for food shopping. With fresh groceries as our core product categories, we have successfully expanded to prepared food and other food products and grown into a leading online food shopping destination for Chinese consumers. In particular, leveraging our insights in consumers’ evolving needs and strong food innovation capabilities, we successfully launched a series of private label products spanning across a variety of food categories. As of the date of this annual report, our private label products are primarily produced in our self-operated production plants, and by selected third-party manufacturers who are required to strictly follow our food recipes and production protocols. Our Dingdong production plants are installed with advanced facilities and highly automated production lines. Our production adheres to scientific production procedures and safety standards, which allows us to exert rigorous end-to-end quality control and offer safe and quality food products to our users. Furthermore, in addition to providing our users with high-quality products and superior user experience, we also endeavored to modernize China’s traditional agricultural supply chain through standardization and digitalization, empowering upstream farms, cooperatives and other suppliers to make their production more efficient and tailored to actual demand.

We understand that being close to users is a key to our success as a fresh grocery e-commerce company. We were one of the pioneers in using a frontline fulfillment grid model to efficiently achieve last-mile delivery of fresh groceries. In addition, we have digitalized all of our core operations, building a suite of supply chain solutions to assure end-to-end quality control, which allows us to continually optimize operating efficiency while providing users with the best products for value. We have streamlined our supply chain by cutting out intermediaries and exerting strict end-to-end quality control through our 7+1 Quality Control Procedure, across the entire procurement and fulfillment process. The core capabilities that we have accumulated since our inception in 2017 laid the foundation for our long-term sustainable growth.

As a result, we have achieved significant scale in our business, and accumulated a massive and highly active user base. Our GMV increased from RMB13,032.2 million in 2020 to RMB22,704.1 million in 2021, and further to RMB26,247.9 million in 2022. Starting from the third quarter of 2021, we strategically shifted our focus to “efficiency first with due consideration of scale”, aiming to achieve profitability to maximize our investors’ interests in us. Ever since our strategic shift, we have been focusing on further strengthening our product competitiveness while optimizing our fulfillment network, so as to increase user stickiness and secure their loyalty with us. In 2022, we strategically withdrew from some cities with immaterial GMV contribution historically but required substantial investment and time to build up a strong market presence and achieve economy of scale. This resulted in slight declines in transacting user number and order volume in the short-term. However, we believe that this will enhance our operating efficiency and cost-effectiveness in the longer term. As a result of such strategic shift, our ramp up in unit economics for new markets has continuously accelerated. Our revenues grew from RMB11,335.8 million in 2020 to RMB20,121.1 million in 2021 and further to RMB24,221.2 million (US\$3,511.7 million) in 2022, representing a CAGR of 46.2%. Meanwhile, our average order value increased from RMB65.7 in 2020 to RMB74.5 in 2022. In addition, we gradually narrowed our net loss, and recorded net loss of RMB3,176.9 million, RMB6,429.1 million, and RMB806.9 million (US\$117.0 million) in 2020, 2021 and 2022, respectively.

### **Competitive Product Offering**

Product competitiveness is a fundamental driver of our business. Our ability to continually develop new food products, improve in-house production, and penetrate deeper into upstream procurement help us stay ahead of the competition.

#### ***Product Variety***

We offer a wide range of products, including fresh groceries, prepared food, and other food products. The number of SKUs available on *Dingdong Fresh* reached over 24,000 in 2022. We entered the industry with fresh groceries, including vegetables, meat and eggs, fruits, and seafood, as our initial focal point, a segment known for high-frequency orders and relatively difficult procurement and fulfillment operations. Users, initially attracted to *Dingdong Fresh* because of the fresh groceries we offer, usually expand to other categories such as prepared food.

Prepared food refers to food that is washed, sliced, peeled, mixed or processed, and later packaged and preserved in different ways which are ready for consumption or can be consumed by customers by simple cooking. Dependent upon the degree of processing and ease of consumption, prepared food can be further categorized into ready-to-eat food, ready-to-heat food, ready-to-cook food, and ready-to-mix food. The fast-paced lifestyles of younger generation and growing preference for healthier and higher quality products have significantly boosted the popularity of prepared food which saves time, requires fewer efforts for cooking and is easy to handle and store. To tap into the new consumer trends among young families, over 4,000 SKUs of prepared food were available on *Dingdong Fresh* in 2022. Leveraging our superior supply chain management capabilities, advanced cold-chain logistics capabilities, and stringent quality control measures, we were able to incubate and source a variety of more innovative, fresher and healthier prepared food.

We also offer baked goods, dairy, seasonings, beverage, instant food, oil, and snacks, aiming to provide our users with a wide range of options to choose from.

#### ***Food Innovation***

We believe that product development is the lifeblood of a company. We place significant emphasis on food innovation. In order to meet the increasing customer needs for diverse quality products for various dining scenarios, and leveraging our strong product development capabilities, we have successfully launched a series of private label products, particularly focusing on prepared food, rice and noodles, fresh groceries, and baked goods. Up to the date of this annual report, we had successfully launched a total of more than 20 private labels covering around 2,200 SKUs. Some of our signature private labels include Dingdong Damanguan Hotpot, Boxing Crayfish, Cai Chang Qing, Bao’s Bakery, Good Craftsman Noodles, and You Dou Zhi. Since our launch of private label products in July 2020, we have seen an upward trend in the percentage that our private label products take among all the products that we sell. Private label products contributed over 16% of our total GMV in 2022.

Furthermore, since the start of the COVID-19 pandemic, we have witnessed significant changes in eating behaviors as individuals have reassessed their attitudes towards health and diet. As such, the demand for nutritional and functional foods – foods with improved nutritional qualities that deliver health benefits – is growing. To cater to such increasing demand, we aim to develop and launch new private label products that are not only delicious, but are with zero-additive, low-carb, low-sodium or low-GI.

## ***Production***

To better control product quality and achieve optimal production level, as of the date of this annual report, our private label products are primarily produced in our self-operated production plants, and by selected third-party manufacturers who are required to strictly follow our food recipes and production protocols.

### *Dingdong Production Plants*

We believe that running our production lines ensures a strong control over quality and costs, which enables us to offer users higher quality and safer products with competitive pricing. These unique in-house production capabilities allow us to rapidly develop and commercialize new and innovative food products that increase the value we provide to our customers.

We started our in-house production in July 2020, and as of December 31, 2022, we operated a total of 13 production plants in China, primarily for fresh meat processing, and production of prepared food, noodles, pastas and dumplings, and bean-based products. All of our production plants are installed with advanced production facilities. In particular, our Songjiang pasta and dumpling production plant, located in Shanghai, is accredited with IFS certification, making it one of the few factories in China receiving this certification. In addition, we implemented advanced and scientific production procedures in our Dingdong production plants to ensure that all products meet high quality and safety standards, which makes us a trust-worthy brand to consumers.

We normally cooperate with selected vendors to set up our Dingdong production plants for private label products, under which vendors rent plants and/or equipment to us, while we are responsible for the procurement of raw materials, and management of production lines.

### *Cooperation with Third Party Manufacturers*

In addition to in-house production, we also engage reliable third-party manufacturers to produce products who strictly follow our in-house developed recipes and instructions. Starting from 2022, due to COVID-19 containment measures imposed on some of our production plants, we increased our procurement of private label products manufactured by third-party manufacturers. Our prompt response during the pandemic broadened the supply channels of our private label products, which in turn ensured the stable supplies to our users and resulted in the growth of GMV contributed by private label products.

We believe the quality of our manufacturers is crucial to the quality of our products. We require our cooperative manufacturers to be accredited with HACCP certification, or Hazard Analysis Critical Control Point, a comprehensive food safety management system. We carefully select manufacturers through a stringent selection process. Our selection criteria include, among other things, the legal and regulatory qualifications of their factories or plants, quality and inspection results, production capacity, price and the overall management and quality of operations. We conduct detailed due diligence, including inspecting samples and the manufacturers' facilities, before entering into cooperation agreements.

## ***Product Quality Assurance***

Our commitment to product quality is uncompromising. We have digitalized all of our core operations, building a full suite supply chain solutions to assure end-to-end quality control, which allows us to continuously optimize operating efficiency while providing users with the best products for value. We have streamlined the farm-to-home supply chain by cutting out intermediaries and guaranteeing strict end-to-end quality control through our 7+1 Quality Control Procedure, across the entire procurement and fulfillment process. Our 7+1 Quality Control Procedure comprises (i) production environment, (ii) farming, (iii) harvesting, (iv) transportation, (v) regional processing center, (vi) frontline fulfillment station (vii) home delivery, and (viii) feedback and customer services. We have a dedicated quality control team with core team members having working experience in leading quality control institutions or retail companies such as GFSI, CERES, Wal-Mart and Auchan. In addition, we have long-term cooperation with leading third-party quality control institutions to help us improve our operational standards in quality control.

## **Procurement**

We sourced fresh groceries, prepared food and other food products from approximately 2,600 suppliers in 2022.

### ***Procurement of Fresh Groceries***

#### ***Direct Source Procurement***

In 2022, over 9,000 SKUs of fresh groceries were available on *Dingdong Fresh*. In order to provide quality fresh groceries on a daily basis, we have established direct relationships with our suppliers from the source of origin. Given the current spread for different agricultural products in China, suppliers for fresh groceries are scattered widely across the country. However, in order to provide quality fresh groceries on a daily basis, we pride ourselves in procuring fresh groceries directly from the sources of origin by establishing direct relationships with local farms or cooperatives. In 2022, direct source procurement accounted for approximately 80% of total procurement costs in the same period.

Highly fragmented suppliers base calls for higher requirement for supplier selection, management and coordination. We select suppliers on the basis of their quality, reliability, logistics capabilities, productivity, food safety assurance and pricing. They must be able to meet our demands for timely supply of fresh and safe products. We perform background checks on our suppliers and the products they provide before we enter into any agreement. We examine their business licenses and the qualification certificates for their products, check their brand recognition and conduct background investigations into their cooperation history and partners. We also conduct on-site visits to assess and verify their farming locations, business scale, management experience, production capacity, logistics capabilities, and quality control system. As food safety is our top priority, our suppliers are required to be outfitted with applicable facilities, equipment and personnel to inspect pesticide residue and to be able to regularly conduct testing and generate quality reports for their products. In addition, we also require our suppliers to have complete and flexible logistics capabilities, including cold chain logistics, to ensure a sustainable and timely supply of our fresh groceries.

#### ***Order-based Production***

To better ensure the quality and steady supplies of our products, we have been working closely with our upstream suppliers, such as farms and cooperatives, to seamlessly integrate their operations with ours. We offer them not only large order flows but also our best accurate projections of orders so that they can perform order-based production. Leveraging our big data algorithms and rich industry experience, we can make general predictions on market demand days, months or even a year ahead depending on the variety and nature of the products, then source a portion of that demand from our upstream farms based on our estimation of orders for specific varieties. In this regard, it is mutually understood between us and our suppliers that the actual procurement amount may deviate from the predictions due to various factors that are beyond either parties' control, including among others, climate impacts on yields of certain products, product quality, unpredictable demand volatility and corresponding price fluctuations. In particular, the outbreak of COVID-19 pandemic has largely disrupted the production plans of our suppliers as well as the normal consumer demands for certain products, which in turn impacted our procurement agenda.

Under order-based production model, we prioritize product varieties with high food safety standards, large and stable demand, and high and volatile prices. Once the varieties are determined, we communicate with candidate farms and have agricultural experts meet with them to understand the farms' product types, business scale, management team, operation status, qualifications and certifications. Upon our decision that a farm meets our basic requirements, we then conduct on-site visit and interviews with their management team to gauge their interest and competence in meeting our stringent standards. If the farms are shortlisted, we will then proceed with the necessary filings and business negotiations regarding specific SKUs that we are interested in and pricing so that we can enter into an agreement and commence order-based production.

We require all farms and cooperatives for order-based production to implement scientific production standards, such as our proprietary "D-G.A.P". We encourage compliance with D-G.A.P by rewarding those with high passing grades. Although farms and cooperatives may incur certain additional costs by adopting higher standard agriculture procedures and facilities, hiring qualified agricultural technicians and paying fees for third-party accreditation and inspection, most of the farms we collaborate with are willing to comply with our D-G.A.P requirements, as order-based production allows them to reduce unnecessary wastes in production and secure stable sales. Our close collaboration and frequent engagement with our suppliers secure a reliable supply of high-quality products and continuously strengthen our bargaining power and procurement cost advantages.

### ***Procurement of Prepared food and Other Food Products***

In 2022, over 13,000 SKUs of prepared food and other food products were available on our *Dingdong Fresh*. As our expansion to prepared food and other food products such as baked goods, dairy, seasonings, beverage, instant food, oil, and snacks, and have met widespread success, particularly among young consumers, we will increasingly focus on exploring new product categories to meet emerging and evolving consumption needs. Certain prepared food we offer on *Dingdong Fresh* are our private label products which are produced by ourselves. We also procure prepared food and other food products directly from other brand owners or distributors.

We have implemented a stringent selection process for suppliers of prepared food and other food products. We conduct a holistic review of a candidate's production and distribution status, operation and financial conditions, product competitiveness, brand recognition, delivery and logistics capabilities, management adequacy, competition landscape, pricing strategy and customer service capabilities. By cooperating with our suppliers, we formulate key performance targets, including sales, gross profit and jointly develop implementation plans, including sales promotion strategies, so that both parties can work together and achieve growth.

### **Reliable On-Demand Fulfillment**

We deliver a satisfying user experience by fulfilling orders quickly and accurately. To this end, we have built our fulfillment infrastructure in selected cities for the prompt receipt, storage and delivery of our products. Our fulfillment infrastructure primarily consists of regional processing centers, frontline fulfillment grid and a last-mile delivery network. We operated around 60 regional processing centers in China, as of December 31, 2022, to sort, package, label and store raw products prior to being distributed to frontline fulfillment stations. We had located around 1,100 frontline fulfillment stations in around 30 cities as of December 31, 2022, serving our users across the country. We manage our fulfillment network by regional clusters, where supply chain and management resources of cities in close proximity can complement each other.

Our suppliers, pursuant to supply agreements, are required to deliver the products to our designated places, normally our regional processing centers, and shall bear any related logistic costs. Upon arrival of our regional processing centers, each product is inspected, sorted, packaged, labelled, standardized, informatized and later stored in accordance with our internal requirements before they are dispatched to frontline fulfillment stations. When our frontline fulfillment stations replenish their stock, the third-party logistics companies engaged by us will then transport products from regional processing centers to frontline fulfillment stations by trucks, based on the routes generated and planned by our intelligent vehicle planning system and in accordance with our transporting requirements. During the transport, the third-party logistics companies bear the risk of food attrition caused by them. When a user places an order and confirms a delivery address, our system automatically designates the user's order to the nearest frontline fulfillment station, processes the order automatically and generates instructions for packaging and pickup. According to the user's preferred delivery time, our intelligent dispatching system estimates the time when the ordered products

to be packaged to ensure freshness and instructs our frontline packing staff accordingly. After the order is packaged, our system assigns the order to the most suitable delivery rider based on our dispatch algorithms. The designated delivery rider then picks up the order based on system instructions and delivers the order to the user. Our users can track the delivery status of their orders through *Dingdong Fresh*.

### ***Regional Processing Centers***

Aided by our warehouse management system and automated equipment, our regional processing centers support our frontline fulfillment grid by sorting, packaging, labeling and storing raw products prior to fulfillment, turning them to standardized products before they are dispatched to frontline fulfillment stations.

*Informatization and Standardization.* Fresh groceries vary significantly from batch to batch and are highly non-standard in terms of their appearances, shape, weight and even quality. Therefore, it is crucial for us to standardize and informatize fresh groceries for better online shopping experience. Upon arrival at our regional processing centers, each product is fully inspected and automatically assigned to automatic packaging or semiautomatic packaging lines, based on their natures, appearances, and attributes. After the fresh groceries are packaged, we affix a bar code on each standardized product, with detailed information, including among others, product name, product weight, date of production, date of packaging, place of origin, name of the supplier, and customer service hotline. The information will be then uploaded to our proprietary management system and can be visualized and tracked through the entire procurement and fulfillment process. By assigning each product a code, we have realized controls over the whole life cycle of our products, which facilitates after-sale tracing management and assures product quality. Such insights in the flow of products also enables us to accurately identify suppliers that are able to consistently deliver satisfactory products, with whom we can intensify our future cooperation.

*Digitalized Warehousing Management.* Embedded with automatic configuration algorithm, our proprietary warehouse management system, or WMS, supports different fulfillment scenarios within regional processing centers, ensuring refined quality management of product record with high granularity. To ensure smooth and efficient product flow across different material handling equipment or subsystems in the regional processing centers, such as sorters and AGVs, we developed an advanced warehouse control system, or WCS. Our WCS provides real-time directives to operators and material handling equipment controllers to accomplish the product routing requirements, and it dynamically assigns cartons to divert locations based on defined sortation algorithms or based on routing/order information received. Moreover, our WCS is able to collect, monitor and diagnose data on the operational performance in real-time and detect any hidden problems in advance. The deployment of WCS largely optimized product routes, improved resource assignment and increased visibility of day-to-day tasks within regional processing centers. Furthermore, most of our regional processing centers are equipped with multiple temperature zones for fresh groceries processing. Through a multi-layered temperature control system, fresh groceries are stored in their respective tailored temperatures to ensure the freshness for further processing and delivery. We also deploy automatic guided vehicles to easily transport and sort frozen products that must be preserved in frozen conditions, which help reduce our reliance on manpower and increase sorting efficiency.

*Route Planning.* Based on our order projection system, when our frontline fulfillment stations replenish their stock, our intelligent vehicle route planning algorithm generates the most efficient route to transport products from regional processing centers to frontline fulfillment stations. In this process, we deploy our transportation management system, or TMS, which not only considers the geographic locations and the traffic between the starting and end locations, but also factors in a multitude of variables related to the trucks, including their availability, loading capacity, maintenance status, and cold-chain capabilities, to render the optimal realizable dispatch route. In such way, it further optimizes trucking utilization and improves our fulfillment efficiency. In addition, the TMS helps to reduce spoilage and wastage by monitoring and recording the GPS locations of the trucks and the temperature of the goods in transit in that each transport is fully traceable in the system, and abnormalities can be automatically flagged. Furthermore, the TMS improves our cost efficiency by searching in its database the logistic service agreements and matching the service providers with our orders to achieve automatic billing.

### ***Frontline Fulfillment Stations***

We pioneered the use of the distributed frontline fulfillment grid model, which we believe is optimally suited to the needs of China's fresh grocery e-commerce industry.

*Optimized Layout.* Each of our frontline fulfillment station is typically around 300 to 400 square meters in size on average. They are strategically located to serve neighboring households within a radius of one to three kilometers and able to realize our 30-minute delivery target, which greatly assures the freshness of the products when they reach users. When determining where to establish a frontline fulfillment station, our site selection team generally takes into account several parameters, such as proximity to residential neighborhoods, neighborhood demographics, nearby traffic conditions, and other publicly available information. In addition, we also developed a proprietary site selection algorithm to facilitate the decision making process. The algorithm takes into account parameters such as the locations of each nearby area of interest, or AOI, or point of interest, or POI, the estimated minimum and maximum order volume per AOI and POI, the proximity among AOIs and POIs, as well as the estimated utilization rate and operating costs for each frontline fulfillment station. We seek to locate and scatter our frontline fulfillment stations to ensure our products and services would be conveniently available to as many existing and potential users as possible. The optimized layout of our frontline fulfillment stations is critical to our overall operational flexibility and resilience. For example, if, under special circumstances, one frontline fulfillment station in a specific area is temporarily closed or short of capacity, we are able to quickly mobilize nearby stations to keep up with surge of orders and deliver stable and speedy services to our users. This capability allows us to serve our users during large public events, such as city marathons, that may temporarily disrupt the operation of frontline fulfillment stations in certain area and nearby traffic.

*Smart Inventory Management.* In each frontline fulfillment station, we utilize IoT technologies to monitor inventory status, control temperature, and manage shipping, so as to support more economical flow of products stored in the frontline fulfillment stations. Our advanced machine learning and data analytics capabilities facilitate us to replace human decisions for inventory replenishment and turnover management. By processing and analyzing historical and real-time order statics, and taking into account various features that affect sales, such as weather, holiday seasons, price fluctuations, promotions, each frontline fulfillment station is able to customize its product offerings, replenish its inventory, and optimize personnel management. Moreover, given the large volume of SKUs sold every day, and even the same SKU may have different demand across regions, hourly order forecast of SKUs for a specific frontline fulfillment station is critical for us to manage inventory efficiently. Through our advanced machine learning modeling, we are able to forecast the demand for each frontline fulfillment stations, to effectively reduce out-of-stock incidents and wastage.

We closely monitor the operations of each of our frontline fulfillment stations through multiple dimensions, including among others, order volume, user coverage, inventory turnover, fulfillment efficiency, and labor efficiency. In 2022, for a few frontline fulfillment stations that had been only supporting a limited number of orders and/or showing slow inventory turnaround, we strategically merged their capacities with nearby ones'. By doing so, we managed to further improve our overall operational efficiency. In addition, we also proactively optimized the geographic coverage of our fulfillment network through closing down a few frontline fulfillment stations in cities where we did not build up a strong presence. Expanding into new geographical locations involves new risks and challenges, and there is no assurance that a new market will always grow as we expect. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—If our expansion into new geographical areas is not successful, our business prospects and results of operations may be materially and adversely affected." Going forward, we will continue to closely monitor each local market we tap into, and optimize the layout of our frontline fulfillment stations when necessary to further reduce costs and improve operational efficiency.

#### ***Intelligent Dispatching and Delivery***

When a user confirms a delivery address, our system automatically designates the user's order to the nearest frontline fulfillment station and processes the order automatically and generates instructions for packaging and pickup. According to the user's designated delivery time, the algorithm estimates the time when the order should start to be packaged to ensure freshness and instructs our frontline packing staff accordingly.

We deliver products to our users through delivery riders. Each rider is designated to a specific frontline fulfillment station and covers the relevant neighborhood. Powered by machine learning and operational research technique, after the order is packaged, our dispatching system optimizes order-rider matching, and is automated to assign the order to the most suitable rider with the most suitable route, by taking into account various factors, including order time, riders' capacity, real-time weather conditions, relevant fulfillment costs, and product types. The designated rider then picks up the order based on system instructions and delivers the products to our users. Our users can track the shipping status of their orders through *Dingdong Fresh*. Inventory levels are updated in real time as orders are



fulfilled. In addition, to cope with sudden surge of orders under extreme conditions, we have also developed an automatic pressure balancing system to dynamically adjust each delivery riders' capacities, to ensure that no single delivery rider is overloaded with delivery tasks while not compromising the users' experience. Leveraging such intelligent dispatching system, we aim to deliver orders to users within 30 minutes after the orders are placed.

## **Seasonality**

We have experienced seasonal fluctuations in customer purchases in our business. For example, we typically experience higher user traffic and more purchase orders during the summer as families tend to cook more often for children at home during their school break in summer, and lower user traffic during the Chinese New Year, as some of our users would return to their hometowns where our services currently not cover.

## **Technology**

Our robust operation and rapid growth are supported by our proprietary technology. Our leading technology team, coupled with our proprietary technology infrastructure and the large volume of data generated and collected on *Dingdong Fresh* each day, have created opportunities for continuous improvements in our technology capabilities, which in turn draws new talents to join us. As of December 31, 2022, we had a technology team of around 900 engineers, nearly 130 of whom focus on algorithm design and development. Our chief technology officer and head of algorithm design have extensive prior working experience in leading technology companies, and many of our engineers have working experience in peer companies before joining us. A majority of our technologies were developed by ourselves with the rest procured from third-parties or open-source software. In particular, we have self-developed all of our IT solutions and software for our core business. Key components of our technology include:

### ***Big Data Analytics Platform***

We build our big data analytics capability upon our distributed computing infrastructure that can efficiently handle complex computing tasks of millions of data instances and analytical dimensions. These data may include transaction data, user behavior data, product information, order fulfillment data, and supply chain information. Based on user' purchase behaviors and usage patterns, we leverage big data analytics and artificial intelligence technology to optimize our operation and enhance user experience. For example, upon any user's acceptance of our privacy policy, we not only look into the basic order information, but also user behavioral data such as how long such user spent on browsing and reviewing a particular product and products of similar categories when using our app. We then strive to build predictive and statistical models based on the big data we have accumulated. Furthermore, we build predictive models for new product categories and new markets that can help us with our procurement and fulfillment planning.

In addition, based on historical order placing patterns and associated special weather conditions, promotional events or holiday seasons, we capitalize on big data analytics to forecast order estimates for a specific product for a certain period. This capability allows us to make forecasts two or three days in advance for any given day in the year, and for particular products related to specific holidays, e.g. mooncakes for the Mid-Autumn Festival and zongzi for the Dragon Boat Festival, we can even make 7- to 21-day forecasts. We then enter into fixed-price contracts with our contracted farms for optimized pricing and guaranteed production capacity, which in turn ensures sustainable supply of products on *Dingdong Fresh*.

### ***Digitalization***

We have digitalized all of our core operations, building a full suite of digitalized supply chain and operations system solutions to assure end-to-end quality control from procurement, product standardization to fulfillment and delivery and from new product reviews to customer feedback. We are also exploring product categorization at the place of production to better offer different types of products to users with different quality and price sensitivities.

The digitalization of our business enables us to accumulate massive amounts of multi-dimensional user behavior and supply chain data. This data is particularly valuable for the fresh groceries e-commerce sector, which is characterized by highly fragmented upstream and downstream players. The insights that we have gained through analyzing data compiled from massive transaction volume and diverse user coverage can be in turn fed back into our algorithms and operations for better optimization and improvements. As a result, we deeply value and continue to invest in technology.

### ***Standardized Core Infrastructure Environment***

We use third-party cloud service providers instead of our own servers to optimize cost efficiency with our IT and network infrastructure. This allows us to take full advantage of the scalability, flexibility and convenience of cloud services and also benefit from the middleware that we self-develop using open-source software. On this foundation, we have evolved our disaster recovery capability from recovery in the same city to remote disaster recovery, and further to a multi-cloud recover strategy.

We self-develop all of our IT solutions and software for our core business. Our research and development team are divided into teams for customer-facing front office, operational middle office and administrative back office functions. Our technology team is responsible for quality assurance for coding, which involves frequent testing for functionality and performance. Our team is able to push hotfixes and minor improvements in half a day to three days, and roll out routine product updates in one to two weeks. Major projects that require timeboxed delivery generally have development periods of one to two months. In addition, our supply chain system center can also update its products in response to new business requirements by having our professional project management team utilize our automation capabilities. We will continue to invest in technology to pursue technological advancement and future initiatives.

### **Agricultural Research**

Our agricultural research programs are an important mechanism through which best agronomic and sustainable practices can be assured and through which insights can be leveraged and innovations developed. Our agricultural research focus lies predominantly on food safety, nutrition science, product quality, and value added product development.

Our agricultural research efforts are directed toward sustaining and improving product yields and product quality by examining and improving agricultural practices in all phases of production and includes on-site technical services and the implementation and monitoring of recommended agricultural practices. For example, we require local farms and cooperatives to implement scientific production standards such as our proprietary D-G.A.P, a set of good agricultural practices for production safety and sustainability that we designed, and implement order-based production to achieve optimal planting and production levels. Research efforts are also directed towards integrated in-house production.

### **Intellectual Property**

We rely on a combination of patent, copyright, trademark, domain names, and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of December 31, 2022, we had 17 registered patents, 28 pending patent registration applications, 311 registered trademarks, 62 pending trademark registration applications, registered copyrights to 22 pieces of artistic work and 24 pieces of software, and 21 domain names.

### **Competition**

The fresh grocery e-commerce industry in China is intensely competitive. Our current or potential competitors include (i) other fresh grocery e-commerce players in China, (ii) traditional e-commerce platforms in China that offer a wide range of general merchandise product categories, and (iii) major traditional retailers in China that are moving into fresh grocery e-commerce and physical retail stores and supermarkets.

We anticipate that the fresh grocery e-commerce market will continue to evolve and experience rapid technological change, evolving industry standards, shifting customer requirements, and frequent innovation. We firmly believe that product development capability is a decisive factor in the competition. We must continually innovate to remain competitive.

In addition, new and enhanced technologies may increase competition in the fresh grocery e-commerce industry. New competitive business models may appear, for example based on new forms of social media or social commerce.

We believe that we are well-positioned to effectively compete on the basis of the factors listed above. However, some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than we do.

## **Marketing**

We believe that the most effective form of marketing is to continually enhance our customer experience through competitive product offering and best-in-class user service, as customer satisfaction engenders word-of-mouth referrals and repeat purchases. We have been able to build an extensive base of loyal customers primarily through providing superior customer experience and conducting marketing and brand promotion activities.

In addition to continuing marketing activities through traditional online and offline channels, we have also designed innovative programs and promotion activities to further enhance the brand awareness of both ourselves and our partners and to better reach our customers. We have also been continually calculating and testing the price elasticity and flow elasticity of different products to make our pricing and promotion more scientific. We will continue to leverage our data-driven customer insights to provide customized marketing tools and campaigns for business partners and help them to develop brand recognition in China.

## **Insurance**

We maintain standard benefit plans required by PRC laws and regulations, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance. In addition, we provide supplementary medical insurance for our employees. We obtain such insurance from reputable insurance carriers in accordance with commercially reasonable standards. In line with general market practice, we maintain business insurances covering damages to our properties and IT infrastructures, but do not maintain any business interruption insurance or key man life insurance, which are not mandatory under the applicable laws. For a discussion of risks relating to our insurance coverage, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We have limited business insurance coverage.”

We believe that our insurance coverage is sufficient for its present purposes and is consistent with the insurance coverage of other e-commerce companies in China. We periodically review our insurance coverage to ensure that it remains to be sufficient.

## **Enterprise Social Responsibility**

Having a positive impact on the communities where we operate is an integral part of our business. Our commitment to our users, partners, investors, our employees and society as a whole is evidenced by the following corporate social responsibilities initiatives:

### ***Modernization of Traditional Agricultural Practices***

We strongly believe in the importance of modernizing China's traditional agricultural industry. Currently, the lack of digitalization in China's traditional agriculture industry often leads to volume and timing mismatches between production and demand, which can result in significant waste. We have developed strong relationships with upstream suppliers and empower these suppliers by sharing our data-driven insights and research. We can also help them modernize their agricultural practices, such as through the adoption of our proprietary D-G.A.P standards and measures such as order-based production. Ultimately, we aim to continue working with various participants in China's agricultural industry to empower the healthy growth of this industry and eliminate waste and inefficiencies.

### ***Poverty Alleviation***

Since 2018, we have sourced products from a number of poverty-stricken counties in 21 provinces and autonomous regions, including Yunnan, Guizhou, and Ningxia. In this process, we exported integrated solutions of collective planting standards, harvesting and sorting standards and cold chain logistics standards to impoverished areas, and then created a special agricultural product ecosystem that runs through the entire supply chain. As a result, we were able to utilize e-commerce to help farmers and rural enterprises to achieve "Internet + Agriculture" integrated development.

In addition, we have opened up new sales channels for agricultural products in poverty-stricken areas through live broadcast of the origin and the establishment of "Dingdong Agricultural Products Pavilion" on Dingdong Fresh. It has helped people in poverty-stricken areas to obtain employment through the production and marketing of agricultural products. At the same time, we provided jobs in impoverished area by employing hundreds of local employees.

### ***Care for the Elderly and the Disabled***

As a frontrunner in the fresh grocery e-commerce industry in China, we pride ourselves in proactively leveling the playing field for disadvantaged communities so that they can fully enjoy the convenience of our platform. For example, to improve the user experience of senior citizens, we have been conducting long-term one-on-one interviews with them and optimizing our mobile app based on their feedbacks. By enhancing picture display and improving voice search functions in the mobile app, we are now better able to serve elderly users over the age of 60, who comprise nearly 20% of China's population in 2022.

In addition, we have been improving the accessibility of our mobile app for and organizing community outreach to people with disabilities. Based on our on-the-ground user research and regular engagement of our R&D team with members of the visually impaired community, our mobile app offers a barrier-free experience: at a touch of the screen, our mobile app reads the name, price, and purchasing steps of the item to help them make purchasing decisions. Since 2018, we have also been holding annual themed activities to accompany the visually impaired in engaging outdoor activities.

### ***Study Program for Farmers***

In 2022, we launched a study program for farmers, with an aim to help participants to learn how to exert effective quality control over agricultural products from farm to fork. Through an integrated online and offline learning approach, participants of our study program will gain a comprehensive understanding of our D-G.A.P quality control system for agricultural products. The courses and sessions, delivered by our experts, covered order-based production, the use of mechanization and future trends in agriculture industry. We also organized study tours for the top performing participants to visit our farms, regional processing centers and frontline fulfillment stations. Through such study program, we aim to encourage and assist more farmers to transform what they have learned and seen from us into modern agriculture practices, so as to promote their own industrial development.

### ***Educational Field Trips for Younger Generation***

As a trustworthy brand name, and a reliable enterprise, we are open to the community for field trips or visits. We offer a series of offline activities for children and teenagers to connect with local communities, guide younger

generations towards healthy lifestyle, and encourage them to love food and life. Our activities include, among others, nutrition education, planting and picking, farming activities, and food tasting. We also provide experiential visits for adults, aiming to connect with more potential users, and continuously delivering our brand value, namely, quality, healthy, and trustworthy.

### ***Initiatives to Alleviate the COVID-19 Outbreak***

Our corporate social responsibility is embodied in our efforts during the COVID-19 pandemic. Starting from March 2022, in order to contain the spread of Omicron variants in Shanghai, the local government had taken a series of containment measures. A number of corporate offices, retail stores, manufacturing facilities and factories were temporarily closed. Despite the unfavorable traffic restrictions, we endeavored to stay open for business and worked around the clock with our suppliers to ensure the stable supply of fresh groceries for Shanghai residents. We had mobilized thousands of riders per day to keep up with the rush of orders as demand for groceries jumped. During mid-March to the end of May, we delivered a total of 41.3 million orders to 5.4 million Shanghai users, addressing the daily needs a large amount of households in the city.

### **Regulation**

This section sets forth a summary of the most significant rules and regulations that affect our business in China.

#### ***Regulations Relating to Overseas Securities Offering and Listing***

On February 17, 2023, CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and its five ancillary guidelines, or the Trial Administrative Measures, which will become effective on March 31, 2023. The Trial Administrative Measures stipulate that, PRC domestic companies that seek to offer and list securities in overseas markets, either through direct or indirect means, are required to complete the filing procedure with the CSRC. If any issuer completes the overseas' listing and intends to conduct securities offering in the same market, such issuer shall file with CSRC within three business days after its completion of securities offering. The Trial Administrative Measures also explicitly forbid overseas offering and listing, if any of the following is applicable: (i) that is explicitly prohibited by specific laws and regulations, (ii) that constitutes threat to or endanger national security as reviewed and determined by competent departments of the State Council, (iii) the PRC domestic company, its controlling shareholders or actual controllers are involved in certain criminal crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years, (iv) the PRC domestic company 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 PRC domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller. Furthermore, any issuer shall report relevant information to CSRC within three business days from public the announcement in any of the following circumstances: (i) any change of control, (ii) subject to any investigation or penalty by overseas securities regulatory or relevant governmental authorities, (iii) any change of listing status or listing board, or (iv) voluntarily or is enforced to terminate the listing.

On February 24, 2023, CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Companies, or the Confidentiality and Archives Administration Provisions, which will take effect on March 31, 2023. The Confidentiality and Archives Administration Provisions stipulate that, if domestic companies offer the securities in overseas market, domestic companies and securities companies and securities service institutions providing relevant services shall strictly comply with the relevant laws and regulations of PRC, enhance the legal awareness of protecting state secrets and archive administration, establish and improve the system for confidentiality and archive work, take necessary measures to implement the obligations of confidentiality and archive administration, and shall not divulge state secrets and work secrets of state organs or harm state and public interests.

## ***Regulations Relating to Foreign Investments***

Investment activities in the PRC by foreign investors are principally governed by the Industry Guidelines of Encouraged Foreign Investment, or the Industry Guidelines, and the Special Administrative Measures for Entrance of Foreign Investment (Negative List), or the Negative List, which are promulgated and amended from time to time by Ministry of Commerce, or MOFCOM, and National Development and Reform Commission, or NDRC, and together with the PRC Foreign Investment Law and its respective implementation rules and ancillary regulations. The Industry Guidelines and the Negative List lay out the basic framework for foreign investments in China, classifying businesses into three categories with regard to foreign investments: “encouraged”, “restricted” and “prohibited”. Industries not listed in the Industry Guidelines or the Negative List are generally deemed as falling into a fourth category “permitted” unless specifically restricted by other PRC laws.

On December 27, 2020, MOFCOM and NDRC released Industry Guidelines of Encouraged Foreign Investment (2020 Version), which took effect on January 27, 2021 and was replaced by Industry Guidelines of Encouraged Foreign Investment (2022 Version) on January 1, 2023. On December 27, 2021, MOFCOM and NDRC promulgated the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2021 Version), which became effective on January 1, 2022.

On March 15, 2019, the National People’s Congress, or NPC, approved the PRC Foreign Investment Law, which took effect on January 1, 2020 and replaced three then existing laws on foreign investments in China, namely, the PRC Sino-Foreign Equity Joint Venture Enterprise Law, the PRC Sino-Foreign Cooperative Joint Venture Enterprise Law and the PRC Wholly Foreign-invested Enterprise Law. The PRC Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic invested enterprises in China. The PRC Foreign Investment Law establishes the basic framework for the access to and the promotion, protection and administration of foreign investments in view of investment protection and fair competition.

According to the PRC Foreign Investment Law, foreign investments shall enjoy pre-entry national treatment, except for those foreign-invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list.” While foreign investors shall refrain from investing in any of the foreign “prohibited” industries, foreign-invested entities operating in foreign “restricted” industries shall require market entry clearance and other approvals from relevant PRC governmental authorities. The PRC Foreign Investment Law does not comment on the concept of “de facto control” or contractual arrangements with variable interest entities, however, it has a catch-all provision under the definition of “foreign investment” to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the PRC State Council. Furthermore, the PRC Foreign Investment Law provides that foreign-invested enterprises that have been established before the implementation of PRC Foreign Investment Law according to the said three existing laws regulating foreign investments may maintain their structure and corporate governance within five years after the implementation of the PRC Foreign Investment Law.

On December 26, 2019, the State Council promulgated the Regulations for Implementing the PRC Foreign Investment Law, which took effect on January 1, 2020. The implementation regulations further clarified that the State encourages and promotes foreign investments, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On December 30, 2019, MOFCOM and the State Administration for Market Regulation, or SAMR, jointly promulgated the Measures for Information Reporting on Foreign Investment, which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

## ***Regulations Relating to Licenses, Permits, Registrations and Filings***

We hold or are required to hold a variety of licenses and permits in connection with various aspects of our business, including the following:

### ***Food Operating Permit***

China has adopted a licensing system for food supply operations under the Food Safety Law and its implementation rules. Entities or individuals that intend to engage in food production, food distribution or food service businesses shall obtain licenses or permits for such businesses. On August 31, 2015, the China Food and Drug Administration, or CFDA, issued the Administrative Measures for Food Operating Permit, which was amended and took effect as of November 17, 2017. The Administrative Measures for Food Operating Permit requires an enterprise engaging in food operating business to obtain a Food Operating Permit, and where a food operator establishes warehouses (including self-owned and leased ones) outside its operation region, its Food Operating Permit shall also specify the specific addresses of such warehouses. Furthermore, the Administrative Measures for Food Operating Permit stipulate that the relevant food and drug authorities shall implement classified permits for food operation in accordance with the business type and the risk level of the operating project of food operators, and any food operator engaging in online food operating shall specify in its Food Operating Permit. Our principal subsidiaries, Shanghai 100me, Shanghai Yushengbaigu Food Co., Ltd., Yihengyishu (Shanghai) e-commerce Co., Ltd., Chizhiyiheng (Shanghai) E-commerce Co., Ltd., Shilaiyunzhuan (Hangzhou) E-commerce Co., Ltd., Shishishun (Shenzhen) E-commerce Co., Ltd., Shishishun (Jiangsu) E-commerce Co., Ltd., ChaoLizhi (Jiangsu) E-commerce Co., Ltd. and Beijing Bujiangjiu E-commerce Co., Ltd., hold a Food Operating Permit.

### ***Permit for Sale Liquor Products***

The Guidance of Ministry of Commerce on Promoting Healthy Development of Liquor Circulation for the “13th Five-Year” Period, which was promulgated by MOFCOM on February 13, 2017, aims to eliminate the alcohol regional block, clean up and abolish the rules and practices that may hinder the free circulation of alcohol.

However, liquor operators may be required by local government to obtain license for distribution of alcoholic products. For example, pursuant to the Measures on Administration Production and Sale of Alcohol Products of Shanghai City promulgated by the Standing Committee of Shanghai People’s Congress and last amended on September 17, 2010, enterprises engaging in alcohol wholesaling must apply to the municipal bureau for an alcohol wholesale license, while enterprises engaging in alcohol retail business must apply to the county level department for an alcohol retail license. Our PRC subsidiary, Shanghai 100me, has obtained the alcohol wholesale license.

### ***Record-filing for Operation of Medical Devices***

Pursuant to the Regulations on Supervision and Administration of Medical Devices, or the Medical Devices Regulations, which was issued by the State Council in 2000 and last amended in 2021, medical devices are divided into three types based on their risk levels. On July 30, 2014, CFDA promulgated the Measures on the Supervision and Administration of the Business Operations of Medical Devices, or the Medical Devices Measures, which became effective on October 1, 2014 and was amended on November 17, 2017 and was last amended on March 10, 2022. Pursuant to the Medical Devices Regulations and the Medical Devices Measures, any entities that engage in the business operation of Type II medical devices shall file a record with the local food and drug administration. Our principal subsidiary, Shanghai 100me, has completed the record-filing formalities regarding its operation of medical devices with the competent government authorities.

Furthermore, according to the Measures for the Administration and Supervision of Online Sales of Medical Devices, or Measures for Online Sales of Medical Devices, which was promulgated by CFDA on December 20, 2017 and became effective on March 1, 2018, enterprises engaged in online sales of medical devices shall be medical device operation enterprises that have obtained medical device operation licenses or record-filings and shall fill in the table of information of online sales of medical devices and file the relevant information to the competent food and drug administration. Our PRC subsidiary, Shanghai 100me, has filed the information of its online sales of medical devices to the competent authority.

### *Record-Filing of E-commerce Livestream Platform*

Pursuant to the Provisions on the Administration of Online Live-streaming Services promulgated on November 4, 2016, online live-streaming service providers shall examine and verify the real identity of online live-streaming content publishers, and file such information with relevant cyberspace administration authority. Shanghai 100me has completed the record-filing with respect to its online live-streaming platform on August 28, 2020.

Pursuant to Notice of National Radio and Television Administration on Strengthening the Administration of Live-streaming Shows and E-commerce Live-streaming promulgated by State Administration of Radio and Television on November 12, 2020, platforms providing live-streaming services for online shows and e-commerce activities should effectively implement their responsibilities as subjects, strive to improve various management systems, responsibility systems, content security systems and human resources and material allocation for webcast services, actively participate in the development of industry ethics and industry self-discipline, so as to jointly promote the standardized, orderly and sound development of live streaming of online shows and e-commerce activities.

### *Registration of Issuers of Single-Purpose Commercial Prepaid Cards*

On September 21, 2012, MOFCOM issued the Administrative Measures on Single-Purpose Commercial Prepaid Cards (Tentative), or the Single-Purpose Cards Measures, which took effect on November 1, 2012 and was amended on August 18, 2016. Under the Single-Purpose Card Measures, among other things and subject to implementing rules adopted by the local branch of MOFCOM, the issuer of single-purpose commercial prepaid cards, or the Single-Purpose Cards, which are defined as the prepaid cards that can only be redeemed by the card issuer, the group companies under the same ultimate control of the card issuer, or the franchise entities under one single brand same as the card issuer, shall (i) register its card issuance with MOFCOM or its local branches within 30 days after it starts offering such Single-Purpose Cards, and (ii) adopt sufficient measures to control risks, by means of controlling the total balance of the Single-Purpose Cards and providing advance deposit, guarantee insurance, bank guarantee or other types of commercial guarantee as required. Shanghai 100me issues and sells Single-Purpose Cards to our customers, and it has completed the required registration formalities with the competent municipal branches of MOFCOM.

### *Regulations Relating to Internet Privacy*

The PRC Constitution states that PRC law protects the freedom and privacy of communications of citizens and prohibits infringement of these rights. In recent years, PRC government authorities have enacted legislation on the Internet use to protect personal information from any unauthorized disclosure. Under the Several Provisions on Regulating the Market Order of Internet Information Services which was promulgated by MIIT on December 29, 2011, an Internet content service operator may not collect any user personal information or provide any such information to third parties without the consent of a user, unless otherwise stipulated by laws and administrative regulations. An Internet content service operator must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An Internet content service operator is also required to properly keep the user personal information, and in case of any leak or likely leak of the user personal information, the Internet content service operator must take immediate remedial measures and, in severe circumstances, to make an immediate report to the telecommunication regulatory authority.



In addition, the Decision on Strengthening Network Information Protection, which was promulgated by the Standing Committee of NPC on December 28, 2012, provides that electronic information that is able to identify personal identities of citizens or is concerned with personal privacy of citizens is protected by law and shall not be unlawfully obtained or provided. Internet content service operators collecting or using personal electronic information of citizens shall specify purposes, manners and scopes of information collection and use, obtain the consent of citizens concerned, and strictly keep confidential personal information collected. Internet content service operators are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with personal information collected. Technical and other measures are required to be taken by Internet content service operators to prevent personal information collected from unauthorized disclosure, damage or being lost. Internet content service operators are subject to legal liability, including warnings, fines, confiscation of illegal gains, revocation of licenses or filings, closing of websites concerned, public security administration punishment, criminal liabilities, or civil liabilities, if they violate relevant provisions on Internet privacy.

Pursuant to the Order for the Protection of Telecommunication and Internet User Personal Information which was promulgated by MIIT on July 16, 2013, any collection and use of users' personal information must be subject to the consent of the users, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. Pursuant to the Ninth Amendment to the Criminal Law which was issued by the Standing Committee of NPC on August 29, 2015 and became effective on November 1, 2015, any Internet service provider that fails to fulfill obligations to manage information and network security as required by applicable laws and refuses to rectify upon orders from government authorities, will be subject to the criminal penalty if such failure (i) causes dissemination of illegal information in large scale; (ii) causes user information leaks resulting in severe consequences; (iii) causes serious loss of evidence to criminal investigations; or (iv) implicates other severe circumstances. Moreover, any individual or entity that (i) sells or provides personal information to others in violation of applicable laws, or (ii) steals or illegally obtains any personal information, in either case implicating severe circumstances, will be subject to the criminal penalty. The PRC government, however, has the power and authority to order Internet content service operators to turn over personal information if an Internet user posts any prohibited content or engages in illegal activities on the Internet.

To further regulate cybersecurity and privacy protection, the PRC Cybersecurity Law which was promulgated by the Standing Committee of NPC on November 7, 2016 and took effect on June 1, 2017, provides that: subject to certain exceptions, (i) to collect and use personal information, network operators must follow the principles of legitimacy, rightfulness, and necessity, disclose their rules of data collection and use, clearly express the purposes, means, and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (ii) network operators can neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered, and must dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (iii) network operators cannot divulge, tamper with, or damage the personal information they have collected, and cannot provide the personal information to others without the consent of persons whose data is collected. According to the PRC Cybersecurity Law, personal information refers to all kinds of information that are recorded electronically or that can otherwise be used to independently identify or be combined with other information to identify natural persons' personal information, including but not limited to natural persons' names, dates of birth, identification numbers, biologically identified personal information, addresses, and telephone numbers. Any Internet information services provider that violates these privacy protection requirements under the PRC Cybersecurity Law and related laws and regulations may be ordered to turn in illegal gains generated from unlawful operations and pay a fine of no less than one but no more than ten times of the illegal gains and may be ordered to cease the relevant business operations when the violation is serious.

On June 14, 2022, the Cyberspace Administration of China issued the Administrative Provisions on Mobile Internet Applications Information Services, which became effective on August 1, 2022, to further strengthen the regulation of the mobile app information services. Pursuant to these provisions, owners or operators of mobile apps that provide information services are required to be responsible for information security management, establish and improve the protective mechanism for user information, observe the principles of legality, rightfulness and necessity, and expressly state the purpose, method and scope of, and obtain user consent to, the collection and use of users' personal information.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate issued the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information, or the Personal Information Interpretations, which became effective on June 1, 2017. The Personal Information Interpretations provides more practical conviction and sentencing criteria for the infringement of citizens' personal information.

On January 23, 2019, the PRC Office of the Central Cyberspace Affairs Commission and other three authorities jointly issued the Circular on the Special Campaign of Correcting Unlawful Collection and Usage of Personal Information via Apps. Pursuant to this circular, (i) app operators are prohibited from collecting any personal information irrelevant to their services; (ii) information collection and usage policy should be presented in a simple and clear way, and such policy should be consented by the users voluntarily; and (iii) authorization from users should not be obtained by coercing users with default or bundling clauses or making consent a condition of service. App operators violating these rules can be ordered by authorities to correct their noncompliance within a given period of time, be publicly reported, or ordered to quit its operation or cancel its business license or operational permits.

On April 10, 2019, the Ministry of Public Security promulgated the Guidelines for Internet Personal Information Security Protection, which establishes the management mechanism, security technical measures and business workflows for personal information security protection. On August 22, 2019, the Cyberspace Administration of China promulgated the Provisions on the Cyber Protection of Children's Personal Information which requires, among others, that network 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 shall obtain the consent of the children's guardians.

On November 28, 2019, the Cyberspace Administration of China, MIIT, the Ministry of Public Security and SAMR jointly promulgated the Measures for the Determination of the Collection and Use of Personal Information by Apps in Violation of Laws and Regulations, which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and social supervision by citizens.

On May 28, 2020, the NPC approved the Civil Code of the PRC or the Civil Code, which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others. Furthermore, information processors shall not divulge or tamper with personal information collected or stored by them; without the consent of a natural person, information processors shall not illegally provide personal information of such person to others, except for information that has been processed so that specific persons cannot be identified and that cannot be restored. In addition, an information processor shall take technical measures and other necessary measures to ensure the security of the personal information that is collected and stored and to prevent the information from being divulged, tampered with or lost; where personal information has been or may be divulged, tampered with

or lost, the information processor shall take remedial measures in a timely manner, inform the natural person concerned in accordance with the provisions and report the case to the relevant competent department.

### ***Regulations Relating to Data Privacy and Cybersecurity***

The Data Security Law of the PRC, or the DSL, was promulgated by the Standing Committee of NPC on June 10, 2021 and became effective on September 1, 2021. The primary purpose of the DSL is to regulate data-related activities, which include data collection, storage, usage, processing, transmission, provision and disclosing of data, safeguarding data security, promoting data development and usage, protecting individuals and entities' legitimate rights and interests, and safeguarding state sovereignty, state security and development interests. The DSL shall apply to both data activities conducted within the territory of the PRC and data activities conducted outside the PRC that may harm the national security or public interests of the PRC, or the legitimate rights of PRC citizens or entities. The DSL provides that the PRC shall establish a data classification and grading protection system and data security review system, under which data processing activities that affect or may affect national security shall be reviewed for national security. A decision on security review made in accordance with the laws shall be final. Data processors shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations.

On August 20, 2021, the Standing Committee of NPC promulgated the Personal Information Protection Law, which took effect from November 1, 2021. The Personal Information Protection Law stipulates, among other things, the circumstances under which a personal information processor could process personal information, such as: (i) with the consent of individual; (ii) if necessary for the execution or performance of a contract to which the individual is a party; (iii) if necessary to fulfill statutory duties and statutory obligations; (iv) in order to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (v) such information that has been made public is processed within a reasonable scope in accordance with this Law; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation.

The Standing Committee of NPC promulgated the PRC Cybersecurity Law on November 7, 2016. According to the PRC Cybersecurity Law, personal information refers to all kinds of information that are recorded electronically or in other forms that can be used to independently identify or be combined with other information to identify natural persons' personal information, including but not limited to natural persons' names, dates of birth, identification numbers, biologically identified personal information, addresses and telephone numbers. Any network operators or providers of network products and services that violate the privacy protection requirements under the PRC Cybersecurity Law and related laws and regulations may be ordered to turn in illegal gains generated from unlawful operations and pay a fine of no less than one but no more than ten times of the illegal gains and may be ordered to cease the relevant business operations when the violation is serious.

On December 28, 2021, the Cyberspace Administration of China, or the CAC, together with other PRC governmental authorities, promulgated the Measures for Cybersecurity Review, or the Cybersecurity Measures. Pursuant to the Cybersecurity Measures, the purchase of network products and services of a critical information infrastructure operator and data processing activities of an online platform operator that affect or may affect national security shall be subject to the cybersecurity review. Alternatively, relevant governmental authorities in the PRC may initiate cybersecurity review if such governmental authorities determine any network products and services, and data processing activities affect or may affect national security. On November 14, 2021, the CAC published the Regulations on the Administration of Cyber Data Security (Draft for Comments), or the Draft Cyber Data Regulations, pursuant to which a "data processor" shall be subject to cybersecurity review if it conducts other activities that affect or may affect national security. As of the date of this annual report, the Draft Cyber Data Regulations is still in draft form and has not come into force.

### ***Regulations Relating to E-Commerce***

On March 15, 2021, the SAMR released the Administration Measures for the Supervision and of Online Trading, which took effect on May 1, 2021, providing more detailed requirements for the online trading operators,

such as clarifying the specific acts infringing consumers' personal information in online trading, the prohibited contents contained in the standard terms used by the operators, and elaborating the measures shall be applicable to the operating activities of selling goods or providing services through social network and online live-streaming.

To further regulate the e-commerce industry, on August 31, 2018, the Standing Committee of NPC promulgated the PRC E-Commerce Law, which took effect on January 1, 2019, providing that e-commerce operators must comply with the principles of voluntariness, equality, fairness, and good faith, abide by laws, observe business ethics, equally participate in market competition, perform obligations regarding the protection of consumers' rights and interests, environmental protection, intellectual property protection, and the protection of cybersecurity and personal information, take charge of the quality of products and services, and receive the supervision of the government and the general public. For example, the PRC E-Commerce Law requires e-commerce operators to respect and equally protect consumers' legitimate rights and provide options to consumers without targeting their personal characteristics, and also requires e-commerce operators to clearly point out to consumers their tie-in sales in which additional services or products are added by merchants to a purchase, and not to assume consumers' consent to such tie-in sales by default. The PRC E-Commerce Law also organized rules on e-commerce contract execution and performance between e-commerce product/service providers and customers.

On June 12, 2019, the State Post Bureau and MOFCOM promulgated the Guiding Opinions on Regulating the Interconnection and Sharing of Data between Express Delivery and E-commerce Industries, which provides that if e-commerce participants agree to deliver commodities through express delivery, an e-commerce operator will be supported in providing the necessary delivery data to an express delivery service provider through the agreed means of data transmission. The e-commerce platform operator cannot, by restricting the interconnection and sharing of data, hinder the e-commerce participants from freely choosing the express delivery service. When collecting and sharing user information, e-commerce operators and enterprises engaged in express delivery business must abide by the provisions of laws and administrative regulations on information protection, and cannot be used for purposes unrelated to the delivery service they provide.

### ***Regulations Relating to Product Quality and Consumer Protection***

The Product Quality Law, which was promulgated by Standing Committee of NPC on February 22, 1993 and most recently amended on December 29, 2018, 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.

Pursuant to the Civil Code of the PRC, or the Civil Code, which was promulgated on May 28, 2020 and became effective on January 1, 2021, the infringed party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage. Where the product defects are caused by the producers, the sellers shall have the right to recover the same from the producers after paying compensation. If the products are defective due to the fault of the seller, the producer may, after paying compensation, claim the same from the seller.

The Consumer Rights and Interests Protection Law or the Consumer Protection Law, which was promulgated by Standing Committee of NPC on October 31, 1993 and most recently amended on October 25, 2013, sets out the obligations of business operators and the rights and interests of the consumers in China. Pursuant to this law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacement of commodities, repairing, ceasing

damages, compensation, and restoring reputation, and even subject the business operators or the responsible individuals to criminal penalties when personal damages are involved or if the circumstances are severe. The Consumer Protection Law was further amended in October 2013 and became effective in March 2014. The amended Consumer Protection Law further strengthens the protection of consumers and imposes more stringent requirements and obligations on business operators, especially on the business operators through the internet. For example, the consumers are entitled to return the goods (except for certain specific goods, such as custom-made goods, fresh and perishable goods, digital products (e.g. audio-visual products, computer software downloaded online or unpacked by the consumer), newspapers and periodicals delivered and other goods for which non-return of goods is confirmed by the consumer at the time of purchase based on the characteristics of the goods) within seven days upon receipt without any reasons when they purchase the goods from business operators on the internet. The consumers whose interests have been damaged due to their purchase of goods or acceptance of services on online marketplace platforms may claim damages from sellers or service providers. Where the providers of the online marketplace platforms are unable to provide the real names, addresses and valid contact details of the sellers or service providers, the consumers may also claim damages from the providers of the online marketplace platforms. Providers of online marketplace platforms that know or should have known that sellers or service providers use their platforms to infringe upon the legitimate rights and interests of consumers but fail to take necessary measures must bear joint and several liabilities with the sellers or service providers. Moreover, if business operators deceive consumers or knowingly sell substandard or defective products, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services.

### ***Regulations Relating to Anti-Monopoly***

The Anti-Monopoly Law of the PRC or the Anti-Monopoly Law, which was promulgated by the Standing Committee of NPC on August 30, 2007 and effective from August 1, 2008, and was last amended on June 24, 2022, which prohibits monopolistic conduct such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition.

The dominant market position shall refer to a market position where an operator may manipulate the price, volume and other trade conditions of commodities on a relevant market, or may obstruct or otherwise affect the entrance of other operators into relevant markets. Operators who hold the dominant market position are prohibited from engaging in such practices which may be classified as an abuse of said position as: (a) selling commodities at unfairly high or buying commodities at unfairly low prices, (b) selling commodities at a price lower than cost without justified reasons, (c) refusing to trade with relevant trading counterparts without justified reasons, (d) forcing the other trading counterparts to trade only with the said operator or its designated operators without justified reasons, (e) conducting tie-in sales or adding other unreasonable conditions on a deal without justified reasons, (f) discriminating among trading counterparts of the same qualifications with regard to trade price, etc. without justified reasons, or (g) other practices recognized by the enforcement authorities as abuse of dominant market position. Furthermore, where an operator violates the provisions of the Anti-Monopoly Law by abusing dominant market position, the enforcement authorities shall order such operator to stop the illegal activities, confiscate the illegal earnings, and impose a fine of 1% to 10% of the previous year's sales revenue.

In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the MOFCOM, the NDRC and the State Administration for Industry and Commerce, respectively. Since its inception, the SAMR has continued to strengthen its anti-monopoly enforcement. The SAMR issued the Notice on Anti-Monopoly Enforcement Authorization on December 28, 2018, which grants authorizations to the SAMR's provincial branches for anti-monopoly enforcement within their respective jurisdictions, and further issued the Anti-Monopoly Compliance Guideline for Operators on September 11, 2020, which applies to operators under the Anti-Monopoly Law for establishing an anti-monopoly compliance management system and preventing anti-monopoly compliance risks.

On June 26, 2019, the SAMR issued the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions, which took effect on September 1, 2019 and was amended on March 24, 2020, to further prevent and prohibit the abuse of dominant market positions. On February 7, 2021, Anti-monopoly Commission of the State Council issued an Anti-Monopoly Guide for the Platform Economy Sector, or the Guide. The Guide provides operational standards and guidelines to be applied in identifying certain monopolistic acts of internet platforms which are prohibited to restrict unfair competition and safeguard users' interests, including without limitation, prohibiting

personalized pricing using big data and analytics, selling products below cost without reasonable causes, actions or arrangements seen as exclusivity arrangements, using technology means to block competitors' interface, using bundle services to sell services or products.

### ***Regulations Relating to Anti-Unfair Competition***

The Anti-Unfair Competition Law of the PRC, or the Anti-Unfair Competition Law, which was promulgated by the Standing Committee of NPC on September 2, 1993 and most recently amended on April 23, 2019, provides that operators shall abide by freewill, equality, fairness and good faith principle and comply with laws and business ethics. The online business operator is required to comply with the Anti-Unfair Competition Law as well, such operator shall not, by utilizing technical methods to affect users' options, among others, conduct any activities interfering with or destroying other operator's online products or services.

According to the Anti-Unfair Competition Law, operators shall not undermine their competitors by engaging in improper activities, including but not limited to, market confusion, commercial bribery, misleading false publicity, infringement of trade secrets and illegitimate premium sale.

Any operators who violate the Anti-Unfair Competition Law by engaging in the unfair competitive activities shall be ordered to cease such illegal activities, eliminate the influence of such activities or compensate for the damages caused to any party. The competent supervision and inspection authorities may also confiscate the illegal gains or impose fines on such operators.

### ***Regulations on Leasing***

The Urban Real Estate Administration Law of the PRC, which took effect in January 1995 with the latest amendment on August 26, 2019, provides that lessors and lessees are required to enter into a written lease contract, containing such provisions as the term of the lease, the use of the premises, rental price, liability for repair, and other rights and obligations of both parties. Both lessor and lessee are also required to file for registration and record the lease contract with the real estate administration department. Pursuant to Administrative Measures for Commodity Housing Leasing, which took effect in February 1, 2011, if the lessor and lessee fail to go through the registration procedures timely provided that the competent administrative authority ordered to rectify within a time limit, both lessor and lessee may be subject to fines. According to the Civil Code, the validity of the lease contract shall not be affected due to the failure of registration and record of lease contract.

Pursuant to the Civil Code, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the lessor transfers the premises, the lease contract between the lessee and the lessor will still remain valid.

### ***Regulations on Fire Prevention***

The Fire Prevention Law of the PRC, or the Fire Prevention Law, was adopted on April 29, 1998 and last amended on April 29, 2021. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Ministry of Emergency Management and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards. For a construction project that needs a fire prevention design under the national fire protection technical standards for project construction, the construction entity must submit the fire prevention design documents to the fire prevention department of the public security authority for approval or filing purposes (as the case may be).

Upon completion of a construction project to which a fire prevention design has been applied, according to the requirements of the Fire Prevention Law, such project must go through an acceptance check on fire prevention by, or filed with, the relevant fire prevention departments of public security authorities. For each public assembly venue, such as Karaoke clubs, dancing halls, cinemas, hotels, restaurants, shopping malls, trade markets and etc., the

construction entity or entity using such venue shall, prior to use and operation of any business thereof, apply for a safety inspection on fire prevention with the relevant fire prevention department under the public security authority at or above the county level where the venue is located, and such place cannot be put into use and operation if it fails to pass the safety inspection on fire prevention or fails to conform to the safety requirements for fire prevention after such inspection.

### ***Regulations Relating to Intellectual Property Rights***

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

#### ***Copyright***

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law which was promulgated by Standing Committee of NPC on September 7, 1990 and of which the most recent amendment came into effect from June 1, 2021. Under the Copyright Law, PRC citizens, legal persons or other organizations enjoy copyright over their works which refer to original intellectual achievements in the fields of literature, art and science which can be expressed in a certain form including written works, oral works, computer software and other intellectual achievements which comply with the characteristics of the works, whether published or not. The term of protection for copyrighted software is fifty years.

In addition, the Regulations on the Protection of Rights to Information Network Communication, which was promulgated by the State Council on May 18, 2006 and amended on January 30, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and internet service providers. According to the Computer Software Protection Regulations last amended on January 30, 2013 and became effective on March 1, 2013, Chinese citizens, legal persons and other organizations shall enjoy copyright on the software they develop, regardless of whether the software has been released publicly. Software copyright commences from the date on which the development of the software is completed. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items. The protection period for software copyright of a legal person or other organization shall be fifty years, concluding on December 31 of the fiftieth year after the software's initial release

#### ***Patent***

According to the Patent Law of the PRC, or the Patent Law, which was promulgated by the Standing Committee of NPC on March 12, 1984 and of which the most recent amendment took effect from June 1, 2021, patent protection is divided into three categories, namely, invention patents, utility model patents and design patents. Invention patents are valid for twenty years from the date of application, utility patents are valid for ten years from the date of application while design patents are valid for fifteen years from the date of application. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Once an invention patent, or an utility model patent is granted, unless otherwise permitted by law, no individual or entities are permitted to engage in the manufacture, use, sale, or import of the product protected by such patent or otherwise engage in the manufacture, use, sale, or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder, otherwise, the use will constitute an infringement of the patent rights.

#### ***Trademark***

Registered Trademarks are protected by the PRC Trademark Law which was adopted by the Standing Committee of NPC on August 23, 1982 and most recently amended on April 23, 2019 as well as the Implementation Regulation of the PRC Trademark Law which was adopted by the State Council on August 3, 2002 and amended on April 29, 2014. The Trademark Office of the National Intellectual Property Administration under SAMR handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. For licensed use of a registered trademark, the licensor shall

file record of the licensing of the said trademark with the Trademark Office, otherwise it may not defend against a bona fide third party. The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration 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.

Under PRC law, any of the following acts will be deemed as an infringement to the exclusive right to use a registered trademark: (i) use of a trademark that is the same as or similar to a registered trademark for identical or similar goods without the permission of the trademark registrant; (ii) sale of any goods that have infringed the exclusive right to use any registered trademark; (iii) counterfeit or unauthorized production of the label of another’s registered trademark, or sale of any such label that is counterfeited or produced without authorization; (iv) change of any trademark of a registrant without the registrant’s consent, and selling goods bearing such replaced trademark on the market; or (v) other acts that have caused any other damage to another’s exclusive right to use a registered trademark.

According to the PRC Trademark Law, in the event of any of the foregoing acts, the infringing party will be ordered to stop the infringement immediately and may be imposed a fine; the counterfeit goods will be confiscated. The infringing party may also be held liable for the right holder’s damages, which will be equal to the losses suffered by the right holder as a result of the infringement, including reasonable expenses incurred by the right holder for stopping the infringement, or the gains obtained by the infringing party if the losses are difficult to be ascertained. If both gains and losses are difficult to be ascertained, the damages may be determined by referring to the amount of royalties for the license of such trademarks, which will be one to five times of the royalties in the case of any serious infringement with malicious intent. If the gains, losses and royalties are all difficult to be ascertained, the court may render a judgment awarding damages no more than RMB5 million. Notwithstanding the above, if a distributor does not know that the goods it sells infringe another’s registered trademark, it will not be liable for infringement provided that the seller shall prove that the goods are lawfully obtained and identify its supplier.

### *Domain Names*

Domain names are protected under the Administrative Measures on the Internet Domain Names which was promulgated by MIIT on August 24, 2017 and became effective on November 1, 2017. MIIT is the major regulatory body responsible for the administration of the PRC internet domain names. The registration of domain names generally adopts the “first to file” principle. On November 27, 2017, MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services, 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.



## ***Regulations Relating to Foreign Currency Exchange and Dividend Distribution***

### ***Foreign Exchange***

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations which was promulgated by the State Council on January 29, 1996 and most recently amended on August 5, 2008. Under the Foreign Exchange Administration Regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities or banks 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 foreign currency denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiaries.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign invested enterprise, or an FIE, of foreign currency into Renminbi by restricting how the converted Renminbi may be used. SAFE Circular 142 requires that the registered capital of an FIE settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within China. In addition, SAFE strengthened its oversight of the flow and use of the registered capital of an FIE settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without SAFE's approval, and may not, in any case, be used to repay Renminbi loans if the proceeds of such loans have not been used. On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect as of June 1, 2015 and superseded SAFE Circular 142 on the same date, and was partially amended on December 30, 2019. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of FIEs and allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from using the Renminbi converted from their foreign exchange capitals for expenditure beyond their business scopes. On June 9, 2016, SAFE promulgated the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which took effect on the same date. Pursuant to SAFE Circular 16, FIEs (excluding financial institutions) may go through foreign exchange settlement formalities for their foreign debts at their discretion. Violations of such SAFE circulars could result in severe monetary or other penalties. On October 23, 2019, SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment, or SAFE Circular 28, pursuant to which FIEs whose approved business scope does not include equity investments are allowed to use their capital funds obtained from foreign exchange settlement to make domestic equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, or SAFE Circular 59, which was further amended in May 2015. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, which was further revised in 2015, 2018 and 2019, specifying that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, which took effect on the same day. This circular sets out various measures to tighten genuineness and compliance verification of cross-border transactions and cross-border capital flow, which include without limitation requiring banks to verify board resolutions, tax filing form, and audited financial statements before wiring FIEs' foreign exchange distribution above US\$50,000, and strengthening genuineness and compliance verification of foreign direct investments.

#### *Dividend Distribution*

The principal regulations governing distribution of dividends of FIEs include the PRC Foreign Investment Law, the Implementation Rules of the PRC Foreign Investment Law, and the Company Law which was issued on December 29, 1993 and most recently amended on October 26, 2018.

Under these laws and regulations, WFOEs in China may pay dividends only out of their accumulated after-tax profits, if any. In addition, WFOEs in China are required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain statutory reserve funds until these reserves have reached 50% of the registered capital of the enterprises. These statutory reserves are not distributable as cash dividends.

#### *Offshore Financing*

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Oversea Investment, Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct or indirect offshore investment activities. Under SAFE Circular 37, (i) an "SPV" refers to an offshore entity directly established or indirectly controlled by PRC residents for the purpose of seeking offshore equity financing or making offshore investment, using legitimate domestic or offshore assets or interests owned by such PRC residents; (ii) "round trip investment" refers to the direct investment in China by such PRC residents through the "SPV," including, without limitation, establishing FIEs and using such FIEs to purchase or control onshore assets through contractual arrangements; and (iii) "control" is defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore SPVs or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 requires PRC residents to complete a foreign exchange registration of overseas investment with the competent local branches of SAFE before making capital contribution into an SPV. SAFE Circular 37 further requires the filing of amendment to the registration in the event of any changes with respect to the SPV, including basic information changes such as changes in a PRC resident individual shareholder, name of SPV or operation period, and significant changes such as changes in the capital contributed by PRC residents, share transfer or exchange, merger, division or other material events.

On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015 and was amended on December 30, 2019. After SAFE Notice 13 becomes effective, application for foreign exchange registration of inbound foreign direct investment and outbound overseas direct investment, including those required under the SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE. Beneficial owners of the special purpose vehicle who are PRC citizens are also required to make annual filing with the local banks regarding their overseas direct investment status. If any PRC resident shareholder of the SPV fails to make the required registration or to update the previously filed registration, the PRC subsidiaries of the SPV may be prohibited from distributing their profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV also may be prohibited from making additional capital contribution into its PRC subsidiaries.

#### *Stock Incentive Plans*

Pursuant to the Administrative Measures For Individual Foreign Exchange, which was promulgated by PBOC on December 25, 2006 and became effective on February 1, 2007, all foreign exchange matters involved in employee share ownership plans and share option plans in which PRC citizens participate require approval from SAFE or its

authorized branch. Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, or SAFE Notice 7, which was promulgated by SAFE on February 15, 2012, PRC residents or non-PRC citizens residing in China for a consecutive period of no less than one year, subject to a few exceptions, who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with SAFE or its local branches. Pursuant to SAFE Notice 7, PRC residents participating in the stock incentive plans of overseas-listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of these individuals who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with such individuals' exercise of the employee share options. The foreign exchange proceeds received by such individuals from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas-listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such individuals. In addition, the PRC agents shall file the form for record-filing of information of the individuals participating in the stock incentive plans of overseas-listed companies with SAFE or its local branches within three business days at the beginning of each quarter.

Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax in Relation to Equity Incentives promulgated and became effective on August 24, 2009 by the STA, listed companies and their domestic organizations will, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

## ***Regulations on Tax***

### ***Enterprise Income Tax***

The PRC enterprise income tax, or EIT, is calculated based on the taxable income determined under the Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008 and was most recently amended on December 29, 2018. The EIT Law imposes a uniform enterprise income tax rate of 25% on all PRC resident enterprises, including FIEs. The EIT Law and its implementation rules permit "high and new technology enterprises" to benefit from a preferential enterprise income tax rate of 15% subject to these high and new technology enterprises meeting certain qualification criteria.

Moreover, under the EIT Law, enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered as PRC resident enterprises and are therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. Though the implementation rules of the EIT Law define "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise", the only detailed guidance currently available for the definition of "de facto management body" as well as the determination of offshore incorporated PRC tax resident status and its administration are set forth in the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, or Circular 82, and the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, both issued by SAT, which provide guidance on the administration as well as determination of the tax residency status of a Chinese-controlled offshore-incorporated enterprise, defined as an enterprise that is incorporated under the law of a foreign country or territory and that has a PRC company or PRC corporate group as its primary controlling shareholder.

According to Circular 82, a Chinese-controlled offshore-incorporated enterprise 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 set forth in Circular 82 are met: (i) the primary location of the day-to-day operational management and the places where they perform their duties are in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval of organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals and board and shareholder resolutions are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives habitually reside in the PRC. In addition, SAT Bulletin 45 provides clarification on the resident status determination, post-determination administration, and competent tax authorities. It also specifies that when provided with a copy of a PRC resident determination certificate from a resident Chinese-controlled offshore-incorporated enterprise, the payer should not withhold 10% income tax when paying certain PRC-sourced income such as dividends, interest and royalties to the Chinese-controlled offshore-incorporated enterprise.

#### *Dividend Withholding Tax*

The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to PRC outsourced income of “non-PRC resident enterprises,” which (i) do not have an establishment or place of business in China or (ii) have an establishment or place of business in China, but the relevant income is not actually connected with the establishment or place of business to the extent such dividends and gains are derived from sources within China. The State Council or a tax treaty between China and the jurisdictions in which the non-PRC investors reside may reduce such income tax. Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, or SAT Circular 81, issued by SAT on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the Circular on Issues concerning the “Beneficial Owner” in Tax Treaties, or SAT Circular 9, issued by SAT on February 3, 2018, which became effective on April 1, 2018, a comprehensive analysis shall be conducted based on the factors set out in the present article and in combination with the actual conditions of specific cases, and certain factors which will negatively affect the determination of an applicant’s status as a “beneficial owner” are provided, such as the business activities engaged in by the applicant do not constitute substantive business activities. On October 14, 2019, SAT promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatment under Treaties, or SAT Circular 35, which became effective on January 1, 2020. SAT Circular 35 provides that non-PRC resident enterprises are not required to obtain pre-approval from the relevant tax authorities in order to enjoy the reduced withholding tax. Instead, non-PRC resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and include necessary forms and supporting documents in the tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities.

#### *Indirect Transfer of Properties*

On February 3, 2015, SAT issued a Public Notice Regarding Certain Enterprise Income Tax Matters on Indirect Transfer of Assets by Non-PRC Resident Enterprises, or SAT Public Notice 7. In December 2017, Article 13 and Paragraph 2 of Article 8 of SAT Public Notice 7 were abolished by Decision of the State Administration of Taxation on Issuing the Lists of Invalid and Abolished Tax Departmental Rules and Taxation Normative Documents effective on December 29, 2017 and the Circular on Issues concerning Withholding of Enterprise Income Tax for Non-PRC Resident Enterprises, or the SAT Circular 37, effective on December 1, 2017, which was amended on June 15, 2018, respectively. By promulgating and implementing these notices, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-PRC resident enterprise. Pursuant to the SAT Public Notice 7, as amended, in the event that a non-PRC resident enterprise indirectly transfers equities and other properties of a PRC resident enterprise to evade its obligation of paying EIT by implementing arrangements that are not for reasonable commercial purpose, such indirect transfer shall be re-identified and recognized as a direct transfer of equities and other properties of the PRC resident enterprise. The SAT Public Notice 7, as amended, provides clear criteria for assessment of 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 Public Notice 7 also brings challenges to both offshore transferor and transferee (or another person who is obligated to pay for the transfer) of taxable assets. Where a non-PRC resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an offshore holding company, which is an Indirect Transfer, the non-PRC resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the offshore 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 EIT, and the transferee or another person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a 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.

Issues concerning the withholding of EIT of the China-sourced income, which refers to income obtained from sources within China by non-PRC resident enterprises that (a) do not have an establishment or place of business in China or (b) have an establishment or place of business in China, but the relevant income is not effectively connected with the establishment or place of business in China, shall be subject to the SAT Circular 37. China-sourced income includes income from equity investment such as dividend and bonus, income from interest, rental and royalties, income from the property transfer, and other income. Pursuant to the SAT Circular 37, non-PRC resident enterprises shall pay EIT in relation to their China-sourced income, and the entities which have the direct obligation to make certain payments to a non-PRC resident enterprise shall be the relevant tax withholders for such non-PRC resident enterprise. The tax withholders shall, within seven days of the day on which the withholding obligation occurs, which is the day when the payment is made in fact or becomes due, declare and remit the withholding tax to the competent tax authority. When declaring and remitting the withholding tax payable, the tax withholders shall complete the Withholding Statement of the PRC for Enterprise Income Tax. In the event that the tax withholder fails to withhold and remit the taxable EIT for a non-PRC resident enterprise, or is unable to perform its obligation mentioned above, the non-PRC resident enterprise shall declare and pay the EIT to the competent tax authority, and complete the Withholding Statement of the PRC for Enterprise Income Tax.

#### *Value-Added Tax*

On March 23, 2016, the Ministry of Finance, or MOF and SAT jointly issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-Added Taxes in Lieu of Business Taxes, or the SAT Circular 36. Effective from May 1, 2016, the PRC tax authorities will collect Value-Added Tax, or the VAT, in lieu of business tax on a trial basis within the PRC territory, and in industries such as construction industries, real estate industries, financial industries, and living service industries. On November 19, 2017, the State Council issued the Decision on Abolishing the Provisional Regulation of China on Business Taxes and Amending the Provisional Regulation of China on Value-Added Taxes, pursuant to which, PRC tax authorities will collect VAT in lieu of business taxes for all industries where business taxes should have been collected within the PRC territory. Pursuant to the Provisional Regulation of China on Value-Added Taxes, as amended in 2017, entities and individuals that sell goods, provide labor services of processing, repairs or maintenance, or sell services, intangible assets or real property in China, or import goods to China, are subject to VAT at a rate ranging from 6% to 17%.

On April 4, 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates, or Circular 32, which took effect on May 1, 2018. According to Circular 32: (i) for VAT taxable sales or importation of goods originally subject to VAT rates of 17% and 11% respectively, tax rates are adjusted to 16% and 10%, respectively; (ii) for purchase of agricultural products originally subject to deduction rate of 11%, the deduction rate is adjusted to 10%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to the tax rate of 16%, the taxes are calculated at the deduction rate of 12%; (iv) for exported goods originally subject to the tax rate of 17% and export tax refund rate of 17%, the export tax refund rate is adjusted to 16%; and (v) for exported goods and cross-border taxable acts originally subject to the tax rate of 11% and export tax refund rate of 11%, the export tax refund rate is adjusted to 10%. To further reduce VAT, on March 20, 2019, MOF, SAT, and the General Administration of Customs jointly promulgated the Announcement on Relevant Policies for Deepening Value-Added Tax Reform, which took effect on April 1, 2019. According to the announcement: (i) for VAT taxable sales or importation of goods originally subject to VAT rates of 16% and 10%, tax rates are adjusted to 13% and 9%,

respectively; (ii) for purchase of agricultural products originally subject to deduction rate of 10%, the deduction rate is adjusted to 9%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to the tax rate of 13%, the taxes are calculated at the deduction rate of 10%; (iv) for exported goods originally subject to the tax rate of 16% and export tax refund rate of 16%, the export tax refund rate is adjusted to 13%; and (v) for exported goods and cross-border taxable acts originally subject to the tax rate of 10% and export tax refund rate of 10%, the export tax refund rate is adjusted to 9%. Announcement 39 came into effect on April 1, 2019 and shall prevail in case of any conflict with existing provisions.

### ***Regulations Relating to Employment Laws***

The PRC Labor Law, which became effective on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, and the PRC Labor Contract Law, which became effective on January 1, 2008 and was amended on December 28, 2012, provide requirements concerning employment contracts between an employer and its employees. Pursuant to the Labor Contract Law, a written labor contract is required when an employment relationship is established between an employer and an employee. An employer is obligated to sign a labor contract with an employee with an indefinite term if the employer continues to employ the employee after two consecutive fixed-term labor contracts. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations. Other labor-related regulations and rules of the PRC stipulate the maximum number of working hours per day and per week as well as the minimum wages. An employer is required to set up occupational safety and sanitation systems, implement the national occupational safety and sanitation rules and standards, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

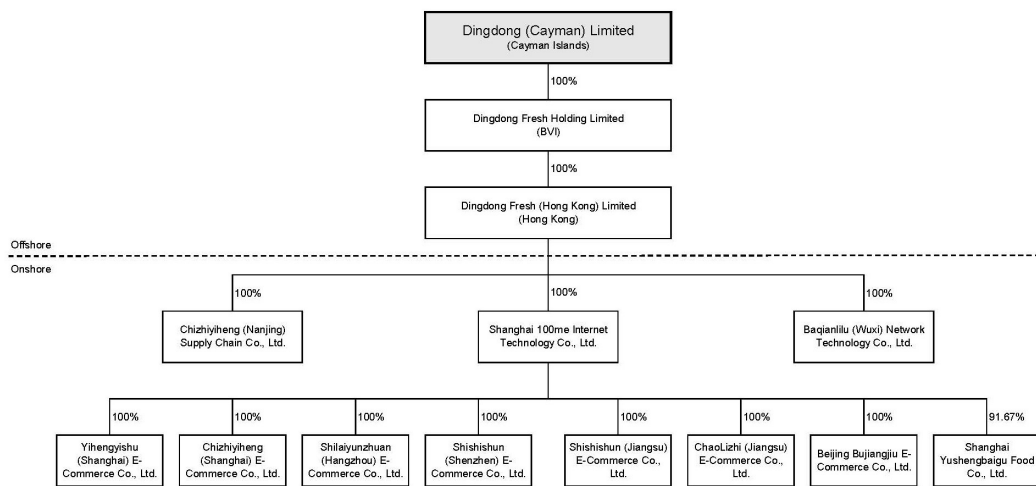
On October 28, 2010, Standing Committee of NPC promulgated the PRC Social Insurance Law, which became effective on July 1, 2011 and was amended on December 29, 2018. In accordance with the PRC Social Insurance Law and other relevant laws and regulations, China establishes a social insurance system including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. An employer must pay the social insurance for its employees in accordance with the rates provided under relevant regulations and must withhold the social insurance that should be assumed by the employees. The authorities in charge of social insurance may request an employer's compliance and impose sanctions if such employer fails to pay and withhold social insurance in a timely manner. Under the Regulations on the Administration of Housing Fund, which was promulgated on April 3, 1999, and was most recently amended on March 24, 2019, PRC companies must register with applicable housing fund management centers and establish a special housing fund account in an entrusted bank. Both PRC companies and their employees are required to contribute to the housing funds. An enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

### C. Corporate Structure

The following is a list of our principal subsidiaries as of December 31, 2022:

Major subsidiaries	Percentage of Ownership	Date of Incorporation	Place of Incorporation	Major Operation
Dingdong Fresh Holding Limited	100%	October 30, 2018	British Virgin Islands	Investment holding
Dingdong Fresh (Hong Kong) Limited	100%	January 4, 2019	Hong Kong	Investment holding
Baqianlilu (Wuxi) Network Technology Co., Ltd.	100%	May 9, 2020	PRC	E-commerce
Shanghai 100me Internet Technology Co., Ltd.	100%	March 26, 2014	PRC	E-commerce
Yihengyishu (Shanghai) E-Commerce Co., Ltd.	100%	April 12, 2017	PRC	E-commerce
Chizhiyiheng (Shanghai) E-commerce Co., Ltd.	100%	July 18, 2018	PRC	E-commerce
Shilaiyunzhuan (Hangzhou) E-commerce Co., Ltd.	100%	January 4, 2019	PRC	E-commerce
Shishishun (Shenzhen) E-commerce Co., Ltd.	100%	July 12, 2019	PRC	E-commerce
Shishishun (Jiangsu) E-Commerce Co., Ltd.	100%	September 18, 2019	PRC	E-commerce
ChaoLizhi (Jiangsu) E-Commerce Co., Ltd.	100%	November 14, 2019	PRC	E-commerce
Beijing Bujiangjiu E-Commerce Co., Ltd.	100%	February 28, 2020	PRC	E-commerce
Shanghai Yushengbaigu Food Co., Ltd.	91.67%	October 21, 2020	PRC	Production of private label products
Chizhiyiheng (Nanjing) Supply Chain Co., Ltd.	100%	August 30, 2021	PRC	E-commerce

The following diagram illustrates our corporate structure, including our principal subsidiaries, as of December 31, 2022:



#### D. Property, Plant and Equipment

Our principal place of business is located in Shanghai, China. As of December 31, 2022, we lease more than 1,200 properties including our offices and all of our regional processing centers and frontline fulfillment stations in around 30 cities in China. These leases vary in duration from two to four years.



#### Item 4A. Unresolved Staff Comments

None.

#### Item 5. Operating and Financial Review and Prospects

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties about our business and operations. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those we describe under “Item 3. Key Information—D. Risk Factors” and elsewhere in this annual report.*

##### A. Operating Results

###### Overview

We are a leading fresh grocery e-commerce company in China with sustainable growth. We directly provide users and households with fresh groceries, prepared food and other food products through a convenient and excellent shopping experience supported by an extensive self-operated frontline fulfillment grid. With fresh groceries as our core product categories, we have successfully expanded to providing prepared food and other food products to grow into a leading one-stop online shopping destination in China for consumers to make purchases for their daily lives.

Since our initial entry into Shanghai in May 2017, we have successfully expanded our business to around 30 cities across China. Demonstrating our ability to leverage our core capabilities and replicate our success in new markets. Starting from the third quarter of 2021, we strategically shifted our focus to “efficiency first with due consideration of scale”, aiming to achieve profitability to maximize our investors’ interests in us. Ever since our strategic shift, we have been focusing on further strengthening our product competitiveness while optimizing our fulfillment network, so as to increase user stickiness and secure their loyalty with us. In 2022, we strategically withdrew from some regions with immaterial GMV contribution historically but required substantial investment and time to build up a strong market presence and achieve economy of scale. This resulted in declines in transacting user number and order volume in the short-term, however, we believe that this will enhance our operating efficiency and cost-effectiveness in the longer term. Our ramp up in unit economics for new markets has continuously accelerated. Our average order value increased from RMB65.7 in 2020 to RMB74.5 in 2022. At the same time, our fulfillment expenses as percentage of total revenues decreased from 35.7% in 2020 to 25.2% in 2022, indicating significantly improved operational efficiency.

Our total revenues has grown from RMB11,335.8 million in 2020 to RMB20,121.1 million in 2021 and further to RMB24,221.2 million (US\$3,511.7 million) in 2022, representing a CAGR of 46.2%. Our total GMV has grown from RMB13,032.2 million in 2020 to RMB22,704.1 million in 2021, and to RMB26,247.9 million (US\$3,805.6 million) in 2022, representing a CAGR of 41.9%. We gradually narrowed our net loss, and recorded net loss of RMB3,176.9 million, RMB6,429.1 million, and RMB806.9 million (US\$117.0 million) in 2020, 2021 and 2022, respectively, while our net loss margin was 28.0%, 32.0% and 3.3%, respectively. We had non-GAAP net loss of RMB3,023.8 million in 2020, RMB6,113.7 million in 2021 and RMB571.0 million (US\$82.8 million) in 2022, and our non-GAAP net loss margin was 26.7%, 30.4% and 2.4% respectively in 2020, 2021 and 2022.

##### Key Factors Affecting Our Results of Operations

###### *General Factors Affecting Our Results of Operations*

Our results of operations and financial condition are affected by the general factors driving China’s retail industry, including levels of per capita disposable income and consumer spending in China. In addition, they are also affected by factors driving online retail in China, the availability of improved logistics infrastructure and the increasing variety of payment options and channels, and competition in the industry. As a result, unfavorable changes in any of these general factors could materially and adversely affect our results of operations.

### ***Specific Factors Affecting Our Results of Operations***

While our business is influenced by the general factors set forth above, our results of operations are also more directly affected by specific factors relating to our business, including:

#### ***Our ability to further enhance product competitiveness to efficiently drive average order value***

Product competitiveness is a fundamental driver of our business growth. Our ability to continually introduce compelling and quality new products and refine our current product offering drives the growth of our average order value. Our average order value was RMB65.7, RMB58.7 and RMB74.5 in 2020, 2021, and 2022, respectively. The slight decrease in 2021 was primarily because from late 2020 till 2021 we expanded into multiple new regions which took time to ramp up.

Our ability to continually improve the product competitiveness depends on our ability to (i) improve our product development and in-house production capabilities to launch more popular private label products so as to yield competitive advantage among our peers, (ii) offer more distinguished products, for example, prepared food to attract and retain more users on *Dingdong Fresh*, (iii) continue our direct sourcing procurement, in particular for fresh groceries directly from farms and cooperatives, to exert more control over supply chain and quality control, and (iv) further enhance end-to-end quality control measures to ensure food safety and quality.

#### ***Our ability to manage our costs and expenses***

Our results of operations are directly affected by our ability to further increase our business scale, realize economies of scale in our costs and expenses and further improve our operating efficiency. Cost of goods sold and fulfillment expenses are the two largest components of our costs and expenses, representing 80.3% and 35.7%, respectively, of our revenues in 2020, 79.9% and 36.1%, respectively, of our revenues in 2021, 69.1% and 25.2%, respectively, of our revenues in 2022. As we further enhance our product competitiveness, improve our operating efficiency and our business further grows in scale, we expect to further optimize our costs of goods sold and fulfillment expense structures and operating efficiency, benefiting our cash flow with favorable mix of trade payables, trade receivables and receivable turnover days.

Cost of goods sold consists of finished goods procurement cost and cost of private label products. Cost of private label products consists primarily of material procurement cost, labor cost and processing costs which mainly includes rental charges, utilities and depreciation of assets associated with food processing. We believe our costs of goods sold will be further optimized, as we (i) continue to deepen our relationship with suppliers and offer more value proposition to them through large order flow and order projections, which in turn enable us to have stable supplies of products at more attractive prices, (ii) continue to develop and launch private label products or prepared food to further refine our product mix, and (iii) continue to enhance in-house production capabilities for private label products, to further reduce costs.

Our fulfillment expenses primarily consist of (i) outsourcing expenses charged by third-party labor service companies for provision of delivery riders and workers at our regional processing centers and frontline fulfillment stations, (ii) lease expenses for our regional processing centers and frontline fulfillment stations, and (iii) logistics expenses charged by third party couriers. In the near future, we expect our fulfillment expenses to increase in absolute amounts as we further expand our business in existing and new cities in China and build out our fulfillment infrastructure, but to decrease as a percentage of our revenues as we improve operating efficiency and leverage our business scale in the long run.

#### ***Our ability to improve our sourcing capabilities***

Our results of operations are also affected by our ability to improve our sourcing capabilities and optimize products offerings on *Dingdong Fresh*. Direct source procurement assures us a stable and diverse supply of high quality products, while continuously strengthen our bargaining power and reducing procurement costs. In 2022, we sourced over 20,000 SKUs, including fresh groceries, prepared food and other food products from approximately 2,600 suppliers. In particular, direct source procurement, where directly sourcing from cooperatives and farms, accounted for approximately 80% of total procurement costs in the same period. Additionally, we carefully chose

reliable farms to implement order-based production, where we determine the selection and quantity of products to procure based on project demand. We plan to further enhance our upstream procurement and direct sourcing capabilities as we deepen our relationships with our suppliers. In addition, to improve supply chain efficiency, we will continue to empower our upstream farms and suppliers and our own supply chain management through further enhancing digitalization and promoting standardization, and ensure end-to-end quality control over products on *Dingdong Fresh*. Our ability to improve our sourcing capabilities will also let us offer a wider variety of products on *Dingdong Fresh*, which will increase our total revenues while help us maintain an efficient cost structure.

#### *Our ability to effectively invest in our fulfillment infrastructure and technology*

Our results of operations depend in part on our ability to invest in our fulfillment infrastructure and technology to cost-effectively meet the demands of our anticipated growth. As of December 31, 2022, we operated in around 30 cities in China, with a self-operated grid of around 60 regional processing centers and around 1,100 frontline fulfillment stations on our leased properties. We plan to continue our investment in core technology areas such as AI, big data and algorithm optimization to strengthen our existing technical advantages to support the proper functions of our fulfillment infrastructure. We expect these technology initiatives to provide innovative features, solutions and services to our users and suppliers, while increasing our operational efficiency. Our ability to effectively invest in our fulfillment infrastructure and technology may decrease our fulfillment expenses as a percentage of our total revenues in the long run, but require upfront capital investments and expenditures in the short run, both of which would affect our operating costs and expenses.

#### **Impact of COVID-19 Pandemic on Our Operations and Financial Performance**

Our operations were adversely affected by the COVID-19 pandemic. In 2022, there had been resurgences of COVID-19 outbreaks across China due to the Delta and Omicron variants. As a result, the Chinese government implemented a series of measures to contain the further spread of COVID-19. The city-wide containment measures implemented by local governments from time to time strained our supply chain, fulfillment efficiency, and production. For example, since mid-March to the end of May 2022, Shanghai government had implemented a series measures to contain the spread of Omicron variant, including among others, encouraging residents to stay at home and temporarily suspending public transport, and partially suspending intra- and inter-city logistics. The suspension of intra- and inter-city logistics disrupted the delivery of our products from our suppliers to regional processing centers and to frontline fulfillment stations. Additionally, some of our regional processing centers and frontline fulfillment stations were requested by local authorities to suspend operations from time to time, which typically lasted one to two weeks. In April and May 2022, approximately 20% to 40% of our frontline fulfillment stations in Shanghai were intermittently closed. In mid-June 2022, substantially all of our frontline fulfillment stations in Shanghai resumed operation, and in early July 2022, all of our regional processing centers and frontline fulfillment stations had fully recovered from the COVID-19 related disruptions. Moreover, our delivery speed across the city became uncertain or was largely delayed, due to exponential surge of orders and factors beyond our control. Furthermore, in April and May 2022, four of our Dingdong production plants were requested by local governments to suspend operations for a duration of days to months, all of which resumed operations in June 2022. In December 2022, Chinese government eased its dynamic zero-COVID policy and lifted most of COVID-19 related restrictions, which led to a surging wave of infections across the country. As a result, many of our delivery riders and workers in the regional processing centers and frontline fulfillment stations contracted COVID-19, which had led to a temporary shortage of fulfillment capacity. However, with our delivery riders and workers recovered from infections, our front-line fulfillment soon returned to normal. All of the above to some extent had adversely affected our abilities to serve our users, which may negatively impact our users' shopping experience with us and harm their satisfaction. Therefore, our abilities to attract new users or retain existing ones may have been adversely affected.

In response to the outbreak of COVID-19, we have also taken a series of measures, including among others, remote working arrangements for some of our employees. These measures temporarily affected the capacity and efficiency of our operations. In addition, we provided our riders and fulfillment workers with masks, hand sanitizers and other protective equipment immediately after the outbreak. Starting from 2022, we arranged COVID-19 mass testing for our employees and delivery riders from time to time as requested by local governments. All of these increased and may continue to increase costs and expenses of our operations. Furthermore, our business operations could be disrupted if any of our employees contracts or is suspected of contracting COVID-19 or any other epidemic disease, since our employees could be subject to contact tracing and quarantined, and/or our offices could be shut

down for quarantine control. In response to the disruption to our Dingdong production plants, we temporarily increased the portion of private label products manufactured by third parties to ensure sufficient supply to our users.

While the COVID-19 pandemic adversely impacted our business operation, it has accelerated an ongoing trend of consumers shifting away from traditional retail towards online channels, which has benefited e-commerce players, including us. We have seen increasing user acceptance of online grocery shopping during the pandemic, and it is expected that such trend will last after the pandemic ends. This positively affected both of our total number of orders and average order value. In 2022, in places where local governments implemented measures to contain the spread of the variant, including encouraging people to stay at home, we experienced growth in both order volume and average order value, which had driven our business growth. However, due to the non-recurring nature of the COVID-19 pandemic, the circumstances that have accelerated the growth of e-commerce transactions may not continue in the future once the impact of the COVID-19 pandemic tapers. We cannot assure you that as China and world economies re-open after the end of pandemic, consumers' demand for online products will remain at the level of where it was during the pandemic, or consumers' buying behaviors will continue to shift from offline to online.

### Seasonality

We have experienced seasonal fluctuations in customer purchases in our business. For example, we typically experience higher user traffic and more purchase orders during summer holidays as families tend to cook more often for children at home and lower user traffic during the Chinese New Year. Other than the foregoing, shopping for fresh grocery and other food products is a frequent occurrence for consumers, and our sales are not normally subject to fluctuations, including during promotional events.

### Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. The period-to-period comparisons of results of operations should not be relied upon as indicative of future performance.

	For the year ended December 31,			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
	(in thousands)			
<b>Revenues:</b>				
Product revenues	11,207,178	19,896,725	23,939,480	3,470,898
Service revenues	128,609	224,401	281,753	40,851
<b>Total revenues</b>	<b>11,335,787</b>	<b>20,121,126</b>	<b>24,221,233</b>	<b>3,511,749</b>
<b>Operating costs and expenses:</b>				
Cost of goods sold	(9,105,294)	(16,076,178)	(16,735,643)	(2,426,440)
Fulfilment expenses	(4,044,230)	(7,272,535)	(6,114,851)	(886,570)
Sales and marketing expenses	(568,705)	(1,514,504)	(541,124)	(78,456)
Product development expenses	(321,697)	(905,007)	(1,003,225)	(145,454)
General and administrative expenses	(458,041)	(682,922)	(541,653)	(78,532)
<b>Total operating costs and expenses</b>	<b>(14,497,967)</b>	<b>(26,451,146)</b>	<b>(24,936,496)</b>	<b>(3,615,452)</b>
Other operating income/(loss), net	2,693	(16,821)	(47,526)	(6,891)
<b>Loss from operations</b>	<b>(3,159,487)</b>	<b>(6,346,841)</b>	<b>(762,789)</b>	<b>(110,594)</b>
Interest income	16,244	45,324	93,035	13,489
Interest expenses	(38,758)	(85,151)	(133,714)	(19,387)
Other (expenses)/income, net	(6,363)	11,439	3,327	482
Changes in fair value of warrant liabilities	11,450	(44,457)	—	—
<b>Loss before income tax</b>	<b>(3,176,914)</b>	<b>(6,419,686)</b>	<b>(800,141)</b>	<b>(116,010)</b>
Income tax expenses	—	(9,373)	(6,742)	(977)
<b>Net loss</b>	<b>(3,176,914)</b>	<b>(6,429,059)</b>	<b>(806,883)</b>	<b>(116,987)</b>

## Non-GAAP Measures

We report our financial results in accordance with generally accepted accounting principles in the U.S. (“GAAP”); however, management evaluates our results of operations using, among other measures, non-GAAP net loss or non-GAAP net loss margin in evaluating our operating results and for financial and operational decision-making purposes. We believe that the non-GAAP financial measures help identify underlying trends in our business by excluding the impact of share-based compensation expenses, which are non-cash charges and do not correlate to any operating activity trends. We also believe that the non-GAAP financial measures provide useful information about our company’s results of operations, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

These non-GAAP financial measures are not universally consistent calculations, limiting their usefulness as comparative measures. Other companies may calculate similarly titled financial measures differently than we do or may not calculate them at all. Additionally, these non-GAAP financial measures are not measurements of financial performance under GAAP. In order to facilitate a clear understanding of our consolidated historical operating results, you should examine our non-GAAP financial measures in conjunction with our historical consolidated financial statements and related notes thereto included in this annual report.

The following tables present a reconciliation of net loss to non-GAAP net loss for the periods presented:

	For the year ended December 31,			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
	(in thousands)			
Net loss	(3,176,914)	(6,429,059)	(806,883)	(116,987)
Add: share-based compensation expenses	153,110	315,362	235,875	34,198
<b>Non-GAAP net loss.</b>	<b>(3,023,804)</b>	<b>(6,113,697)</b>	<b>(571,008)</b>	<b>(82,789)</b>

	For the year ended December 31,		
	2020	2021	2022
Net loss margin	(28.0)%	(32.0)%	(3.3)%
Add: share-based compensation expenses	1.3%	1.6%	1.0%
<b>Non-GAAP net loss margin.</b>	<b>(26.7)%</b>	<b>(30.4)%</b>	<b>(2.4)%</b>

## Key Components of Results of Operations

### Revenues

Revenues consist of (i) product revenues and (ii) service revenues. The following table sets forth a breakdown of our revenues by type in absolute amounts for the periods indicated:

	For the year ended December 31,			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
	(in thousands)			
<b>Revenues:</b>				
Product revenues	11,207,178	19,896,725	23,939,480	3,470,898
Service revenues	128,609	224,401	281,753	40,851
<b>Total revenues</b>	<b>11,335,787</b>	<b>20,121,126</b>	<b>24,221,233</b>	<b>3,511,749</b>

We generate product revenues from sale of products on *Dingdong Fresh*, accounting for significantly all of our revenues in 2020, 2021 and 2022. We also generate a small amount of service revenues primarily from Dingdong membership fees paid by our members.

We record revenues net of discounts, return allowances and value-added taxes, or VAT.

## Operating costs and expenses

Our operating costs and expenses consist of (i) costs of goods sold, (ii) fulfillment expenses, (iii) sales and marketing expenses, (iv) product development expenses, and (v) general and administrative expenses. In 2021, we shifted our strategic focus to “efficiency first, with due consideration of scale.” We expect that our operating costs and expenses to decrease as a percentage of our revenues as we further improve our supply chain capabilities and operating efficiency and realize benefits from economies of scale in line with our growth. The following table sets forth a breakdown of our operating costs and expenses both in absolute amounts and as a percentage of our revenues for the periods indicated:

	For the years ended December 31						
	2020		2021		2022		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentage)						
Operating costs and expenses:							
Cost of goods sold	9,105,294	80.3 %	16,076,178	79.9 %	16,735,643	2,426,440	69.1 %
Fulfilment expenses	4,044,230	35.7 %	7,272,535	36.1 %	6,114,851	886,570	25.2 %
Sales and marketing expenses	568,705	5.0 %	1,514,504	7.5 %	541,124	78,456	2.2 %
Product development expenses	321,697	2.8 %	905,007	4.5 %	1,003,225	145,454	4.1 %
General and administrative expenses	458,041	4.0 %	682,922	3.4 %	541,653	78,532	2.2 %
Total operating costs and expenses	14,497,967	127.8 %	26,451,146	131.4 %	24,936,496	3,615,452	103.0 %

*Costs of goods sold.* Costs of goods sold primarily consists of procurement costs of finished goods and material procurement costs, labor costs and processing costs for private label products.

*Fulfillment expenses.* Fulfillment expenses consist primarily of (i) outsourcing expenses charged by third-party labor service companies for provision of delivery riders and workers at our regional processing centers and frontline fulfillment stations, (ii) warehouse leasing of regional processing centers and frontline fulfillment stations and (iii) transportation and logistics expenses paid to third-party couriers for transferring products from regional processing centers to frontline fulfillment stations. Outsourcing expenses amounted to RMB2,515.4 million, RMB4,266.0 million and RMB3,382.1 million (US\$490.4 million) in 2020, 2021 and 2022, representing 62.2%, 58.7% and 55.3% of total fulfillment expenses, respectively. We expect our fulfillment expenses to decrease as a percentage of our revenues in the near future, as we further improve our operating efficiencies.

*Sales and marketing expenses.* Sales and marketing expenses primarily consist of (i) advertising expenses, (ii) outsourcing expenses for marketing activities and (iii) staff costs, including share-based compensation expenses, for our sales and marketing personnel. We expect to continue to incur sales and marketing expenses to grow our user base and strengthen our brand image, but as we are more focused on increasing user stickiness to secure their loyalty with us and driving the growth through our improved product capabilities, our marketing efficiency will improve significantly.

*Product development expenses.* Product development expenses consist primarily of staff costs, including share-based compensation expenses, for research and development personnel involved in platform development, product development and system support.

*General and administrative expenses.* General and administrative expenses consist primarily of (i) staff costs, including share-based compensation expenses, for general and administrative personnel, (ii) payment processing fees on Dingdong Fresh and (iii) fees charged by professional parties. We plan to continue to hire additional qualified employees to support our business operations and sustainable growth.

## Interest income

Interest income is mainly generated from bank deposits and other interest earning financial assets and is recognized on an accrual basis using the effective interest method.

### ***Interest expenses***

Interest expenses consist primarily of interest incurred from short-term bank loans and reversed factoring arrangements.

### **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 brought within the jurisdiction of, the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

#### ***Hong Kong***

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017, 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 the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

#### ***China***

Under the PRC Enterprise Income Tax Law and its implementation rules, our PRC 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 SSE are eligible for a preferential enterprise income tax rate of 20%. A number of our PRC operating subsidiaries are qualified as SSE and thus entitled to enjoy a preferential tax rate of 20% in 2020, 2021 and 2022.

Pursuant to the PRC Enterprise Income Tax Law and its implementation rules, normally a 10% withholding tax is levied on dividends declared to foreign investors from China.

We incurred income tax expenses of RMB9.4 million and RMB6.7 million (US\$1.0 million) for the years ended December 31, 2021 and 2022. We had no current or deferred income tax expenses or benefits for the year ended December 31, 2020.

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

#### ***Revenues***

Our revenues increased by 20.4% from RMB20,121.1 million in 2021 to RMB24,221.2 million (US\$3,511.7 million) in 2022.

*Product revenues.* Product revenues increased by 20.3% from RMB19,896.7 million in 2021 to RMB23,939.5 million (US\$3,470.9 million) in 2022, primarily driven by an increase in average order value, which increased by 27.0% from RMB58.7 in 2021 to RMB74.5 in 2022.

*Service revenues.* Service revenues increased by 25.6% from RMB224.4 million in 2021 to RMB281.8 million (US\$40.9 million) in 2022, primarily due to an increase in membership fees which is in line with the growth of our members.

### ***Operating costs and expenses***

*Cost of goods sold.* Our cost of goods sold increased by 4.1% from RMB16,076.2 million in 2021 to RMB16,735.6 million (US\$2,426.4 million) in 2022. Cost of goods sold as a percentage of revenues decreased from 79.9% in 2021 to 69.1% in 2022, primarily due to our improved product development capabilities.

*Fulfillment expenses.* Our fulfillment expenses decreased by 15.9% from RMB7,272.5 million in 2021 to RMB6,114.9 million (US\$886.6 million) in 2022, primarily due to decreases in outsourcing expenses, consumables and packaging expenses. Fulfillment expenses as a percentage of revenues decreased from 36.1% in 2021 to 25.2% in 2022, primarily driven by the increase in average order value and improved frontline fulfillment labor efficiency.

*Sales and marketing expenses.* Our sales and marketing expenses decreased by 64.3% from RMB1,514.5 million in 2021 to RMB541.1 million (US\$78.5 million) in 2022, primarily due to the decreased spending on advertising activities to acquire new users, as a result of our strengthened brand awareness among users and our focus on efficiency enhancements.

*Product development expenses.* Our product development expenses increased by 10.9% from RMB905.0 million in 2021 to RMB1,003.2 million (US\$145.5 million) in 2022, primarily due to the increased staff cost alongside with the increased investments in product development capabilities, agricultural technology, technical data algorithms, and other infrastructure.

*General and administrative expenses.* Our general and administrative expenses decreased by 20.7% from RMB682.9 million in 2021 to RMB541.7 million (US\$78.5 million) in 2022, primarily due to the improvement of management efficiency and a decrease in share-based compensation expenses.

### ***Other operating loss, net***

Our other operating loss, net was RMB47.5 million (US\$6.9 million) in 2022, compared with RMB16.8 million in 2021. Other operating loss in 2022 mainly included loss from disposal of property and equipment and compensation or penalties paid for early termination of contracts.

### ***Loss from operations***

As a result of the foregoing, we had operating loss of RMB762.8 million (US\$110.6 million) in 2022, compared to RMB6,346.8 million in 2021.

### ***Interest income***

Our interest income increased by 105.3% from RMB45.3 million in 2021 to RMB93.0 million (US\$13.5 million) in 2022, primarily due to the increase in interest rate of time deposits.

### ***Interest expenses***

Our interest expenses increased by 57.0% from RMB85.2 million in 2021 to RMB133.7 million (US\$19.4 million) in 2022, primarily due to an increase in short-term borrowings.

### ***Loss before income tax***

Primarily as a result of the foregoing, our loss before income tax was RMB6,419.7 million and RMB800.1 million (US\$116.0 million) in 2021 and 2022, respectively.



### ***Income tax expenses***

As compared to RMB9.4 million income tax expenses we incurred in 2021, we incurred income tax expenses of RMB6.7 million (US\$1.0 million) in 2022, primarily due to the government grants received by one of our subsidiaries, which is deemed as taxable income according to PRC tax law.

### ***Net loss***

As a result of the foregoing, our net loss was RMB6,429.1 million and RMB806.9 million (US\$117.0 million) in 2021 and 2022, respectively.

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

### ***Revenues***

Our revenues increased by 77.5% from RMB11,335.8 million in 2020 to RMB20,121.1 million in 2021.

*Product revenues.* Product revenues increased by 77.5% from RMB11,207.2 million in 2020 to RMB19,896.7 million in 2021, primarily driven by the increase in the number of orders placed on *Dingdong Fresh* from 198.5 million in 2020 to 387.1 million in 2021. Such increase of order volume was primarily due to the increased user purchase frequency, and a larger user base in the existing cities and new cities we entered in 2021.

*Service revenues.* Service revenues increased by 74.5% from RMB128.6 million in 2020 to RMB224.4 million in 2021, primarily due to an increase in membership fees which is in line with the growth of our members.

### ***Operating costs and expenses***

*Cost of goods sold.* Our cost of goods sold increased by 76.6% from RMB9,105.3 million in 2020 to RMB16,076.2 million in 2021, generally in line with the increase in product revenues for the same period due to the growth of our business.

*Fulfillment expenses.* Our fulfillment expenses increased by 79.8% from RMB4,044.2 million in 2020 to RMB7,272.5 million in 2021, primarily due to increases in outsourcing expenses, lease expenses for our fulfillment facilities and logistics expenses. Fulfillment expenses as a percentage of revenues increased slightly from 35.7% in 2020 to 36.1% in 2021, primarily due to the increase in the GMV contribution from the new cities that the Company entered in late 2020 and 2021, where the fulfillment efficiency was still at the ramp-up stage.

*Sales and marketing expenses.* Our sales and marketing expenses increased by 166.3% from RMB568.7 million in 2020 to RMB1,514.5 million in 2021, primarily due to the increased spending on advertising activities to acquire new users.

*Product development expenses.* Our product development expenses increased by 181.3% from RMB321.7 million in 2020 to RMB905.0 million in 2021, primarily due to the increased staff cost alongside with our investments in (i) our supply chain system to further improve efficiency and reduce operating costs, (ii) the agricultural technology to empower upstream partners, and (iii) research and development to launch new products.

*General and administrative expenses.* Our general and administrative expenses increased by 49.1% from RMB458.0 million in 2020 to RMB682.9 million in 2021, primarily due to our increased business scale and number of employees.

### ***Other operating income/(loss), net.***

Our other operating loss, net was RMB16.8 million in 2021, compared with other operating income, net of RMB2.7 million in 2020. Other operating loss in 2021 mainly included loss from disposal of property and equipment and default fine.

**Loss from operations**

As a result of the foregoing, we had operating loss of RMB6,346.8 million in 2021, compared to RMB3,159.5 million in 2020.

**Interest income**

Our interest income increased by 179.0% from RMB16.2 million in 2020 to RMB45.3 million in 2021, primarily due to the increase in short-term investments.

**Interest expenses**

Our interest expenses increased by 119.7% from RMB38.8 million in 2020 to RMB85.2 million in 2021, primarily due to the increase in short-term borrowings.

**Loss before income tax**

Primarily as a result of the foregoing, our loss before income tax was RMB3,176.9 million and RMB6,419.7 million in 2020 and 2021, respectively.

**Net loss**

In 2021, we incurred income tax expenses of RMB9.4 million, because of the government subsidy received by one of our subsidiaries, which is deemed as taxable income according to PRC tax law. We did not incur any income tax expense in 2020.

As a result of the foregoing, our net loss was RMB3,176.9 million and RMB6,429.1 million in 2020 and 2021, respectively.

**Critical Accounting Policies, Judgments and Estimates**

We have identified certain accounting policies, judgments, and estimates that are significant to the preparation of our historical financial information in accordance with the U.S. generally accepted accounting principles (“U.S. GAAP”). Our significant accounting policies, which are important for an understanding of our financial position and results of operations, are set forth in detail in Note 2 to the consolidated financial statements included elsewhere in this annual report.

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 that we use and the judgments that we make in applying our accounting policies have a significant impact on our financial position and results of operations. Actual results could differ from those estimates. Our management continually evaluates such estimates, assumptions, and judgments based on past experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. Our critical accounting judgments and estimates that were used in the preparation of our historical financial information are set forth in Note 2 to the consolidated financial statements included elsewhere in this annual report.

**Revenue Recognition**

We recognize revenues (i) from product sales of primarily fresh groceries, prepared food and other food products through “Dingdong Fresh” APP and mini-programs and (ii) membership services.

We recognize revenues when we satisfy a performance obligation by transferring a promised good or service (that is, an asset) to a customer in an amount of consideration to which we expect to be entitled to in exchange for the good or services. An asset is transferred when the customer obtains control of that asset.

## *Product Sales*

We evaluate whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When we are a principal, we obtain control of the specified goods or services before they are transferred to the customers and revenues are recognized at the gross amount of consideration to which we expect to be entitled in exchange for the specified goods or services transferred. When we are an agent and our obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, revenues are recognized at the net amount for the amount of commission which we earn in exchange for arranging for the sales of the specified goods or services to be provided by other parties.

We recognize product sales made through Dingdong Fresh APP and mini program on a gross basis because we are acting as the principal in these transactions as we (i) are responsible for fulfilling the promise to provide the specified goods, (ii) take on inventory risks and (iii) have discretion in establishing price. Revenues generated from product sales are recognized at a point in time when the control of the product is transferred to the customer. Revenues are recorded net of value-added taxes, or VAT.

We recognize revenues net of discounts and return allowances. We do not issue any coupons concurrent with the completion of a sales transaction. The discounts and coupons are recorded as a deduction of revenue when used by customers, except for referral coupons, which are recognized as sales and marketing expenses when customers provide a customer referral. We allow for return of fresh groceries and other products within 24 hours and 7 days, respectively. We estimate a provision for product returns based on historical experience.

We also sell prepaid cards which can be redeemed to purchase products sold on Dingdong Fresh APP. Cash collected from the sales of prepaid cards is initially recorded as “Customer advances and deferred revenue” in the consolidated balance sheets and subsequently recognized as revenues upon the sales of products through redemption of prepaid cards. We do not recognize revenue related to breakage or forfeiture of unused balances in prepaid cards as they do not expire.

Customers are also granted loyalty points primarily from the purchases of goods. Loyalty points can be used as cash coupons to buy any products sold by us, which will directly reduce the amount paid by the customer. Loyalty points expire three months from the date of issuance. We consider loyalty points awarded from sales of products to be part of our revenue generating activities, and accordingly, loyalty points are considered to be a material right and a separate performance obligation identified in the contract.

Consideration from the sales transaction is allocated to the products and loyalty points based on the relative standalone selling price of the products and loyalty points awarded. The amount of revenue we recognize upon the redemption of loyalty points considers breakage, which is estimated based on our historical experience.

## ***Impairment of long-lived assets***

We evaluate the recoverability of our long-lived assets, including property and equipment and operating lease right-of-use assets, for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For purposes of assessing recoverability, we identified a single geographical region that is serviced by various regional processing centers and frontline fulfillment stations to be the lowest level of independent cash flows. A long-lived asset group is not recoverable if the carrying value is higher than the undiscounted future cash flows expected to result from their use. Impairment losses are measured based on the excess of the asset group’s carrying amount over its fair value and reduces the carrying amount of the long-lived assets in the asset group on a pro rata basis using the relative carrying amounts of those assets. The adjusted carrying amounts after an impairment charge represent the new cost basis and is depreciated over their remaining useful lives. No impairment losses were recognized for the years ended December 31, 2020, 2021 and 2022.

In determining the fair value of our long-lived asset groups that are deemed not recoverable, we consider the highest and best use of their long-lived assets from a market participants' perspective, which is determined to be the higher of the discounted future cash flows from operating the long-lived asset groups and the price market participants would pay to sub-lease the operating lease right-of-use assets and acquire the property and equipment, even if that use differs from our current or intended use of the asset group. Our use of long-lived assets may differ from the highest and best use from time to time, especially when entering into new geographic areas, as time is needed to acquire a meaningful user base and increase business scale to realize economies of scale in our operations. We estimate the fair value of our long-lived asset groups with the assistance of an independent third-party valuation firm.

We use considerable judgement to estimate future cashflows, particularly revenues expected to be generated from the usage of the long-lived assets and estimates of the price market participants would pay us to sub-lease the operating lease right-use assets, which are based on comparable market rental information that could be reasonably obtained for the property. Accordingly, actual results may vary significantly from our estimates as they are forward-looking and include assumptions about economic and market conditions with uncertain future outcomes.

### ***Income taxes***

We follow the liability method of accounting for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"). Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. We record a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in tax expense in the period that includes the enactment date of the change in tax rate.

We evaluate our uncertain tax positions using the provisions of ASC 740, which prescribes a recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements.

We recognize in the consolidated financial statements the benefit of a tax position which is "more likely than not" to be sustained under examination based solely on the technical merits of the position assuming a review by tax authorities having all relevant information. Tax positions that meet the recognition threshold are measured using a cumulative probability approach, at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. The actual penalties or benefits ultimately realized may differ from our estimates. Additionally, changes in facts, circumstances and new information may require us to adjust the recognition and measurement estimates with regard to individual tax positions and are recognized in the period in which the changes occur. We record the unrecognized tax benefits in "Other non-current liabilities" in the consolidated balance sheets and elected to include interest and penalties related to an uncertain tax position in "Income tax expense" in the consolidated statements of comprehensive loss.

### **Recently Issued Accounting Pronouncements**

A list of recently issued accounting pronouncements that are relevant to us is included in Note 2 of our consolidated financial statements included elsewhere in this annual report.

### **B. Liquidity and Capital Resources**

To date, we have financed our capital requirements primarily through cash generated by historical equity and debt financing activities and capital contributions from our shareholders. We had cash and cash equivalents, restricted cash and short-term investments of RMB2,456.7 million, RMB5,238.8 million and RMB6,495.7 million (US\$941.8 million) as of December 31, 2020, 2021 and 2022, respectively.

We believe that our current cash and cash equivalents, restricted cash and short-term investments and our anticipated cash flows from financing activities will be sufficient to meet our anticipated working capital requirements, capital expenditures and debt repayment obligations for at least the next 12 months from the date of this annual report. We may consider enhancing our liquidity position or increase our cash reserves for future operations and investments through additional equity or debt financings. The issuance and sale of additional equity would result in further dilution

to our shareholders, and the incurrence of indebtedness would result in increasing fixed obligations and may result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

As of December 31, 2022, substantially all of our cash and cash equivalents were held in China and substantially all were denominated in Renminbi and U.S. dollars. As of December 31, 2022, 98.0% of our cash and cash equivalents were held by our subsidiaries.

Substantially all of our revenues have been, and we expect will likely continue to be, denominated in Renminbi. 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 SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi 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. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

## Cash Flow Summary

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

	For the year ended December 31,			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash (used in)/generated from operating activities	(2,055,697)	(5,666,538)	87,366	12,667
Net cash used in investing activities	(1,021,219)	(4,065,340)	(47,127)	(6,833)
Net cash generated from financing activities	3,656,665	9,042,640	1,112,383	161,281
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(67,860)	(90,778)	35,896	5,204
Net increase/(decrease) in cash and cash equivalents and restricted cash	511,889	(780,016)	1,188,518	172,319
Cash and cash equivalents and restricted cash at the beginning of the year	938,559	1,450,448	670,432	97,204
Cash and cash equivalents and restricted cash at the end of the year	1,450,448	670,432	1,858,950	269,523

## Operating activities

For the year ended December 31, 2022, net cash generated from operating activities was RMB87.4 million (US\$12.7 million), which was primarily attributable to (i) net loss of RMB806.9 million (US\$117.0 million), as adjusted by non-cash items, which primarily comprised (a) share-based compensation expenses of RMB235.9 million (US\$34.2 million) and (b) depreciation and amortization expenses of RMB204.2 million (US\$29.6 million), and (ii) changes in operating assets and liabilities, was primarily the result of (a) a decrease of RMB820.5 million (US\$119.0 million) in operating lease right-of-use assets, (b) a decrease of RMB292.3 million (US\$42.4 million) in prepayments and other current assets, (c) an increase of RMB152.6 million (US\$22.1 million) in accrued expenses and other current liabilities, and (d) an increase of RMB84.4 million (US\$12.2 million) in salary and welfare payable, partially offset by (e) a decrease of RMB842.1 million (US\$122.1 million) in operating lease liabilities, (f) a decrease of RMB171.9 million (US\$24.9 million) in accounts payable, and (g) an increase of RMB67.4 million (US\$9.8 million) in inventories.

For the year ended December 31, 2021, net cash used in operating activities was RMB5,666.5 million, which was primarily attributable to (i) our net loss of RMB6,429.1 million, as adjusted by non-cash items, which primarily comprised (a) share-based compensation expenses of RMB315.4 million, (b) depreciation and amortization expenses of RMB213.1 million, (c) changes in fair value of warrant liabilities of RMB44.5 million, and (d) loss on disposal of

property and equipment of RMB35.5 million, and (ii) changes in operating assets and liabilities, which was primarily the result of (a) an increase of RMB742.4 million in operating lease right-of-use assets, (b) an increase of RMB364.0 million in prepayments and other current assets, (c) an increase of RMB152.7 million in accounts receivable, (d) an increase of RMB151.0 million in inventories, and partially offset by (e) an increase of RMB747.1 million in operating lease liabilities, and (f) an increase of RMB478.7 million in accounts payable, and (g) an increase of RMB164.6 million in accrued expenses and other current liabilities.

For the year ended December 31, 2020, net cash used in operating activities was RMB2,055.7 million, which was primarily attributable to: (i) our net loss of RMB3,176.9 million, as adjusted by non-cash items, which primarily comprised (a) share-based compensation of RMB153.1 million, (b) depreciation and amortization of RMB115.4 million, (c) extinguishment losses of RMB29.1 million, (d) accretion related to convertible notes of RMB21.3 million, (e) loss on disposal of property and equipment of RMB16.5 million, and (f) foreign exchange loss of RMB35.0 million, and (ii) changes in operating assets and liabilities, which was primarily the result of (a) an increase of RMB1,015.5 million in operating lease right-of use assets, (b) an increase of RMB225.0 million in inventories, (c) an increase in other non-current assets of RMB80.0 million, partially offset by (d) an increase of RMB991.0 million in operating lease liabilities, (e) an increase of RMB804.8 million in accounts payable, and (f) an increase of RMB182.4 million in accrued expenses and other current liabilities.

### ***Investing activities***

For the year ended December 31, 2022, net cash used in investing activities was RMB47.1 million (US\$6.8 million), which was primarily attributable to (i) purchases of short-term investments of RMB6,469.1 million (US\$937.9 million), (ii) purchase of property and equipment of RMB126.9 million (US\$18.4 million), (iii) purchases of debt and equity investments of RMB31.0 million (US\$4.5 million), partially offset by (iv) maturities from short-term investments of RMB6,574.0 million (US\$953.1 million).

For the year ended December 31, 2021, net cash used in investing activities was RMB4,065.3 million, which was primarily attributable to (i) purchase of short-term investments of RMB9,078.5 million and (ii) purchase of property and equipment of RMB451.6 million, partially offset by (iii) maturities from short-term investments of RMB5,454.1 million.

For the year ended December 31, 2020, net cash used in investing activities was RMB1,021.2 million, which was mainly attributable to (i) purchase of short-term investments of RMB1,306.2 million and (ii) purchase of property and equipment of RMB248.5 million, partially offset by (iii) maturities from short-term investments of RMB542.4 million.

### ***Financing activities***

For the year ended December 31, 2022, net cash generated from financing activities was RMB1,112.4 million (US\$161.3 million), which primarily comprised of (i) proceeds from short-term borrowings of RMB13,782.9 million (US\$1,998.3 million), (ii) issuance of redeemable noncontrolling interests of RMB70.0 million (US\$10.1 million), partially offset by (iii) repayment of short-term borrowings of RMB12,665.9 million (US\$1,836.4 million) and (iv) repayment of long-term borrowings of RMB57.9 million (US\$8.4 million).

For the year ended December 31, 2021, net cash generated from financing activities was RMB9,042.6 million, which primarily comprised of (i) proceeds from short-term borrowings of RMB9,558.6 million, (ii) issuance of redeemable convertible preferred shares, net of issuance costs, of RMB6,646.5 million, (iii) issuance of redeemable noncontrolling interests of RMB30.0 million, and (iv) proceeds from our initial public offering, net off issuance costs, of RMB590.0 million, partially offset by (v) repayment of short-term borrowings of RMB7,672.1 million and (vi) repayment of long-term borrowings of RMB87.0 million.

For the year ended December 31, 2020, net cash generated from financing activities was RMB3,656.7 million, which primarily comprised (i) issuance of redeemable convertible preferred shares, net of issuance costs of RMB2,171.3 million, (ii) proceeds from short-term borrowings of RMB1,444.6 million, and (iii) proceeds from

long-term borrowings of RMB128.0 million, offset by (iv) repayment of short-term borrowings of RMB210.1 million and (v) repayment of long-term borrowings of RMB35.6 million.

### Capital expenditures

Our capital expenditures are primarily incurred for purchases of property and equipment. Our total capital expenditures were RMB248.5 million, RMB451.6 million and RMB126.9 million (US\$18.4 million) in 2020, 2021 and 2022, respectively. We intend to fund our future capital expenditures with our existing cash balance. We will continue to make capital expenditures to enhance our supply chain and product capability and meet the expected growth of our business.

In March 2022, we entered into a state-owned construction land use right grant contract for future construction of food processing plants and facilities, with total land premium of RMB22.4 million.

### Contractual Obligations

The following table sets forth our material contractual obligations as of December 31, 2022.

	Payment Due by Period					
	Total	2023	2024	2025	2026	2027 and thereafter
			(RMB in thousands)			
Operating lease commitments	1,482,754	758,787	420,328	217,340	77,552	8,747
Cloud service purchase commitment	25,341	25,341	—	—	—	—
<b>Total</b>	<b>1,508,095</b>	<b>784,128</b>	<b>420,328</b>	<b>217,340</b>	<b>77,552</b>	<b>8,747</b>

Other than as shown above, we did not have any material capital and other commitments, long-term obligations, guarantees or other reasonably likely material cash requirements (even if not contractual and not recognized as liabilities) as of December 31, 2022.

### Holding Company Structure

Dingdong (Cayman) Limited is a holding company with no material operations of its own. We conduct our operations through our subsidiaries located in China. As a result, our ability to pay dividends depends significantly upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under relevant PRC law, each of our subsidiaries in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. The statutory reserve funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by the SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

### C. Research and Development

See “Item 4. Information on the Company—B. Business Overview—Technology” and “Item 4. Information on the Company—B. Business Overview—Intellectual Property.”

### D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2022 that are reasonably likely to have a material and adverse effect on our income, expenses, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions.

**E. Critical Accounting Estimates**

For our critical accounting estimates, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies, Judgments and Estimates.”

**Item 6. Directors, Senior Management and Employees**

**A. Directors and Senior Management**

The following table sets forth information regarding our executive officers and directors.

<b>Directors and Executive Officers</b>	<b>Age</b>	<b>Position/Title</b>
Changlin Liang	51	Founder, Director and Chief Executive Officer
Le Yu	42	Director and Chief Strategy Officer
Yi Ding	37	Director and Chief Operating Officer
Eric Chi Zhang	48	Director
Weili Hong	53	Independent Director
Philip Wai Lap Leung	64	Independent Director
Xu Jiang	51	Chief Technology Officer
Zhijian Xu	52	Chief Merchandising Officer

**Changlin Liang** is our founder, and has served as our director and chief executive officer since our inception. Mr. Liang is a successful serial entrepreneur with expertise in product design and technology development. Mr. Liang bears a unique and long-term vision into our industry, and has a deep understanding of China’s new retail industries, agricultural supply chain, and family consumption demand. Prior to founding our company, Mr. Liang founded iYaya.com and MaMaBang App in April 2003, an online platform focusing on the parenting and maternity markets. Prior to that, Mr. Liang independently developed the world’s first and one of the best-selling video cutting and merging tools, Easy Video Joiner & Splitter, in 2002. Mr. Liang received his bachelor’s degree of engineering from National University of Defense Technology in July 1994 and obtained his master’s degree in communication and information system from Lanzhou University in June 2000.

**Le Yu** has served as our director since June 2021, our chief strategy officer since January 2020, and previously served as our vice president since 2018 and general counsel since April 2015. Ms. Yu also served as the general counsel in Shanghai Yaya Information Technology from April 2015 to September 2016. From 2012 to 2014, Ms. Yu served as a legal manager in Hongda Communications Co., Ltd., a wholly-owned subsidiary of HTC Corporation in China. Prior to that, Ms. Yu served as a legal counsel in German Standard from 2002 to 2012. Ms. Yu obtained a bachelor of laws in economic law from Tongji University in July 2002, and obtained a master’s degree in economic law from Renmin University in January 2008.

**Yi Ding** has served as our director since June 2021, our chief operation officer since November 2022, and previously our vice president since October 2018 and before that, our product director since 2015. Prior to joining us, Mr. Ding served as SEO engineer, manager of Internet marketing and manager of user centers at Shanghai Yaya Information Technology from May 2011 to February 2014. Prior to that, Mr. Ding served as an SEO specialist in Shanghai Xiayi Internet Technology Co., Ltd. from April 2009 to March 2011. Mr. Ding obtained a bachelor’s degree in management from East China Normal University in July 2009.

**Eric Chi Zhang** has served as our director since June 2021. Mr. Zhang is currently a Managing Director and Head of General Atlantic’s business in China and also serves on the firm’s Management Committee. Prior to joining General Atlantic, Mr. Zhang was a Global Partner and Managing Director at The Carlyle Group, where he focused on investment opportunities in Asia from 2006 to 2016. He served as a director on the board of Futu Holdings Ltd. (Nasdaq: FUTU) from 2019 to 2021 and on the board of Xiabu Xiabu (HKEx: 0520) from 2017 to 2022. He also served as a board member for both the general partner and the management company of Carlyle Beijing Partners Fund. Before joining Carlyle in 2006, Mr. Zhang was a Vice President of M&A at Credit Suisse, based in the firm’s Hong Kong office. Prior to that, he was a Vice President in the Investment Banking Division at China International Capital Corporation Limited in Beijing. Mr. Zhang received an M.A. in Economics from Shanghai University of Finance and Economics.



**Weili Hong** has served as our independent director since June 2021. Dr. Hong has about 30 years of experience in finance and investment in both China's and overseas financial institutions and capital markets. Dr. Hong served as the President and Chief Research Officer of CMC Holdings from 2016 to 2018. Prior to joining CMC, Dr. Hong was a partner of Gopher Asset Management, China's No.1 leading FOFs management company from 2014 to 2016, primarily responsible for PE/VC FOFs and direct investments. Dr. Hong also served as the managing partner of KTB China, from 2008 to 2012, and the head of BD in ING China from 2004 to 2007. Dr. Hong was one of the pioneers of China's capital market since he joined Shanghai Stock Exchange at its forming stage in 1992, where he served in several important positions and developed China's first financial futures product. From 1996 to 2004, Dr. Hong served as the managing director of the securities business of China Venture-Tech Investment Group. Currently, Dr. Hong has served as an independent director, a member of audit committee and a member of compensation committee at Chindata Group Holdings Ltd, whose ADSs are listed on NASDAQ (ticker: CD) since June 2020. Dr. Hong served as an independent director at Luolai Lifestyle Technology Co., Ltd., whose shares are listed on the Shenzhen Stock Exchange (stock code: 002293) from February 2017 to March 2023. Dr. Hong has served as an independent nonexecutive director, the chairperson of the remuneration committee and a member of the audit committee and nomination committee of ClouDr Group Limited, a company whose shares are listed on the Stock Exchange (stock code: 9955) since July 2022. Dr. Hong currently serves as a Guest Professor and a supervisor of the Master Degree Program in Shanghai Advance Institute of Finance at Shanghai Jiao Tong University, and a Guest Professor of the Fanhai International School of Finance, Fudan University. Dr. Hong is also the vice chairman of the Global Alumni Association of the School of Economics, Fudan University. Dr. Hong received a Bachelor's Degree in Economics in 1992 and a Doctor's Degree in Economics from Fudan University in 1999.

**Philip Wai Lap Leung** has served as our independent director since June 2021. Mr. Leung has over 30 years of experience at Ernst & Young where he served as managing partner of Shanghai office from 1994 to 2004, managing partner of listing services in Greater China from 2005 to 2009, managing partner of listing services in the Far East Region from 2007 to 2009, managing partner of Central China from 2010 to 2015, and as managing partner of Greater China Markets from 2016 to 2019. He retired from Ernst & Young in June 2020. Mr. Leung currently serves as independent directors of China World Trade Center Company Ltd.(Shanghai Stock Exchange: 600007), Dongfeng Motor Group Company Limited (HKEx: 0489), Shanghai Chemical Industry Park Industrial Gases Co., Ltd. and Zhejiang E-Commerce Bank Co., Ltd. Mr. Leung obtained a Higher Diploma in Accounting from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University). Mr. Leung is a member of The Hong Kong Institute of Certified Public Accountants.

**Xu Jiang** has served as our chief technology officer since October 2020. Prior to joining us, Mr. Jiang served as a Senior MTS (Member of Technical Staff) of Tmall import and export technology department at Alibaba Group Holding Limited, a company listed on the NYSE (ticker: BABA) and the Stock Exchange (stock code: 9988), from April 2015 to April 2020. From October 2014 to April 2015, Mr. Jiang served as a senior director of engineering at Trip.com Group Ltd, a company listed on NASDAQ (ticker: TCOM) and the Stock Exchange (stock code: 9961), where he worked as the CTO of payment platform. From July 2007 to March 2010 and from June 2011 to October 2014, Mr. Jiang served as a software engineer and platform architect in eBay Inc, a company listed on NASDAQ (ticker: EBAY). From March 2010 to June 2011, Mr. Jiang served as the vice president in Morgan Stanley Information Technology (Shanghai) Co., Limited. From November 2004 to July 2007, Mr. Jiang served as a senior engineer at Sybase Software (China) Co., Ltd. Mr. Jiang received his bachelor's degree in physics and computer science and his master's degree in computer science from Shanghai Jiaotong University in China in July 1995 and March 2001, respectively.

**Zhijian Xu** has served as our chief merchandising officer since November 2022, and previously our senior vice president since June 2019. Prior to joining us, from April 2018 to May 2019, Mr. Xu served as a deputy general manager at Shanghai Huajie Enterprise Management Co., Ltd.. From October 1994 to March 2018, Mr. Xu worked at Zhengda Group, with his last position being a vice president. Mr. Xu received his bachelor's degree in accounting from Nanchang University in China in June 2014, and received an executive master of business degree from Shanghai Jiaotong University in China in May 2012.

## **B. Compensation**

### **Compensation of Directors and Executive Officers**

For the fiscal year ended December 31, 2022, we paid an aggregate of RMB14.2 million (US\$2.1 million) in cash to our executive officers, and we paid an aggregate remuneration and allowances of approximately US\$152,000 in cash to our non-executive directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

### **Employment Agreements and Indemnification Agreements**

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause upon three-month advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. The executive officer may resign at any time with a three-month advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our customers or prospective customers, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs, and trade secrets which they conceive, develop, or reduce to practice during the executive officer's employment with us and to assign all rights, titles and interests in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs, and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, customers or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or be engaged by, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination, without our express consent.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

## Share Incentive Plans

### *Second Amended and Restated Share Incentive Plan*

Starting from 2015, we adopted a series of share incentive plans (the “Pre-IPO Plans”) to attract and retain the best available personnel, provide additional incentives to our employees and senior management and promote the success of our business. On September 5, 2020, we terminated the Pre-IPO Plans and simultaneously adopted a share incentive plan (the “2020 Share Incentive Plan”) containing substantially the same terms as the Pre-IPO Plans. In May 2021, our shareholders and board of directors authorized and approved the awards of 2,601,000 ordinary shares under the 2020 Share Incentive Plan to a director and executive officer of our company with no associated performance or service based vesting conditions at nil consideration. In December 2021, our board of directors approved an amendment to the 2020 Share Incentive Plan (the “Amended and Restated 2020 Share Incentive Plan”, or the “A&R 2020 Plan”). The A&R 2020 Plan did not substantively modify the terms of any previously granted share options.

In June 2022, our board of directors approved a further amendment to the Amended and Restated 2020 Share Incentive Plan, or the “Second A&R Plan”. Under the Second A&R Plan, the maximum aggregate number of ordinary shares may be issued upon the exercise of options is increased to 40,544,715 ordinary shares, which are held in trust by EatBetter Holding Limited, which is controlled by our founder and Glory Graze Holding Limited (collectively, the “ESOP Platforms”) before granted to our employees and senior management upon exercise of share options and are subject to further amendment. As of the date of this annual report, awards to purchase 20,203,174 ordinary shares under the Second A&R Plan have been granted and remain outstanding, excluding awards that were cancelled after the relevant grant dates.

As of the date of this annual report, the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the A&R 2020 Plan is 40,181,400, which are held in trust by EatBetter Holding Limited and Glory Graze Holding Limited before granted to our employees and senior management upon exercise of share options and are subject to further amendment.

The following paragraphs describe the principal terms of the Second A&R Plan.

*Types of Awards.* The A&R 2020 Plan permit the awards of options approved by the plan administrator.

*Plan Administration.* The chairman of the board and chief executive officer, Mr. Changlin Liang administers the Second A&R Plan as the plan administrator. The plan administrator determines the participants to receive options, number of options to be granted, time and number of options to be vested, number of vested options exercisable and other terms and conditions of each grant.

*Award Agreement.* Awards granted under the Second A&R Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which is subject to any modification as determined by the administrator.

*Eligibility.* We may grant awards to our directors, employees and consultants.

*Vesting Schedule.* In general, the plan administrator determines the vesting schedule, which is specified in the relevant plans and award notices.

*Exercise of Options.* The plan administrator determines the exercise price for each award, which is in turn stated in the relevant award notice. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of grant.

*Transfer Restrictions.* Awards may not be transferred in any manner by the eligible employee other than in accordance with the exceptions provided in the Second A&R Plan.

*Termination and Amendment of the Second A&R Plan.* Unless terminated earlier, the Second A&R Plan have a term of ten years. The administrator has the authority to terminate, amend, add to, or delete any of the provisions of the plan, subject to the restrictions set out in our memorandum and articles or associations.

The following table summarizes, as of December 31, 2022, the options granted under the Second Amended and Restated 2020 Share Incentive Plan to certain of our directors and executive officers, excluding awards that were forfeited or cancelled after the relevant grant dates.

Name	Ordinary Shares Underlying Options Awarded	Weight Average Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Changlin Liang	—	—	—	—
Le Yu	*	3.24	6/30/2016	6/29/2026
			6/30/2018	6/29/2028
			10/31/2020	10/30/2030
			9/30/2021	9/29/2031
			7/1/2022	6/30/2032
			10/1/2022	9/30/2032
Yi Ding	*	1.21	6/30/2015	6/29/2025
			6/30/2016	6/29/2026
			6/30/2018	6/29/2028
			10/31/2020	10/30/2030
			9/30/2021	9/29/2031
			7/1/2022	6/30/2032
			10/1/2022	9/30/2032
			10/31/2022	10/30/2032
Eric Chi Zhang	—	—	—	—
Weili Hong	*	4.66	12/31/2021	12/30/2031
Philip Wai Lap Leung	*	4.66	12/31/2021	12/30/2031
Xu Jiang	*	4.49	4/20/2021	4/19/2031
			9/30/2021	9/29/2031
			7/1/2022	6/30/2032
			10/1/2022	9/30/2032
Zhijian Xu	*	2.52	6/30/2019	6/29/2029
			10/31/2020	10/30/2030
			1/1/2021	12/31/2030
			9/30/2021	9/29/2031
			7/1/2022	6/30/2032
			10/1/2022	9/30/2032
			10/31/2022	10/30/2032
<b>All directors and executive officers as a group</b>	<b>4,796,090</b>			

Note:

\* Less than 1% of our total ordinary shares on an as-converted basis outstanding as of the date of this annual report.

As of December 31, 2022, other employees as a group held awards to purchase 20,203,174 ordinary shares of our company, with an average weighted exercise price of US\$3.59 per share.

### C. Board Practices

#### Board of Directors

Our board of directors currently consists of six directors. A director is not required to hold any shares in our company by way of qualification. Subject to the New York Stock Exchange rules and disqualification by the chairman

of the relevant board meeting, a director may vote with respect to any contract, proposed contract, or arrangement in which he is materially interested, provided that (i) such director, if his or her interest in such contractor arrangement is material, has declared the nature of his or her interest at the earliest meeting of the board at which it is practicable for him or her to do so, either specifically or by way of a general notice and (ii) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee. The directors may exercise all the powers of our Company to borrow money, mortgage or charge its undertaking, property, and uncalled capital or any part thereof, and issue debentures whether outright or as security for any debt, liability, or obligation of our Company or of any third party. None of our directors has a service contract with us that provides for benefits upon termination of service as a director.

### **Committees of the Board of Directors**

We have established three committees under the board of directors: an audit committee, a compensation committee, and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

*Audit Committee.* Our audit committee consists of Philip Wai Lap Leung and Weili Hong. Philip Wai Lap Leung is the chairman of our audit committee. We have determined that each of Philip Wai Lap Leung and Weili Hong satisfies the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange and meet the independence standards under Rule 10A-3 under the Exchange Act, as amended. We have determined that Philip Wai Lap Leung qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- overseeing the fairness and appropriateness of our proposed related party transactions;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

*Compensation Committee.* Our compensation committee consists of Weili Hong, Philip Wai Lap Leung and Changlin Liang. Weili Hong is the chairman of our compensation committee. We have determined that each of Weili Hong and Philip Wai Lap Leung satisfies the independence requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and

- selecting a compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management.

*Nominating and Corporate Governance Committee.* Our nominating and corporate governance committee consists of Changlin Liang, Philip Wai Lap Leung and Weili Hong. Changlin Liang is the chairman of our nominating and corporate governance committee. We have determined that each of Philip Wai Lap Leung and Weili Hong satisfies the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

## **Duties of Directors**

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. Our company has the right to seek damages if a duty owed by our directors is breached. A shareholder may in certain limited exceptional circumstances have rights to damages in our name if a duty owed by the directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our share register.

## Terms of Directors and Officers

Our directors may be elected by an ordinary resolution of our shareholders. Alternatively, our board of directors may, by the affirmative vote of a simple majority of the directors present and voting at a board meeting appoint any person as a director to fill a casual vacancy on our board or as an addition to the existing board. Our directors are not automatically subject to a term of office and hold office until such time as they are removed from office by an ordinary resolution of our shareholders. In addition, a director will cease to be a director if he (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing; (iv) without special leave of absence from our board, is absent from meetings of our board for three consecutive meetings and our board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association.

Our officers are appointed by and serve at the discretion of the board of directors, and may be removed by our board of directors.

## D. Employees

We had 3,363 full-time employees as of December 31, 2022 all of whom were based in China, primarily at our headquarters in Shanghai, China. The following table sets forth the numbers of our employees categorized by function as of December 31, 2022.

Function	Number of Employees	Percentage
Product development	1,400	41.6 %
Fulfillment	1,294	38.5 %
General and administrative	390	11.6 %
Sales and marketing	279	8.3 %
<b>Total</b>	<b>3,363</b>	<b>100 %</b>

## E. Share Ownership

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares on an as-converted basis as of December 31, 2022, by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our ordinary shares.

The calculations of percentage of beneficial ownership in the table below are based on 354,341,528 ordinary shares on an as-converted basis outstanding as of December 31, 2022, and 299,797,728 Class A ordinary shares and 54,543,800 Class B ordinary shares outstanding.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days from December 31, 2022, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Class A Ordinary Shares	Class B Ordinary Shares	% of Beneficial Ownership†
<b>Directors and Executive Officers*:</b>			
Changlin Liang <sup>(1)</sup>	37,775,109	54,543,800	26.1 %
Le Yu	*	—	*
Yi Ding	*	—	*
Eric Chi Zhang	—	—	—
Philip Wai Lap Leung	—	—	—
Weili Hong	—	—	—
Xu Jiang	*	—	*
Zhijian Xu	*	—	*
All Directors and Executive Officers as a Group	41,742,179	54,543,800	27.2 %
<b>Principal Shareholders:</b>			
DDL Group Limited <sup>(2)</sup>	—	54,543,800	15.4 %
EatBetter Holding Limited <sup>(3)</sup>	27,472,550	—	7.8 %
General Atlantic Singapore DD Pte. Ltd. <sup>(4)</sup>	19,514,350	—	5.5 %
SVF II Cortex Subco (DE) LLC <sup>(5)</sup>	20,906,600	—	5.9 %
CTG Evergreen Investment C Limited <sup>(6)</sup>	17,819,000	—	5.0 %

\* This person beneficially owns less than 1% of our outstanding ordinary shares.

† Except as otherwise indicated below, the business address of our directors and executive officers is 8th Floor, Building 1, 56 Fanchang Road, Pudong New Area, Shanghai, 201201, People's Republic of China.

† For each person and group included in this column, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of the total number of shares outstanding and the number of shares such person or group has the right to acquire upon exercise of option, warrant or other right within 60 days of December 31, 2022, including through the exercise of any option, warrant or other right or the conversion of any other security. The total number of ordinary shares outstanding as of December 31, 2022 is 354,341,528.

- (1) Represents (i) 54,543,800 Class B ordinary shares directly held by DDL Group Limited that may be deemed to be beneficially owned by Mr. Changlin Liang, (ii) 10,009,238 Class A ordinary shares directly held by 4DDL Holding Limited, that may be deemed to be beneficially owned by Mr. Changlin Liang, as the sole shareholder of 4DDL Holding Limited, (iii) 27,472,550 Class A ordinary shares directly held by EatBetter Holding Limited, that may be deemed to be beneficially owned by Mr. Changlin Liang who has the sole dispositive power and sole voting power over shares held by EatBetter Holding Limited, that may be deemed to be beneficially owned by Changlin. Liang, and (iv) 293,321 Class A ordinary shares directly held by Mr. Changlin Liang in the form of 195,547 ADSs. DDL Group Limited is a British Virgin Islands business company limited by shares beneficially owned by Mr. Changlin Liang. DDL Group Limited is ultimately held by LX Family Trust, a trust established under the laws of British Virgin Islands and managed by TMF (Cayman) Ltd., as the trustee. Under the terms of this trust, Mr. Changlin Liang has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to, the shares held by DDL Group Limited in our company. 4DDL Holding Limited is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Changlin Liang. EatBetter Holding Limited is a company incorporated in the British Virgin Islands, which holds ordinary shares allocated to award our employees under our A&R 2020 Plan. Mr. Changlin Liang has sole dispositive and sole voting power over shares held by EatBetter Holding Limited. The registered office of DDL Group Limited is ICS Corporate Services (BVI) Limited, Sea Meadow House, P.O. Box 116, Road Town, Tort, British Virgin Islands. The registered address of 4DDL Holding Limited is ICS



Corporate Services (BVI) Limited, Sea Meadow House, P.O. Box 116, Road Town, Tortola, British Virgin Islands. The registered address of EatBetter Holding Limited is ICS Corporate Services (BVI) Limited, Sea Meadow House, P.O. Box 116, Road Town, Tortola, British Virgin Islands.

- (2) Represents 54,543,800 Class B ordinary shares held by DDL Group Limited. DDL Group Limited is a British Virgin Islands business company limited by shares beneficially owned by Mr. Changlin Liang. DDL Group Limited is ultimately held by LX Family Trust, a trust established under the laws of British Virgin Islands and managed by TMF (Cayman) Ltd., as the trustee. Under the terms of this trust, Mr. Changlin Liang has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to, the shares held by DDL Group Limited in our company. The registered office of DDL Group Limited is ICS Corporate Services (BVI) Limited, Sea Meadow House, P.O. Box 116, Road Town, Tort, British Virgin Islands.
- (3) Represents 27,472,550 Class A ordinary shares held by EatBetter Holding Limited, which holds Class A shares allocated to award our employees under our A&R 2020 Plan. EatBetter Holding Limited is a limited liability company incorporated in the British Virgin Islands. Mr. Changlin Liang has sole dispositive power and sole voting power over shares held by EatBetter Holding Limited. Its registered address is ICS Corporate Services (BVI) Limited, Sea Meadow House, P.O. Box 116, Road Town, Tortola, British Virgin Islands.
- (4) Represents 19,514,350 Class A ordinary shares held by General Atlantic Singapore DD Pte. Ltd. (“GAS DD”) holds our. GAS DD is wholly owned by General Atlantic Singapore Fund Pte. Ltd. (“GASF”). The majority shareholder of GASF is General Atlantic Singapore Interholdco Ltd. (“GASF Interholdco”). The shareholders of GASF Interholdco that share beneficial ownership of the shares held of record by GASF are the following General Atlantic investment funds (the “GA Funds”): General Atlantic Partners (Bermuda) IV, L.P. (“GAP Bermuda IV”), General Atlantic Partners (Bermuda) EU, L.P. (“GAP Bermuda EU”), General Atlantic Partners (Lux) SCSp (“GAP Lux”), GAP Coinvestments III, LLC (“GAPCO III”), GAPCO Coinvestments IV, LLC (“GAPCO IV”), GAPCO Coinvestments V, LLC (“GAPCO V”) and GAP Coinvestments CDA, L.P. (“GAPCO CDA”). The general partner of GAP Bermuda IV, GAP Bermuda EU, and GAP Lux is ultimately controlled by GAP (Bermuda) L.P. (“GAP Bermuda”). GAP Bermuda is controlled by the Management Committee of GASC MGP, LLC (the “Management Committee”). General Atlantic, L.P. (“GA LP”), which is also controlled by the Management Committee, is the managing member of GAPCO III, GAPCO IV, GAPCO V and the general partner of GAPCO CDA. There are nine members of the Management Committee.
- (5) Represents 19,331,600 Class A ordinary shares and 1,575,000 Class A ordinary shares represented by 1,050,000 ADSs held by SVF II Cortex Subco (DE) LLC (“SVF II Cortex”). SoftBank Vision Fund II-2, L.P. (“SVF II-2”) is the sole limited partner of SVF II Aggregator (Jersey) L.P., which is the sole member of SVF II Holdings (DE) LLC, which is the sole member of SVF II Cortex. 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 shares held by SVF II Cortex.
- (6) Represents 17,819,000 Class A ordinary shares held by CTG Evergreen Investment C Limited based on the information contained in the Schedule 13G filed by the relevant reporting persons with the SEC on February 9, 2022. The registered address of CTG Evergreen Investment C Limited is CCS Trustees Limited, 263 Main Street, Road Town, Tortola, British Virgin Islands. CTG Evergreen Investment C Limited is owned by Capital Today Evergreen Fund, L.P., a limited partnership incorporated in the Cayman Islands. The general partner of Capital Today Evergreen Fund, L.P. is Capital Today Evergreen GenPar LTD., a Cayman Islands company, and is controlled by Ms. Xin Xu.

As of December 31, 2022, to our knowledge, 226,235,355 of our total issued and outstanding Class A ordinary shares were held by three record shareholders in the United States, including 206,903,754 held by Deutsche Bank Trust Company Americas, the depository of our ADS program. The number of beneficial owners of ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

**F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation**

Not Applicable.

**Item 7. Major Shareholders and Related Party Transactions**

**A. Major Shareholders**

Please refer to “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

**B. Related Party Transactions**

**Employment Agreements and Indemnification Agreements**

See “Item 6. Directors, Senior Management and Employees—B. Compensation.”

**Share Incentive Plan**

See “Item 6. Directors, Senior Management and Employees—B. Compensation.”

**C. Interests of Experts and Counsel**

Not applicable.

**Item 8. Financial Information**

**A. Consolidated Statements and Other Financial Information**

We have appended consolidated financial statements filed as part of this annual report.

**Legal Proceedings**

We may from time to time be subject to various legal or administrative claims and proceedings relating to infringement of third parties' rights, including traffic accident disputes, labor related disputes, tenancy agreement disputes, contract disputes with suppliers and other matters in the ordinary course of our business. We may also initiate legal proceedings to protect our rights and interests. We are not a party to, nor are we aware of, any legal proceeding, investigation or claim which, in the opinion of our management, is likely to have any material adverse effect on our business, financial condition or results of operations, and our management believes that the risk of material loss in connection with the action discussed below is currently remote. However, in light of the inherent uncertainties involved in these matters, some of which are beyond our control, the risk of loss may become more likely and an adverse outcome of one or more of these matters could be material to our results of operations or cash flows for any particular reporting period.

On August 25, 2022, a securities class action lawsuit, McCormack v. Dingdong (Cayman) Ltd. et al, 1:22-cv-07273-VSB, was filed against us, certain of our directors and officers, our underwriters in connection with our U.S. listing and our process agent in the U.S. District Court for the Southern District of New York (S.D.N.Y.) (the “**SDNY Action**”). As of the date of this annual report, the SDNY Action was assigned to Judge Vernon S. Broderick and in the summons issuance stage, and there has not been any material development. The plaintiff in the SDNY Action asserted non-fraud, strict liability claims under the U.S. Securities Act and alleged material omissions and misrepresentations in our registration statements on Form F-1 (including all amendments made thereto) and final prospectus (collectively, the “**Offering Documents**”) issued in connection with our U.S. listing. We believe this claim is without merit and will defend ourselves vigorously. As of the date of this annual report, this action remains in the preliminary stage, and we are currently unable to estimate the potential loss, if any, associated with the resolution of this lawsuit.

Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management's time and attention. For potential impact

of legal or administrative proceedings on us, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We may be subject to legal, regulatory and/or administrative proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, it could have a material adverse effect on our business and results of operations,” and “We and certain of our directors and officers have been named as defendants in a shareholder class action lawsuit in the U.S., which could have a material adverse impact on our business, results of operation, and reputation.”

## **Dividend Policy**

Our board of directors has discretion on whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Even if we decide to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Foreign Currency Exchange and Dividend Distribution.”

If we pay any dividends on our Class A ordinary shares, we will pay those dividends that are payable in respect of the Class A ordinary shares underlying our ADSs to the depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to holders of ADSs in proportion to the Class A ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our Class A ordinary shares, if any, will be paid in U.S. dollars.

## **B. Significant Changes**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

## **Item 9. The Offer and Listing**

### **A. Offering and Listing Details**

Our ADSs have been listed on the NYSE since June 29, 2021. Our ADSs trade under the symbol “DDL.” Two ADSs represent three of our Class A ordinary shares.

### **B. Plan of Distribution**

Not applicable.

### **C. Markets**

Our ADSs have been listed on the NYSE since June 29, 2021 under the symbol “DDL.”

### **D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**Item 10. Additional Information**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

The following are summaries of material provisions of our currently effective memorandum and articles of association, as well as the Companies Act insofar as they relate to the material terms of our shares.

*Objects of Our Company.* Under our currently effective memorandum and articles of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the laws of the Cayman Islands.

*Ordinary Shares.* Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form and are issued when registered in our register of members. We may not issue shares to bearer. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

*Conversion.* Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of Class B ordinary shares by a holder thereof to any person other than holders of Class B ordinary shares or their affiliates, such Class B ordinary shares shall be automatically and immediately converted into the same number of Class A ordinary shares. Any future issuances of Class B ordinary shares may be dilutive to the voting power of holders of Class A ordinary shares. Any conversions of Class B ordinary shares into Class A ordinary shares may dilute the percentage ownership of the existing holders of Class A ordinary shares within their class of ordinary shares. Such conversions may increase the aggregate voting power of the existing holders of Class A ordinary shares.

*Dividends.* Our directors may from time to time declare dividends (including interim dividends) and other distributions on our shares in issue and authorize payment of the same out of the funds of our company lawfully available therefor. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend may exceed the amount recommended by our directors. Our currently effective memorandum and articles of association provide that dividends may be declared and paid out of the funds of our Company lawfully available therefor. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account; provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

*Voting Rights.* In respect of all matters subject to a shareholders' vote, each holder of Class A ordinary shares is entitled to one vote per share and each holder of Class B ordinary shares is entitled to 20 votes per share on all matters subject to vote at our general meetings. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder holding not less than 10% of the votes attaching to the shares present in person or by proxy.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the issued and outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our currently effective memorandum and articles of association. Our shareholders may, among other things, divide or combine their shares by ordinary resolution.

*General Meetings of Shareholders.* As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our currently effective memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we will specify the meeting as such in the notices calling it, and the annual general meeting will be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by the chairman of our board of directors or by our directors (acting by a resolution of our board). Advance notice of at least five calendar days is required for the convening of our annual general shareholders' meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of one or more of our shareholders present in person or by proxy, holding shares which carry in aggregate not less than fifty percent of all votes attaching to the issued and outstanding shares of our company entitled to vote at such general meeting.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our currently effective memorandum and articles of association provide that upon the requisition of any one or more of our shareholders holding shares which carry in aggregate not less than one-third of all votes attaching to all issued and outstanding shares of our company entitled to vote at general meetings, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. However, our currently effective memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

*Transfer of Ordinary Shares.* Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the New York Stock Exchange may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they must, within three calendar months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on ten calendar days' notice being given by advertisement in such one or more newspapers, by electronic means or by any other means in accordance with the rules of the New York Stock Exchange be suspended and our register of members (shareholders) closed at such times and for such periods as our board of directors may from time to time determine; provided, however, that the registration of transfers may not be suspended nor the register of members closed for more than 30 days in any year as our board may determine.

*Liquidation.* On the winding up of our company, if the assets available for distribution amongst our shareholders will be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus will be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, such assets will be distributed so that, as nearly as may be, the losses are borne by our shareholders in proportion to the par value of the shares held by them.

*Calls on Shares and Forfeiture of Shares.* Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

*Redemption, Repurchase and Surrender of Shares.* We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by our shareholders by special resolution. Our company may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders. Under the Companies Act, the redemption or repurchase of any share may be paid out of our Company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act, no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

*Variation of Rights of Shares.* Whenever the capital of our company is divided into different classes, the rights attached to any such class may, subject to any rights or restrictions for the time being attached to any class, only be materially adversely varied with the consent in writing of the holders of at least a majority of the issued shares of that class or with the sanction of an ordinary resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation, allotment, or issue of further shares ranking *pari passu* with such existing class of shares or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights conferred upon the holders of the shares of any class issued shall not be deemed to be varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

*Issuance of Additional Shares.* Our currently effective memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors may determine, to the extent of available authorized but unissued shares, without the need for any approval or consent from our shareholders.

Our currently effective memorandum and articles of association also authorize our board of directors, without the need for any approval or consent from our shareholders, to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without the need for any approval or consent from, or other action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

*Inspection of Books and Records.* Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we intend to provide our shareholders with annual audited financial statements.

*Anti-Takeover Provisions.* Some provisions of our currently effective memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our currently effective memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

*Exempted Company.* We are an exempted company with limited liability incorporated under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

## Differences in Corporate Law

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent English statutory enactments and, accordingly, there are significant differences between the Companies Act and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

*Mergers and Similar Arrangements.* The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (i) “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 (ii) a “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 the shareholders 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 surviving or consolidated 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. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose, a company is a “parent” of a subsidiary if it holds issued shares that together represent at least 90% of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation; provided that the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement; provided that the arrangement is approved by (a) 75% in value of the shareholders or class of shareholders, as the case may be, or (b) a majority in number representing 75% in value of the creditors or each class of creditors, as the case may be, with whom the arrangement is to be made, that are, in each case, present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting



shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholders upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted in accordance with the foregoing statutory procedures, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

*Shareholders’ Suits.* In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

*Indemnification of Directors and Executive Officers and Limitation of Liability.* Cayman Islands law does not limit the extent to which a company’s memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our currently effective memorandum and articles of association provide that we shall indemnify our directors and officers, against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person’s dishonesty, willful default or fraud, in or about the conduct of our company’s business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our currently effective memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

*Directors' Fiduciary Duties.* Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved toward an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

*Shareholder Action by Written Consent.* Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our currently effective memorandum and articles of association provide that our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

*Shareholder Proposals.* Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders; provided that it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our currently effective memorandum and articles of association allow any one or more of our shareholders holding shares which carry in aggregate not less than one-third of the total number votes attaching to all issued and outstanding shares of our company as of the date of the deposit that are entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our currently effective memorandum and articles of association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings. As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings.

*Cumulative Voting.* Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the

shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands, but our currently effective memorandum and articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

*Removal of Directors.* Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the issued and outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our currently effective memorandum and articles of association, directors may be removed with or without cause, by the affirmative vote of two-thirds of the directors then in office (except with regard to the removal of the chairman, who may only be removed from office by the affirmative vote of all directors), or by an ordinary resolution of our shareholders (except with regard to the removal of the chairman, who may only be removed from office by a special resolution of our shareholders). A director will also cease to be a director if he (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing; (iv) without special leave of absence from our board, is absent from meetings of our board for three consecutive meetings and our board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association.

*Transactions with Interested Shareholders.* The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting shares within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

*Restructuring.* A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

*Dissolution; Winding up.* Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the

corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by either an order of the courts of the Cayman Islands or by the board of directors.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so. Under the Companies Act and our currently effective articles of association, our company may be dissolved, liquidated, or wound up by a special resolution of our shareholders.

*Variation of Rights of Shares.* Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our currently effective memorandum and articles of association, if our share capital is divided into more than one class of shares, the rights attached to any such class may only be materially adversely varied with the consent in writing of the holders of at least two-thirds of the issued shares of that class or with the sanction of an ordinary resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

*Amendment of Governing Documents.* Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Companies Act and our currently effective memorandum and articles of association, our memorandum and articles of association may only be amended by a special resolution of our shareholders.

*Rights of Non-resident or Foreign Shareholders.* There are no limitations imposed by our currently effective memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our currently effective memorandum and articles of association that require our company to disclose shareholder ownership above any particular ownership threshold.

#### **C. Material Contracts**

Other than in the ordinary course of business and other than those described in "Item 4. Information on the Company" or "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" or elsewhere in this annual report, we have not entered into any material contract during the two years immediately preceding the date of this annual report.

#### **D. Exchange Controls**

See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Foreign Currency Exchange and Dividend Distribution—Foreign Exchange."

#### **E. Taxation**

*The following summary of material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws.*

## **Cayman Islands Taxation**

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 within the jurisdiction of the Cayman Islands. Payments of dividends and capital in respect of our ordinary shares and ADSs will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares or the ADSs, nor will gains derived from the disposal of our ordinary shares be subject to Cayman Islands income or corporate tax. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There is no exchange control legislation under Cayman Islands law and accordingly there are no exchange control regulations imposed under Cayman Islands law.

## **People's Republic of China Taxation**

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside China with “de facto management body” within China is considered a resident enterprise. 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 April 2009, the SAT issued a circular, known as 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 SAT Circular 82 may reflect the SAT’s general position on how the “de facto management body” test 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 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.

We believe that Dingdong (Cayman) Limited is not a PRC resident enterprise for PRC tax purposes. Dingdong (Cayman) Limited is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that Dingdong (Cayman) Limited meets all of the conditions above. Dingdong (Cayman) Limited is a company incorporated outside China. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside China. However, 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.” There can be no assurance that the PRC government will ultimately take a view that is consistent with ours.

If the PRC tax authorities determine that Dingdong (Cayman) Limited is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-PRC resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC resident individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC resident individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of Dingdong (Cayman) Limited would be able to claim the benefits of any tax treaties between their country of tax residence and China in the event that Dingdong (Cayman) Limited is treated as a PRC resident enterprise. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.”

## United States Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ADSs or Class A ordinary shares by a U.S. Holder (as defined below) under the U.S. Internal Revenue Code of 1986, as amended (the “Code”). This discussion is based upon existing U.S. federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect. We have not sought any ruling from the U.S. Internal Revenue Service (the “IRS”) with respect to the statements made or the conclusions reached in the following discussion and there can be no assurance that the IRS or a court will agree with our statements and conclusions. This discussion, moreover, does not address the U.S. federal estate, gift, alternative minimum tax, and other non-income tax considerations, the Medicare tax on certain net investment income, any withholding or information reporting requirements (including pursuant to Section 1471 through 1474 of the Code or Section 3406 of the Code), or any state, local or non-U.S. tax considerations, relating to the ownership or disposition of our ADSs or Class A ordinary shares. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers in stocks and securities, or currencies;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- persons who acquire their ADSs or Class A ordinary shares pursuant to any employee share option or otherwise as compensation;
- persons that will hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for U.S. federal income tax purposes;
- persons that have a functional currency other than the U.S. dollar;
- persons required to accelerate the recognition of any item of gross income with respect to our ADSs or Class A ordinary shares as a result of such income being recognized on an applicable financial statement;
- persons that actually or constructively own 10% or more of our stock (by vote or value); or
- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding ADSs or Class A ordinary shares through such entities.

all of whom may be subject to tax rules that differ significantly from those discussed below.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or Class A ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or Class A ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or Class A ordinary shares.

Each U.S. Holder is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S. and other tax considerations of the ownership and disposition of our ADSs or Class A ordinary shares.

## **General**

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or Class A ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation created in, or organized under the law of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

For U.S. federal income tax purposes, it is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs will generally not be subject to U.S. federal income tax.

## **Dividends**

Subject to the discussion under “— United States Federal Income Tax Considerations — Passive Foreign Investment Company” below, any distributions (including the amount of any PRC tax withheld) paid on our ADSs or Class A ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of Class A ordinary shares, or by the depositary, in the case of ADSs.

Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be treated as a “dividend” for U.S. federal income tax purposes. Dividends received on our ADSs or Class A ordinary shares will not be eligible for the dividends received deduction generally allowed to corporations.

Dividends received by a non-corporate U.S. Holder may qualify for the lower capital gain tax rate applicable to “qualified dividend income,” provided that certain conditions are satisfied, including that (1) our ADSs or Class A ordinary shares on which the dividends are paid are readily tradeable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefits of the United States-PRC income tax treaty (the “Treaty”), (2) we are neither a PFIC nor treated as such with respect to such a U.S. Holder for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. Under a published IRS notice, common or ordinary shares, or American depositary shares representing such shares (such as our ADSs), are considered to be readily tradable on an established securities market in the United States if they are listed on the New York Stock Exchange, as our ADSs (but not our Class A ordinary shares) are. Based on existing guidance, it is unclear whether the Class A ordinary shares will be considered to be readily tradable on an established securities market in the United States, because only our ADSs, and not the underlying ordinary shares, are listed on a securities market in the United States. We believe, but we cannot assure you, that dividends we pay on the Class A ordinary shares that are represented by ADSs (but not on the Class A ordinary shares that are not so represented), will, subject to applicable limitations, be eligible for the reduced rates of taxation.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see “—People’s Republic of China Taxation”), we may be eligible for the benefits of the Treaty. If we are eligible for such benefits, dividends we pay on our Class A ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation described in the preceding paragraph.

Dividends paid on our ADSs or Class A ordinary shares, if any, will generally be treated as income from foreign sources and will generally constitute passive category income for U.S. foreign tax credit purposes. Depending on the U.S. Holder's individual facts and circumstances, a U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit against its U.S. federal income tax liability in respect of any nonrefundable foreign withholding taxes imposed at the appropriate rate applicable to such U.S. Holder on dividends received on our ADSs or Class A ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign taxes withheld may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the U.S. Holder's individual facts and circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

U.S. Holders that receive distributions of additional ADSs or Class A ordinary shares or rights to subscribe for ADSs or Class A ordinary shares as part of a pro rata distribution to all our shareholders generally will not be subject to U.S. federal income tax in respect of the distributions, unless the U.S. Holder has the right to receive cash or property, in which case the U.S. Holder will be treated as if it received cash equal to the fair market value of the distribution.

#### ***Sale or Other Disposition of our ADSs or Ordinary Shares***

A U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of our ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such ADSs or Class A ordinary shares. Subject to the discussion under "— United States Federal Income Tax Considerations — Passive Foreign Investment Company" below, such capital gain or loss will be long-term if the ADSs or Class A ordinary shares have been held for more than one year and will generally be U.S.-source gain or loss for U.S. foreign tax credit purposes. Long-term capital gain of non-corporate U.S. Holders will generally be eligible for a reduced rate of taxation. In the event that gain from the disposition of the ADSs or Class A ordinary shares is subject to tax in China, a U.S. Holder may elect to treat such gain as PRC-source gain under the Treaty. If a U.S. Holder is not eligible for the benefits of the Treaty or fails to treat any such gain as PRC-source, then such U.S. Holder would generally not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or Class A ordinary shares unless such credit can be applied (subject to applicable limitations) against U.S. federal income tax due on other income derived from foreign sources in the same income category (generally, the passive category). The deductibility of a capital loss may be subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or Class A ordinary shares, including the availability of the foreign tax credit under their particular circumstances. U.S. Holders are urged to consult their tax advisors regarding the proper treatment of gain or loss, as well as the availability of a foreign tax credit, in their particular circumstances.

#### ***Passive Foreign Investment Company***

A non-U.S. corporation, such as our company, will be classified as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes for any taxable year, if, applying the applicable look-through rules, either (i) 75% or more of its gross income for such year consists of certain types of "passive" income (the "income test") or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income (the "asset test").

For this purpose, passive income generally includes, among other things, cash and assets readily convertible into cash, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

Based upon our market capitalization and the nature and composition of our income and assets, we do not believe we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2021. The determination of PFIC status is based on an annual determination that cannot be made until the close of a taxable year, involves extensive factual investigation, including ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income that we earn, and is subject to uncertainty in several respects. Moreover,



we cannot assure you that the IRS will agree with any position that we take. Accordingly, there can be no assurance that we will not be treated as a PFIC for any taxable year or that the IRS will not take a position contrary to any position that we take.

Changes in the nature or composition of our assets may cause us to be or become a PFIC. The determination of whether we will be a PFIC for any taxable year may depend in part upon the value of our goodwill and unbooked intangibles not reflected on our balance sheet (which may be determined by reference to the market price of our ADSs from time to time (which may be volatile)) and also may be affected by how, and how quickly, we spend our liquid assets, including the cash generated from our operations and raised in any offering. In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our current market capitalization. Among other matters, if our market capitalization subsequently declines, we may be or become classified as a PFIC for one or more future taxable years. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase. While we believe our classification methodology and valuation approach are reasonable, it is possible that the IRS may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our being a PFIC for one or more future taxable years.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, we will continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such U.S. Holder holds our ADSs or Class A ordinary shares, unless we were to cease to be a PFIC and such U.S. Holder makes a “deemed sale” election with respect to our ADSs or Class A ordinary shares. If such election is made, the U.S. Holder will be deemed to have sold such ADSs or Class A ordinary shares the U.S. Holder holds at their fair market value and any gain from such deemed sale would be subject to the rules described above. After the deemed sale election, so long as we do not become a PFIC in a subsequent taxable year, such ADSs or Class A ordinary shares with respect to which such election was made will not be treated as shares in a PFIC and, as a result, the U.S. Holders will not be subject to the rules described below with respect to any “excess distribution” such U.S. Holders receive from us or any gain from a sale or other taxable disposition of our ADSs or Class A ordinary shares. U.S. Holders are strongly urged to consult their tax advisors as to the possibility and consequences of making a deemed sale election if we are and then cease to be a PFIC and such an election becomes available to the U.S. Holder.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special and adverse tax rules on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S.

Holder’s holding period for the ADSs or Class A ordinary shares), and (ii) any gain realized on the sale or other disposition of ADSs or Class A ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period for the ADSs or Class A ordinary shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder’s holding period prior to the first taxable year in which we are classified as a PFIC (each, a “pre-PFIC year”), will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

Classification as a PFIC may also have other adverse tax consequences, including, in the case of individuals, the denial of a step-up in the basis of the U.S. Holder’s ADSs or Class A ordinary shares at death.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares and any of our subsidiaries that are corporations (or other corporations in which we directly or indirectly own equity interests) is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of each such non-United States corporation classified as a PFIC (each such corporation, a lower-tier PFIC) for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of “marketable stock” in a PFIC may make a mark-to-market election with respect to such stock, provided that such stock is regularly traded. For those purposes, our ADSs, but not our Class A ordinary shares, will be treated as marketable stock upon their listing on the New York Stock Exchange. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes this election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder’s adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election. Once made, the election cannot be revoked without the consent of the IRS unless the ADSs cease to be marketable.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or Class A ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621 and may be required to file other IRS forms. A failure to file one or more of these forms as required may toll the running of the statute of limitations in respect of each of your taxable years for which such form is required to be filed. U.S. Holders are encouraged to consult their tax advisors regarding the U.S. federal income tax consequences of owning and disposing of our ADSs or Class A ordinary shares if we are or become a PFIC.

### ***Backup Withholding and Information Reporting***

Dividends paid on, and proceeds from the sale or other disposition of, the ADSs or Class A ordinary shares to a U.S. Holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. Holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or credit against the U.S. Holder’s U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

A holder that is not a U.S. Holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

We have filed this annual report on Form 20-F, including exhibits, with the SEC. As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

You may read and copy this annual report, including the exhibits incorporated by reference in this annual report, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC's regional offices in New York, New York and Chicago, Illinois. You also can request copies of this annual report, including the exhibits incorporated by reference in this annual report, upon payment of a duplicating fee, by writing information on the operation of the SEC's Public Reference Room.

The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC. Our annual report and some of the other information submitted by us to the SEC may be accessed through this web site.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP.

We will furnish our shareholders with annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

**I. Subsidiary Information**

Not applicable.

**Item 11. Quantitative and Qualitative Disclosures about Market Risk**

***Credit Risk***

Financial instruments that potentially expose us to concentration of credit risk consist primarily of cash and cash equivalents, restricted cash, accounts receivable and short-term investments. As of December 31, 2022, we had RMB6,495.7 million (US\$941.8 million) of cash, time deposits and wealth management products held by financial institutions in the PRC. We believe that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions.

We conduct credit evaluations on our customers and generally does not require collateral or other security from such customers. We periodically evaluate the creditworthiness of the existing customers in determining an allowance for credit loss primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

### ***Currency Convertibility Risk***

Substantially all of our operating activities are transacted in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the People's Bank of China or other banks authorized by the PRC government to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other regulatory institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

### ***Foreign Exchange Risk***

Our functional currency is U.S. dollars, and the reporting currency is Renminbi. Since July 21, 2005, RMB has been permitted by the PRC government to fluctuate within a managed band against a basket of certain foreign currencies. The depreciation of the U.S. dollars against Renminbi was approximately 6.3% and 2.3% in 2020 and 2021, respectively. The appreciation of the US dollar against the Renminbi was approximately 9.2% in 2022. Any significant revaluation of Renminbi may materially and adversely affect the cash flows, operating results and financial position of the Group. As a result, an appreciation of Renminbi against U.S. dollars would result in foreign currency translation loss when translating the net assets of the Group from U.S. dollars into Renminbi.

Total foreign currency translation loss were RMB53.4 million, RMB161.3 million for the years ended December 31, 2020 and 2021, respectively. Foreign currency translation income was RMB172.4 million (US\$25.0 million) for the year ended December 31, 2022.

## **Item 12. Description of Securities Other than Equity Securities**

### **A. Debt Securities**

Not applicable.

### **B. Warrants and Rights**

Not applicable.

### **C. Other Securities**

Not applicable.

### **D. American Depositary Shares**

Deutsche Bank Trust Company Americas, as depositary, registered and delivered the ADSs. Each two ADSs will represent ownership of three Class A ordinary shares, deposited with Deutsche Bank AG, Hong Kong Branch, as custodian for the depositary. Each ADS will also represent ownership of any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered is located at 60 Wall Street, New York, NY 10005, USA. The principal executive office of the depositary is located at 60 Wall Street, New York, NY 10005, USA.

## Fees and Expenses

As an ADS holder, you will be required to pay the following service fees to the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs):

Service	Fees
• To any person to which ADSs are issued or to any person to which a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)	Up to US\$0.05 per ADS issued
• Cancellation of ADSs, including the case of termination of the deposit agreement	Up to US\$0.05 per ADS cancelled
• Distribution of cash dividends	Up to US\$0.05 per ADS held
• Distribution of cash entitlements (other than cash dividends) and/or cash proceeds from the sale of rights, securities and other entitlements	Up to US\$0.05 per ADS held
• Distribution of ADSs pursuant to exercise of rights.	Up to US\$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to US\$0.05 per ADS held
• Depositary services	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary bank

As an ADS holder, you will also be responsible for paying certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs) such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, deposited securities, ADSs and ADRs.
- Any applicable fees and penalties thereon.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn

charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

The depositary may make payments to us or reimburse us for certain costs and expenses, by making available a portion of the ADS fees collected in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary bank agree from time to time.

### **Payment of Taxes**

You will be responsible for any taxes or other governmental charges payable, or which become payable, on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register or transfer your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any net proceeds, or send to you any property, remaining after it has paid the taxes. You agree to indemnify us, the depositary, the custodian and each of our and their respective agents, directors, employees and affiliates for, and hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any refund of taxes, reduced rate of withholding at source or other tax benefit obtained for you. Your obligations under this paragraph shall survive any transfer of ADRs, any surrender of ADRs and withdrawal of deposited securities or the termination of the deposit agreement.

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds****Material Modifications to the Rights of Security Holders**

None.

**Use of Proceeds**

The following “Use of Proceeds” information relates to the registration statement on Form F-1 for our initial public offering (File Number 333-256907), which was declared effective by the SEC on June 29, 2021. Our initial public offering closed in July 2021. Morgan Stanley & Co. LLC, BofA Securities, Inc., and Credit Suisse Securities (USA) LLC are acting as the representatives of the underwriters for our initial public offering. We offered and sold an aggregate of 4,248,352 ADSs at an initial public offering price of US\$23.50 per ADS, taking into account the ADSs sold upon the exercise of the over-allotment option by our underwriters. We raised US\$91.6 million in net proceeds from our initial public offering after deducting underwriting commissions and discounts and the offering expenses payable by us. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates.

For the period from the effective date of the registration statement to December 31, 2022, we have utilized most of the net proceeds from our initial public offering for operations and development of our business. There is no material change in the use of proceeds as described in the registration statement.

We intend to use the remainder of the proceeds from our initial public offering, as disclosed in our registration statement on Form F-1. None of the net proceeds from the initial public offering have been paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

**Item 15. Controls and Procedures****Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our chief executive officer and our chief strategy officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, which is defined in Rules 13a-15(e) of the Exchange Act, as of December 31, 2022. Based upon that evaluation, our management, with the participation of our chief executive officer and chief strategy officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief strategy officer, as appropriate, to allow timely decisions regarding required disclosure.

**Management’s Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with U.S. GAAP. Because of its inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act and related rules as promulgated by the SEC, our management assessed the effectiveness of the internal control over financial reporting as of December 31, 2022. Based on the assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2022.

#### Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm, Ernst & Young Hua Ming LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2022, as stated in its report, which appears on page F-5 of this annual report.

#### Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the fiscal year ended December 31, 2022 that have materially and adversely affected, or are reasonably likely to materially and adversely affect, our internal control over financial reporting.

#### Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Philip Wai Lap Leung, an independent director (under the standards set forth in Section 303A of the Corporate Governance Rules of the NYSE and Rule 10A-3 under the Exchange Act) and a member of our audit committee, qualifies as an audit committee financial expert as defined in Item 16A of the instruction to Form 20-F.

#### Item 16B. Code of Ethics

We have adopted a Code of Conduct that applies to our directors, executive officers and employees. The Code of Conduct is publicly available on our website at <http://ir.100.me>. We have included our website address in this annual report solely as an inactive textual reference. The information contained on or accessible through our website is not incorporated by reference into this annual report.

#### Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst & Young Hua Ming LLP, our principal external auditor, and other member firms of the Global Ernst & Young Network for the periods indicated.

	2021		2022	
		(in thousands)		
Audit fees(1)	US\$	769	US\$	942
Audit-related fees(2)	US\$	392	US\$	1,261
Tax fees(3)	US\$	23	US\$	17
All other fees(4)	US\$	—	US\$	315

- (1) “Audit fees” means the aggregate fees billed for each of the fiscal years listed for professional services rendered by our principal accountant for the audit of our annual financial statements and assistance with and review of documents filed with the SEC and other statutory and regulatory filings.
- (2) “Audit-related fees” means the aggregate fees billed for each of the fiscal years listed for professional services rendered by our principal accountant reasonably related to the performance of the audit or review of our financial statements and are not included under Audit Fees.
- (3) “Tax Fees” means the aggregate fees billed for each of the fiscal years listed for professional services rendered by our principal accountant for tax compliance, tax advice and tax planning.



- (4) “All Other Fees” represents the aggregate fees billed for each of the fiscal years listed for products or professional services rendered by our principal accountant not included in Audit Fees, Audit-Related Fees or Tax Fees.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Ernst & Young Hua Ming LLP, including audit services, audit-related services, tax services and other services as described above, other than those for *de minimis* services which are approved by the audit committee prior to the completion of the audit.

#### Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

#### Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On December 20, 2021, we announced a share repurchase program (the “Share Repurchase Program”), to repurchase up to US\$30 million worth of our outstanding ADSs, with each two ADSs represents three Class A ordinary shares, over a period of twelve months. The repurchases may be made from time to time on the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations. The following table sets forth information about our purchases of outstanding ADSs as of December 31, 2022:

Period	Total Number of ADSs Purchased	Average Price Paid per ADS(1)		Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Program(2)	
December 20, 2021 through March 31, 2022	242,210	US\$	10.99	242,210	US\$	27.3 million
April 1, 2022 through December 19, 2022	102,231	US\$	5.35	102,231	US\$	—
<b>Total</b>	<b>344,441</b>	<b>US\$</b>	<b>9.32</b>	<b>344,441</b>	<b>US\$</b>	<b>—</b>

There were no other purchases of any class of registered equity securities of the Company by the Company or, to our knowledge, by any other affiliated purchaser.

#### Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

#### Item 16G. Corporate Governance

As a Cayman Islands company listed on the NYSE, we are subject to the NYSE corporate governance standards. However, NYSE Listed Company Manual permits a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE corporate governance standards. We currently rely on home country practice exemption with respect to the requirement of (i) having the majority of our board of directors composed of independent directors, (ii) having a minimum of three members in our audit committee, (iii) having a written charter of audit committee, (iv) scheduling regular executive sessions in which the non-management directors meet without management participation, (v) having shareholder approval for stock option plans or other equity compensation arrangements, (vi) having a nominating committee composed entirely of independent directors and (iv) having a compensation committee composed entirely of independent directors. As a result, our shareholders may be afforded less protection than they would otherwise enjoy under the NYSE corporate governance listing standards applicable to U.S. domestic issuers. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our ADSs —As a company

incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the New York Stock Exchange listing standards.”

Other than the practice described above, there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under NYSE corporate governance standards.

**Item 16H. Mine Safety Disclosure**

Not applicable.

**Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

For the immediately preceding annual financial statement period, our auditor, Ernst & Young Hua Ming LLP (a registered public accounting firm that the PCAOB was unable to inspect or investigate completely) issued an audit report for us.

As of the date of this annual report and to our best knowledge:

- (i) none of our shares or the shares of our consolidated foreign operating entities are owned by governmental entities in the jurisdiction in which we or such consolidated foreign operating entities are incorporated or otherwise organized;
- (ii) none of the governmental entities in the applicable foreign jurisdiction with respect to our registered public accounting firm have a controlling financial interest in us or any of our consolidated foreign operating entities;
- (iii) none of the members of our board of directors or the board of directors of our operating entities is an official of the Chinese Communist Party; and
- (iv) our or our operating entities’ articles of incorporation do not contain any charter of the Chinese Communist Party.

**Item 17. Financial Statements**

We have elected to provide financial statements pursuant to Item 18.

**Item 18. Financial Statements**

The consolidated financial statements of Dingdong (Cayman) Limited, its subsidiaries and its consolidated variable interest entities are included at the end of this annual report.

**Item 19. Exhibits**

<b>Exhibit Number</b>	<b>Description of Document</b>
1.1	<a href="#"><u>Form of Ninth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on June 8, 2021 (File No. 333-256907)).</u></a>
2.1	<a href="#"><u>Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3).</u></a>
2.2	<a href="#"><u>Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on June 22, 2021 (File No. 333-256907)).</u></a>
2.3	<a href="#"><u>Deposit Agreement among the Registrant, the depositary and beneficial owners of the American Depositary Receipts issued thereunder, dated June 29, 2021 (incorporated herein by reference to Exhibit 2.3 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 2, 2022).</u></a>
2.4	<a href="#"><u>Sixth Amended and Restated Shareholders' Agreement between the Registrant and other parties thereto dated May 10, 2021 (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on June 8, 2021 (File No. 333-256907)).</u></a>
2.5	<a href="#"><u>Description of Securities (incorporated herein by reference to the section entitled "Description of Share Capital" in the registration statement on Form F-1 filed with the Securities and Exchange Commission on June 8, 2021 (File No. 333-256907)).</u></a>
4.1	<a href="#"><u>Second Amended and Restated 2020 Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form S-8 filed with the Securities and Exchange Commission on June 24, 2022 (File No. 333-265819)).</u></a>
4.2	<a href="#"><u>Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on June 8, 2021 (File No. 333-256907)).</u></a>
4.3	<a href="#"><u>Form of Employment Agreement between the Registrant and its executive officer (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on June 8, 2021 (File No. 333-256907)).</u></a>
8.1	<a href="#"><u>List of principal subsidiaries (incorporated herein by reference to Exhibit 8.1 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 2, 2022).</u></a>

11.1	<a href="#"><u>Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 filed with the Securities and Exchange Commission on June 8, 2021 (File No. 333-256907))</u></a>
12.1*	<a href="#"><u>Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
12.2*	<a href="#"><u>Certification by Principal Financial and Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
13.1**	<a href="#"><u>Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
13.2**	<a href="#"><u>Certification by Principal Financial and Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
15.1*	<a href="#"><u>Consent of Independent Registered Public Accounting Firm</u></a>
15.2*	<a href="#"><u>Submission under Item 16I(a) of Form 20-F in relation to the Holding Foreign Companies Accountable Act</u></a>
101.INS*	Inline XBRL Instance Document—this instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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\* Filed herewith.

\*\* Furnished herewith.

## SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

### **Dingdong (Cayman) Limited**

By: /s/ Changlin Liang  
Name: Changlin Liang  
Title: Director and Chief Executive Officer

Date: March 22, 2023

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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<a href="#"><u>Consolidated Balance Sheets as of December 31, 2021 and 2022</u></a>	F-5
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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Dingdong (Cayman) Limited

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Dingdong (Cayman) Limited (the Company) as of December 31, 2021 and 2022, the related consolidated statements of comprehensive loss, changes in shareholders' (deficit)/equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 22, 2023 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

## ***Impairment Assessment of Long-lived Assets***

### ***Description of the Matter***

As disclosed in Notes 2, 7 and 11 to the consolidated financial statements, property and equipment, net and operating lease right-of-use assets were RMB315.0 million (US\$45.7 million) and RMB1,425.1 million (US\$206.6 million), respectively, as of December 31, 2022. The Company evaluates the recoverability of its long-lived assets, including property and equipment and operating lease right-of-use assets, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For purposes of assessing recoverability, the Company identified a single geographical region that is serviced by various regional processing centers and frontline fulfillment stations to be the lowest level of independent cash flows. A long-lived asset group is not recoverable if the carrying value is higher than the undiscounted future cash flows expected to result from their use. Impairment losses are measured based on the excess of the asset group's carrying amount over its fair value. In determining the fair value of its long-lived asset groups, the Company considers the highest and best use from a market participants' perspective, which is determined to be the higher of the discounted future cash flows from operating the long-lived asset group and the price market participants would pay to sub-lease the operating lease right-of-use assets and acquire the property and equipment. Management estimates the fair value of its long-lived asset groups with the assistance of an independent third-party valuation firm. No impairment losses were recognized for the years ended December 31, 2020, 2021 and 2022.

Auditing the Group's impairment assessment requires subjective auditor judgment to assess future cash flows, particularly revenues expected to be generated from the usage of the long-lived asset groups and estimates of the price market participants would pay to sub-lease the operating lease right-of-use assets. These significant assumptions are forward-looking and include assumptions about economic and market conditions with uncertain future outcomes.

### ***How We Addressed the Matter in Our Audit***

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's long-lived asset impairment assessment process. For example, we tested the controls over management's review of the significant assumptions described above.

To test the Company's impairment assessment of its long-lived assets, we performed audit procedures that included, among others, evaluating the significant assumptions described above and testing the completeness and accuracy of the underlying data used. For certain asset groups, we compared the revenues expected to be generated from the intended usage of the asset group to the actual revenues generated in recent historical periods and current industry, market and economic trends. With the assistance of our valuation specialists, we evaluated the valuation methodologies used by the Company and for a sample of leased properties, we compared their estimates of market rental rates against a range of estimates that were independently developed by us using external data. We also performed sensitivity analyses of the significant assumptions discussed above to evaluate the changes in the undiscounted future cash flows and fair values of the asset groups resulting from changes in the assumptions.

/s/ Ernst & Young Hua Ming LLP

We have served as the Company's auditor since 2021.  
Shanghai, The People's Republic of China  
March 22, 2023



## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Dingdong (Cayman) Limited

### Opinion on Internal Control Over Financial Reporting

We have audited Dingdong (Cayman) Limited's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Dingdong (Cayman) Limited (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2022, the related consolidated statements of comprehensive loss, changes in shareholders' (deficit)/equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and our report dated March 22, 2023 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young Hua Ming LLP

Shanghai, The People's Republic of China  
March 22, 2023

**DINGDONG (CAYMAN) LIMITED**  
**CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

		As of December 31,		
		2021	2022	2022
		RMB	RMB	US\$
ASSETS	Notes			
Current assets:				
Cash and cash equivalents		662,768	1,856,187	269,122
Restricted cash		7,664	2,763	401
Short-term investments		4,568,346	4,636,774	672,269
Accounts receivable, net of allowance for credit losses of nil and RMB23,298 (US\$3,378) as of December 31, 2021 and 2022, respectively		191,519	141,468	20,511
Inventories	5	537,472	604,884	87,700
Advances to suppliers		86,711	83,835	12,155
Prepayments and other current assets	6	461,843	170,336	24,696
Total current assets		6,516,323	7,496,247	1,086,854
Non-current assets:				
Property and equipment, net	7	472,371	314,980	45,668
Operating lease right-of-use assets	11	2,245,571	1,425,117	206,622
Other non-current assets, net of allowance for credit losses of nil and RMB2,930 (US\$425) as of December 31, 2021 and 2022, respectively	8	185,793	145,563	21,105
Total non-current assets		2,903,735	1,885,660	273,395
TOTAL ASSETS		9,420,058	9,381,907	1,360,249
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable		2,058,624	1,886,689	273,544
Customer advances and deferred revenue	3	243,480	253,010	36,683
Accrued expenses and other current liabilities	12	653,261	810,963	117,579
Salary and welfare payable		244,740	329,104	47,716
Operating lease liabilities, current	11	969,494	693,496	100,547
Short-term borrowings	9	3,121,046	4,237,978	614,449
Current portion of long-term borrowings	10	57,875	—	—
Total current liabilities		7,348,520	8,211,240	1,190,518
Non-current liabilities:				
Operating lease liabilities, non-current	11	1,244,096	678,000	98,301
Other non-current liabilities		69,373	75,000	10,874
Total non-current liabilities		1,313,469	753,000	109,175
TOTAL LIABILITIES		8,661,989	8,964,240	1,299,693
COMMITMENTS AND CONTINGENCIES	22			

The accompanying notes are an integral part of these consolidated financial statements.

**DINGDONG (CAYMAN) LIMITED**  
**CONSOLIDATED BALANCE SHEETS — (Continued)**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

		As of December 31,		
		2021 RMB	2022 RMB	2022 US\$
<b>LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY (CONTINUED)</b>				
	Notes			
<b>Mezzanine Equity:</b>				
Redeemable noncontrolling interests	18	30,000	107,490	15,585
<b>TOTAL MEZZANINE EQUITY</b>		<b>30,000</b>	<b>107,490</b>	<b>15,585</b>
<b>Shareholders' equity:</b>				
Class A ordinary shares (US\$0.000002 par value per share; 20,000,000,000 and 20,000,000,000 shares authorized as of December 31, 2021 and 2022, respectively; 299,797,728 and 299,797,728 shares issued as of December 31, 2021 and 2022, 270,054,584 and 269,942,489 shares outstanding as of December 31, 2021 and 2022, respectively)		13	3	3
Class B ordinary shares (US\$0.000002 par value per share; 2,500,000,000 and 2,500,000,000 shares authorized as of December 31, 2021 and 2022, respectively; 54,543,800 and 54,543,800 shares issued and outstanding as of December 31, 2021 and 2022, respectively)		13	1	1
Additional paid-in capital		13,685,062	13,922,811	2,018,618
Treasury stock	13	(7,042)	(20,666)	(2,997)
Accumulated deficit		(12,765,713)	(13,580,086)	(1,968,928)
Accumulated other comprehensive loss		(184,242)	(11,886)	(1,723)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>728,069</b>	<b>310,177</b>	<b>44,971</b>
<b>TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY</b>		<b>9,420,058</b>	<b>9,381,907</b>	<b>1,360,249</b>

The accompanying notes are an integral part of these consolidated financial statements.

**DINGDONG (CAYMAN) LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

		For the year ended December 31,			
	Notes	2020 RMB	2021 RMB	2022 RMB	2022 US\$
<b>Revenues:</b>					
Product revenues	3	11,207,178	19,896,725	23,939,480	3,470,898
Service revenues	3	128,609	224,401	281,753	40,851
<b>Total revenues</b>		<b>11,335,787</b>	<b>20,121,126</b>	<b>24,221,233</b>	<b>3,511,749</b>
<b>Operating costs and expenses:</b>					
Cost of goods sold		(9,105,294)	(16,076,178)	(16,735,643)	(2,426,440)
Fulfilment expenses		(4,044,230)	(7,272,535)	(6,114,851)	(886,570)
Sales and marketing expenses		(568,705)	(1,514,504)	(541,124)	(78,456)
Product development expenses		(321,697)	(905,007)	(1,003,225)	(145,454)
General and administrative expenses		(458,041)	(682,922)	(541,653)	(78,532)
<b>Total operating costs and expenses</b>		<b>(14,497,967)</b>	<b>(26,451,146)</b>	<b>(24,936,496)</b>	<b>(3,615,452)</b>
Other operating income/(loss), net		2,693	(16,821)	(47,526)	(6,891)
<b>Loss from operations</b>		<b>(3,159,487)</b>	<b>(6,346,841)</b>	<b>(762,789)</b>	<b>(110,594)</b>
Interest income		16,244	45,324	93,035	13,489
Interest expenses		(38,758)	(85,151)	(133,714)	(19,387)
Other (expenses)/income, net		(6,363)	11,439	3,327	482
Changes in fair value of warrant liabilities		11,450	(44,457)	—	—
<b>Loss before income tax</b>		<b>(3,176,914)</b>	<b>(6,419,686)</b>	<b>(800,141)</b>	<b>(116,010)</b>
Income tax expenses	15	—	(9,373)	(6,742)	(977)
<b>Net loss</b>		<b>(3,176,914)</b>	<b>(6,429,059)</b>	<b>(806,883)</b>	<b>(116,987)</b>
Accretion of redeemable convertible preferred shares.		(320,301)	(288,380)	—	—
Accretion of redeemable noncontrolling interests		—	—	(7,490)	(1,086)
<b>Net loss attributable to ordinary shareholders</b>		<b>(3,497,215)</b>	<b>(6,717,439)</b>	<b>(814,373)</b>	<b>(118,073)</b>
<b>Net loss per ordinary share:</b>					
Basic and diluted	19	(54.91)			
<b>Net loss per Class A and Class B ordinary share:</b>					
Basic and diluted	19		(34.50)	(2.51)	(0.36)
<b>Shares used in net loss per ordinary share computation:</b>					
Basic and diluted	19	63,690,000			
<b>Shares used in net loss per Class A and Class B ordinary share computation:</b>					
Basic and diluted	19		194,713,891	324,330,913	324,330,913
<b>Other comprehensive (loss)/ income, net of tax of nil:</b>					
Foreign currency translation adjustments		(53,370)	(161,281)	172,356	24,989
Comprehensive loss.		<b>(3,230,284)</b>	<b>(6,590,340)</b>	<b>(634,527)</b>	<b>(91,998)</b>
Accretion of redeemable convertible preferred shares		(320,301)	(288,380)	—	—
Accretion of redeemable noncontrolling interests		—	—	(7,490)	(1,086)
<b>Comprehensive loss attributable to ordinary shareholders</b>		<b>(3,550,585)</b>	<b>(6,878,720)</b>	<b>(642,017)</b>	<b>(93,084)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**DINGDONG (CAYMAN) LIMITED**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

	Ordinary Shares		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total Shareholders' (Deficit)/Equity
	Shares*	Amount RMB	Shares	Amount RMB	RMB	RMB	RMB	RMB
<b>Balance at January 1, 2020</b>	<b>60,163,500</b>	<b>1</b>	—	—	<b>30,959</b>	<b>30,409</b>	<b>(2,551,059)</b>	<b>(2,489,690)</b>
Accretion of redeemable convertible preferred shares	—	—	—	—	—	—	(320,301)	(320,301)
Share-based compensation	4,745,200	—	—	—	120,698	—	—	120,698
Net loss	—	—	—	—	—	—	(3,176,914)	(3,176,914)
Other comprehensive loss	—	—	—	—	—	(53,370)	—	(53,370)
<b>Balance at December 31, 2020</b>	<b>64,908,700</b>	<b>1</b>	—	—	<b>151,657</b>	<b>(22,961)</b>	<b>(6,048,274)</b>	<b>(5,919,577)</b>
Accretion of redeemable convertible preferred shares	—	—	—	—	—	—	(288,380)	(288,380)
Issuance of ordinary shares in connection with initial public offering	6,372,528	—	—	—	589,959	—	—	589,959
Automatic conversion of redeemable convertible preferred shares to ordinary shares upon initial public offering	250,826,100	3	—	—	12,628,084	—	—	12,628,087
Share-based compensation	2,601,000	—	—	—	315,362	—	—	315,362
Repurchase of ordinary shares	—	—	(109,944)	(7,042)	—	—	—	(7,042)
Net loss	—	—	—	—	—	—	(6,429,059)	(6,429,059)
Other comprehensive loss	—	—	—	—	—	(161,281)	—	(161,281)
<b>Balance at December 31, 2021</b>	<b>324,708,328</b>	<b>4</b>	<b>(109,944)</b>	<b>(7,042)</b>	<b>13,685,062</b>	<b>(184,242)</b>	<b>(12,765,713)</b>	<b>728,069</b>
Accretion of redeemable noncontrolling interests	—	—	—	—	—	—	(7,490)	(7,490)
Exercise of share-based awards	294,622	—	—	—	1,873	—	—	1,873
Share-based compensation	—	—	—	—	235,876	—	—	235,876
Repurchase of ordinary shares	—	—	(406,717)	(13,624)	—	—	—	(13,624)
Net loss	—	—	—	—	—	—	(806,883)	(806,883)
Other comprehensive income	—	—	—	—	—	172,356	—	172,356
<b>Balance at December 31, 2022</b>	<b>325,002,950</b>	<b>4</b>	<b>(516,661)</b>	<b>(20,666)</b>	<b>13,922,811</b>	<b>(11,886)</b>	<b>(13,580,086)</b>	<b>310,177</b>
<b>Balance at December 31, 2022 (US\$)</b>		<b>1</b>		<b>(2,997)</b>	<b>2,018,618</b>	<b>(1,723)</b>	<b>(1,968,928)</b>	<b>44,971</b>

\* As of December 31, 2020, 2021 and 2022, nil, 29,633,200 and 29,701,893 Class A ordinary shares were held by the Offshore ESOP Platforms related to the Second Amended and Restated 2020 Share Incentive Plan (Note 14), respectively. These shares are considered legally issued but not outstanding.

The accompanying notes are an integral part of these consolidated financial statements.

**DINGDONG (CAYMAN) LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

	For the year ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
<b>Operating activities:</b>				
Net loss	(3,176,914)	(6,429,059)	(806,883)	(116,987)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	115,354	213,082	204,207	29,607
Accretion related to convertible notes	21,334	—	—	—
Foreign exchange loss/(gain)	35,049	(7,689)	(36,937)	(5,355)
Share-based compensation	153,110	315,362	235,876	34,199
Loss on disposal of property and equipment	16,481	35,483	67,056	9,722
Extinguishment losses	29,141	—	—	—
Changes in fair value of warrant liabilities	(11,450)	44,457	—	—
Allowance for credit losses	—	—	26,228	3,803
Other non-cash charges	—	—	5,838	846
Changes in operating assets and liabilities:				
Accounts receivable	(26,508)	(152,714)	26,753	3,879
Inventories	(224,983)	(151,041)	(67,412)	(9,774)
Advance to suppliers	(14,580)	(49,578)	2,876	417
Prepayments and other current assets	(18,345)	(363,965)	292,312	42,381
Operating lease right-of-use assets	(1,015,534)	(742,349)	820,454	118,955
Other non-current assets	(80,029)	(49,175)	78,870	11,434
Accounts payable	804,769	478,676	(171,935)	(24,928)
Salary and welfare payable	93,921	107,780	84,364	12,232
Advances from customers and deferred revenue	70,111	103,076	9,530	1,382
Accrued expenses and other current liabilities	182,376	164,625	152,636	22,130
Operating lease liabilities	991,000	747,118	(842,094)	(122,092)
Other non-current liabilities	—	69,373	5,627	816
<b>Net cash (used in)/generated from operating activities</b>	<b>(2,055,697)</b>	<b>(5,666,538)</b>	<b>87,366</b>	<b>12,667</b>
<b>Investing activities:</b>				
Purchases of property and equipment	(248,476)	(451,608)	(126,887)	(18,397)
Proceeds from disposal of property and equipment	1,165	547	5,785	839
Purchases of short-term investments	(1,306,245)	(9,078,466)	(6,469,060)	(937,926)
Maturities of short-term investments	542,437	5,454,087	6,574,015	953,143
Purchases of debt and equity investments	—	—	(30,980)	(4,492)
Loans to related parties	(10,100)	(2,500)	—	—
Repayment of loans from related parties	—	12,600	—	—
<b>Net cash used in investing activities</b>	<b>(1,021,219)</b>	<b>(4,065,340)</b>	<b>(47,127)</b>	<b>(6,833)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**DINGDONG (CAYMAN) LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

	For the year ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
<b>Financing activities:</b>				
Proceeds from short-term borrowings	1,444,638	9,558,649	13,782,873	1,998,329
Repayment of short-term borrowings	(210,117)	(7,672,124)	(12,665,941)	(1,836,389)
Proceeds from long-term borrowings	128,000	—	—	—
Repayment of long-term borrowings	(35,625)	(87,000)	(57,875)	(8,391)
Issuance of redeemable convertible preferred shares, net of issuance costs	2,171,263	6,646,458	—	—
Issuance of redeemable noncontrolling interests	—	30,000	70,000	10,149
Proceeds from initial public offering, net of issuance costs	—	589,959	—	—
Repurchase of ordinary shares	—	(2,912)	(17,742)	(2,572)
Advance from shareholders	158,506	—	—	—
Repayment of advance from shareholders	—	(20,390)	—	—
Proceeds from exercise of share-based awards	—	—	1,068	155
<b>Net cash generated from financing activities</b>	<b>3,656,665</b>	<b>9,042,640</b>	<b>1,112,383</b>	<b>161,281</b>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(67,860)	(90,778)	35,896	5,204
<b>Net increase/(decrease) in cash and cash equivalents and restricted cash</b>	<b>511,889</b>	<b>(780,016)</b>	<b>1,188,518</b>	<b>172,319</b>
Cash and cash equivalents and restricted cash at the beginning of the year	938,559	1,450,448	670,432	97,204
<b>Cash and cash equivalents and restricted cash at the end of the year</b>	<b>1,450,448</b>	<b>670,432</b>	<b>1,858,950</b>	<b>269,523</b>
<b>Supplemental disclosure of cash flow information:</b>				
Interest paid	13,037	77,100	133,731	19,389
<b>Non-cash investing and financing activities:</b>				
Purchase of property and equipment included in accrued expenses and other liabilities	29,489	12,341	9,196	1,333
Issuance of Series B4-1 redeemable convertible preferred shares upon exercise of warrants held by the Founder	203,771	—	—	—
Issuance of Series C1 redeemable convertible preferred shares upon conversion of convertible notes	628,709	—	—	—
Issuance of Series B4 redeemable convertible preferred shares upon exercise of warrants	—	359,832	—	—
Issuance of Series C1 redeemable convertible preferred shares upon the extinguishment of advance from shareholders	—	158,506	—	—
<b>Reconciliation of cash and cash equivalents and restricted cash:</b>				
Cash and cash equivalents	1,376,153	662,768	1,856,187	269,122
Restricted cash	74,295	7,664	2,763	401
<b>Total cash and cash equivalents and restricted cash shown in the statements of cash flows</b>	<b>1,450,448</b>	<b>670,432</b>	<b>1,858,950</b>	<b>269,523</b>

The accompanying notes are an integral part of these consolidated financial statements.

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Dingdong (Cayman) Limited (the “Company”) was incorporated in the Cayman Islands in October 2018 by Mr. Liang Changlin, (the “Founder”) and Chief Executive Officer (“CEO”) of the Company. The Company, through its consolidated subsidiaries (collectively, the “Group”), operates fresh grocery e-commerce business that offers primarily fresh groceries, prepared food and other food products directly delivered to users and households in the People’s Republic of China (the “PRC”).

As of December 31, 2022, the Group’s major subsidiaries are as follows:

Major subsidiaries	Percentage of Ownership	Date of Incorporation	Place of Incorporation	Major Operation
Dingdong Fresh Holding Limited (“Dingdong Fresh BVI”)	100%	October 30, 2018	British Virgin Islands (“BVI”)	Investment holding
Dingdong Fresh (Hong Kong) Limited (“Dingdong HK”)	100%	January 4, 2019	Hong Kong	Investment holding
Baqianlilu (Wuxi) Network Technology Co., Ltd.	100%	May 9, 2020	PRC	E-commerce
Shanghai 100me Internet Technology Co., Ltd. (“Shanghai 100me”)	100%	March 26, 2014	PRC	E-commerce
Yihengyishu (Shanghai) E-Commerce Co., Ltd.	100%	April 12, 2017	PRC	E-commerce
Chizhiyiheng (Shanghai) E-commerce Co., Ltd.(“Chizhiyiheng Shanghai”)	100%	July 18, 2018	PRC	E-commerce
Shilaiyunzhuan (Hangzhou) E-commerce Co., Ltd.	100%	January 4, 2019	PRC	E-commerce
Shishishun (Shenzhen) E-commerce Co., Ltd.	100%	July 12, 2019	PRC	E-commerce
Shishishun (Jiangsu) E-Commerce Co., Ltd.	100%	September 18, 2019	PRC	E-commerce
Chao Lizhi (Jiangsu) E-Commerce Co., Ltd.	100%	November 14, 2019	PRC	E-commerce
Beijing Buijiangjiu E-Commerce Co., Ltd.	100%	February 28, 2020	PRC	E-commerce
Shanghai Yushengbaigu Food Co., Ltd.	91.67%	October 21, 2020	PRC	Production of private label products
Chizhiyiheng (Nanjing) Supply Chain Co., Ltd.	100%	August 30, 2021	PRC	E-commerce

The Group’s operations are conducted primarily through Shanghai 100me and its subsidiaries. Shanghai 100me is a limited liability company established under the laws of the PRC on March 26, 2014. Shanghai 100me completed the Angel, Series Pre-A, Series A and Series A+ equity financing rounds between 2014 and 2019. Throughout this period and after completion of each of these rounds of financing, the Founder held a controlling equity interest in Shanghai 100me. Further, certain investor directors on Shanghai 100me’s Board of Directors executed vote in concert agreements with the Founder such that he effectively controlled all decisions made by Shanghai 100me’s Board of Directors.

The Company separately completed the Series B, Series B2, Series B3 and Series B4 equity financing rounds from 2018 to the initiation of the Reorganization described below. Throughout this period and after completion of each of these rounds of financing, the Founder held a controlling voting interest in the Company through his directly held equity interests and vote in concert agreements executed between certain shareholders and the Founder.

For purposes of the Company’s initial public offering (“IPO”) in the United States, the Company undertook a series of steps (the “Reorganization”) to establish the Company as the parent company and transfer the business operations in Shanghai 100me and its PRC subsidiaries to the Company, whereby shareholders of Shanghai 100me surrendered their equity interests in Shanghai 100me in exchange for the Company’s redeemable convertible preferred shares in proportion to their ownership interests in Shanghai 100me at a price equal to their original investment principal in Shanghai 100me. By the end of March 2021, all of Shanghai 100me’s shareholders have received their proportionate ordinary shares or redeemable convertible preferred shares in the Company.

As the transfer of Shanghai 100me’s business to the Company was between entities under common control of the Founder, the Reorganization was accounted for in a manner similar to a pooling-of-interests with the assets and liabilities of the entities mentioned above carried over at their historical amounts. Accordingly, these consolidated financial statements have been prepared as if the corporate structure of the Company had been in existence since the beginning of the periods presented.

In July 2021, the Company completed its initial public offering (“IPO”) on the New York Stock Exchange (“NYSE”) (Note 13).



**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Amounts in thousands of RMB and US\$, except for number of shares and per share data)**

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES**

***Basis of presentation***

The consolidated financial statements of the Group have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

***Reclassification***

The Company reclassified certain prior period amounts from “Other (expenses)/income, net” to “Other operating income/(loss), net” to conform to current period presentation.

***Principles of consolidation***

The accompanying consolidated financial statements include the financial statements of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation.

***Use of estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reporting periods. Significant accounting estimates reflected in the Group’s consolidated financial statements include allowance for credit losses of accounts receivable and short-term investments, revenues expected to be generated from the Group’s usage of long-lived assets, estimated prices market participants would pay to sub-lease the Group’s operating lease right-of-use assets, cashflow projections used by the Company in its going concern assessment, incremental borrowing rates for operating lease liabilities, valuation allowance for deferred tax assets, determination of the stand-alone selling price (“SSP”) of performance obligations in revenue contracts, breakage estimates related to loyalty points, fair value of share-based payment awards and the fair values of financial instruments. Management bases its estimates on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Actual results could materially differ from those estimates.

***Foreign currency translation***

The reporting currency of the Group is the Renminbi (“RMB”). The functional currency of the Company, Dingdong Fresh BVI and Dingdong HK is the United States Dollar (“US\$”). The functional currency of the Company’s PRC subsidiaries is RMB. The determination of the respective functional currency is based on the criteria stated in ASC 830, *Foreign Currency Matters*. The Group uses RMB as its reporting currency. The financial statements of the Company and the Company’s subsidiary outside the PRC are translated from the functional currency to the reporting currency.

Transactions denominated in foreign currencies are remeasured into the functional currency at the exchange rates quoted by the People’s Bank of China (the “PBOC”) prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are re-measured at the exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical costs in foreign currency are re-measured using the exchange rates at the dates of the initial transactions. Exchange gains and losses are included in the consolidated statements of comprehensive loss.

Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as accumulated comprehensive loss and are shown as a separate component of other comprehensive (loss)/income in the consolidated statements of comprehensive loss.

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Amounts in thousands of RMB and US\$, except for number of shares and per share data)**

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

***Convenience translation***

Translations of amounts from RMB into U.S. dollars are solely for the convenience of the reader and were calculated at the noon buying rate of US\$1 to RMB6.8972 on December 30, 2022, as published in H.10 statistical release of the United States Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at such rate or at any other rate.

***Cash and cash equivalents***

Cash and cash equivalents include cash on hand and time deposits placed with commercial banks or other financial institutions in the PRC. The Group considers highly liquid investments that are readily convertible to known amounts of cash and with original maturities from the date of purchase of three months or less to be cash equivalents. All cash and cash equivalents are unrestricted as to withdrawal and use.

***Restricted cash***

Restricted cash primarily consists of cash reserved in bank accounts used as collateral for short-term loans and restricted deposits made as performance guarantees. Restricted cash is expected to be released to cash within the next 12 months and therefore, classified as a current asset.

***Short-term investments***

Short-term investments consist of investments in wealth management products with variable interest rates purchased from reputable financial institutions in the PRC and time deposits with contractual maturities between 3 to 12 months. The Group accounts for investments in wealth management products in accordance with ASC 320, *Investments—Debt Securities* (“ASC 320”). The Group classifies these investments as “held-to-maturity”, “trading” or “available-for-sale”, whose classification determines the respective accounting methods stipulated by ASC 320. Dividend and interest income, including amortization of the premium and discount arising at acquisition, for all categories of investments in securities, are included in earnings. Any realized gains or losses on the sale of the short-term investments, are determined on a specific identification method, and such gains and losses are reflected in earnings during the period in which gains or losses are realized. The securities that the Group has the positive intent and the ability to hold to maturity are classified as held-to-maturity securities and stated at amortized cost. Interest income of held-to-maturity investments and time deposits are recognized on an accrual basis using an effective interest method.

Debt investments not classified as trading or as held-to-maturity are classified as available-for-sale securities. Available-for-sale investments are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive loss. Realized gains or losses are included in earnings during the period in which the gain or loss is realized.

The Group classifies its investments in wealth management products as available-for-sale. The carrying amounts of these short-term investments approximate their fair values because of their generally short maturities. The unrealized gains (losses) of these investments were insignificant for all periods presented.

***Accounts receivable, net***

Accounts receivable, net mainly represent amounts due from corporate customers and third-party collaboration platforms for sales of products and services which are recorded net of allowance for credit losses. The allowance for credit losses reflects the Group's current estimate of credit losses expected to be incurred over the life of the receivables. The Group considers various factors in establishing, monitoring, and adjusting its allowance for credit losses including the aging of receivables and aging trends, customer creditworthiness and specific exposures related to particular customers. The Group also monitors other risk factors and forward-looking information, such as country specific risks and economic factors that may affect a customer's ability to pay in establishing and adjusting its allowance for credit losses. The Group assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist, primarily based on similar business line, service or product offerings and on an individual basis when the Group identifies specific customers with known disputes or collectability issues. Accounts receivable are written off after all collection efforts have ceased. The Group recognized allowance for credit loss from accounts receivable of nil and RMB23.3 million (US\$3.4 million) for the years ended December 31, 2021 and 2022, respectively.

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Amounts in thousands of RMB and US\$, except for number of shares and per share data)**

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

***Inventories***

Inventories are stated at the lower of cost and net realizable value. Cost of inventories is determined using the weighted average cost method. Adjustments to reduce the cost of inventories to its net realizable value are recorded in cost of goods sold. The Group takes ownership, risks and rewards of the products purchased.

***Property and equipment, net***

Property and equipment are stated at cost less accumulated depreciation. The Group computes depreciation using the straight-line method over the estimated useful lives of the assets as follows:

<b>Category</b>	<b>Estimated useful life</b>
Furniture, fixtures and equipment	4-5 years
Electronic office equipment	3-5 years
Leasehold improvements	Over the shorter of the lease term or estimated useful life

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterments that extend the useful lives of property and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in “Other operating income/(loss), net” in the consolidated statements of comprehensive loss.

***Impairment of long-lived assets***

The Group evaluates the recoverability of its long-lived assets, including property and equipment and operating lease right-of-use assets, for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For purposes of assessing recoverability, the Group identified a single geographical region that is serviced by various regional processing centers and frontline fulfillment stations to be the lowest level of independent cash flows. A long-lived asset group is not recoverable if the carrying value is higher than the undiscounted future cash flows expected to result from their use. Impairment losses are measured based on the excess of the asset group’s carrying amount over its fair value and reduces the carrying amount of the long-lived assets in the asset group on a pro rata basis using the relative carrying amounts of those assets. The adjusted carrying amounts after an impairment charge represent the new cost basis and is depreciated over their remaining useful lives. No impairment losses were recognized for the years ended December 31, 2020, 2021 and 2022.

In determining the fair value of its long-lived asset groups that are deemed not recoverable, the Group considers the highest and best use of their long-lived assets from a market participants’ perspective, which is determined to be the higher of the discounted future cash flows from operating the long-lived asset groups and the price market participants would pay to sub-lease the operating lease right-of-use assets and acquire the property and equipment, even if that use differs from the Group’s current or intended use of the asset group. The Group’s use of its long-lived assets may differ from its highest and best use from time to time, especially when entering into new geographic areas, as time is needed to acquire a meaningful user base and increase business scale to realize economies of scale in its operations. Management estimates the fair value of its long-lived asset groups with the assistance of an independent third-party valuation firm.

Considerable management judgement is used to estimate future cashflows, particularly revenues expected to be generated from the usage of the long-lived assets and estimates of the price market participants would pay to sub-lease the operating lease right-use assets, which are based on comparable market rental information that could be reasonably obtained for the property. Accordingly, actual results may vary significantly from the Company estimates as they are forward-looking and include assumptions about economic and market conditions with uncertain future outcomes.

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Amounts in thousands of RMB and US\$, except for number of shares and per share data)**

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

***Fair value measurements***

ASC 820, *Fair Value Measurement* (“ASC 820”) defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

***Fair value measurements (Continued)***

ASC 820 also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach; and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

The carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, accounts payable and short-term borrowings approximate their fair values because of their generally short maturities.

***Revenue recognition***

The Group recognizes revenue from (i) product sales of primarily fresh groceries, prepared food and other food products through “Dingdong Fresh” APP and mini program, and (ii) membership services.

The Group recognizes revenue when the Group satisfies a performance obligation by transferring a promised good or service (that is, an asset) to a customer in an amount of consideration to which the Group expects to be entitled to in exchange for the good or service. An asset is transferred when the customer obtains control of that asset.

***Product sales***

The Group evaluates whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When an entity is a principal, the entity obtains control of the specified goods or services before they are transferred to the customers and revenues are recognized at the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. When an entity is an agent, its obligation is to facilitate third parties in fulfilling their performance obligation for the specified goods or services and revenues are recognized at the net amount for the amount of commission which the entity earns in exchange for arranging for the sale of the specified goods or services to be provided by other parties.

The Group recognizes product sales made through “Dingdong Fresh” APP and mini program on a gross basis because the Group is acting as a principal in these transactions as the Group (i) is responsible for fulfilling the promise to provide the specified goods, (ii) takes on inventory risk and (iii) has discretion in establishing price. The revenues of product sales are recognized at a point in time when the control of the product is transferred to the customer. Revenues are recorded net of value-added taxes (“VAT”).

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Amounts in thousands of RMB and US\$, except for number of shares and per share data)**

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

***Revenue recognition (Continued)***

The Group recognizes revenues net of discounts and return allowances. The Group does not issue any coupons concurrent with the completion of a sales transaction. The discounts and coupons are recorded as a deduction of revenue when used by customers, except for referral coupons, which are recognized as sales and marketing expenses when customers provide a customer referral. The Group allows for return of fresh groceries and other products within 24 hours and 7 days, respectively. The Group estimates a provision for product returns based on historical experience. As of December 31, 2021 and 2022, estimated liabilities for return allowances were not significant.

The Group also sells prepaid cards which can be redeemed to purchase products sold on the “Dingdong Fresh” APP. Cash collected from the sales of prepaid cards is initially recorded in “Customer advances and deferred revenue” in the consolidated balance sheets and subsequently recognized as revenues upon the sales of products through redemption of prepaid cards. The Group does not recognize revenue related to breakage or forfeiture of unused balances in prepaid cards as they do not expire.

Customers are also granted loyalty points primarily from the purchase of goods. Loyalty points can be used as cash coupons to buy any products sold by the Group, which will directly reduce the amount paid by the customer. Loyalty points expire three months from the date of issuance. The Group considers loyalty points awarded from sales of products to be part of its revenue generating activities, and accordingly, loyalty points are considered to be a material right and a separate performance obligation identified in the contract.

Consideration from the sales transaction is allocated to the products and loyalty points based on the relative standalone selling price of the products and loyalty points awarded. The amount of revenue the Group recognizes upon the redemption of loyalty points considers breakage, which is estimated based on the Group’s historical experience. As of December 31, 2021 and 2022, the deferred revenue of loyalty points was RMB2.9 million and RMB0.7 million (US\$0.1 million), respectively.

***Membership services***

The Group offers a membership program to its registered users. Memberships are offered for a one-month, three-month or twelve-month period and customers pay a fixed non-refundable upfront membership fee. During the membership period, members enjoy benefits such as free shipping for a certain number of orders every month, free fresh groceries upon purchase (limited to one piece per day), member exclusive products and exclusive discounts for certain products, coupons issued on a monthly basis that expire at the end of the month and VIP customer service. The Group has determined that these membership benefits provided over the membership period are a series of distinct goods and services that are considered one performance obligation. The Group recognizes membership service revenues over time on a straight-line basis over their respective subscription periods.

***Cost of goods sold***

Cost of goods sold consists primarily of procurement costs of finished goods and material procurement costs, labor costs and processing costs for private label products.

***Fulfillment expenses***

Fulfillment expenses consists primarily of (i) outsourcing expenses charged by third party labor-force companies for provision of delivery riders and workers at regional processing centers and frontline fulfillment stations; (ii) lease expenses for regional processing centers and frontline fulfillment stations, and (iii) logistics expenses charged by third party couriers. Outsourcing expenses included in fulfillment expenses amounted to RMB2,515.4 million, RMB4,266.0 million and RMB3,382.1 million (US\$490.4 million) for the years ended December 31, 2020, 2021 and 2022, respectively.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

***Sales and marketing expenses***

Sales and marketing expenses primarily consist of advertising expense and related expenses for personnel engaged in sales and marketing activities which are expensed as incurred. The amounts of advertising expenses incurred were RMB322.4 million, RMB1,023.6 million and RMB306.1 million (US\$44.4 million) including referral coupons issued to customers for their referral services amounting to RMB76.1 million, RMB122.3 million and RMB17.6 million (US\$2.5 million) for the years ended December 31, 2020, 2021 and 2022, respectively.

***Product development expenses***

Product development expenses consist primarily of payroll and related expenses for research and development employees involved in platform development, product category expansion and system support as well as depreciation of electronic equipment, bandwidth and data center costs, rent, utilities and other expenses necessary to support the Group's business activities. Product development expenses are expensed as incurred.

***General and administrative expenses***

General and administrative expenses consist primarily of employee related expenses for general corporate functions, including accounting, finance, tax, legal and human relations, depreciation of facilities and equipment, rental and other general corporate related expenses.

***Employee benefits***

The full-time employees of the Group's PRC subsidiaries participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. The Group is required to accrue for these benefits based on certain percentages of the qualified employees' salaries and make contributions to the plan based on the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed. The Group has no further payment obligations once the contributions have been paid. The total amounts for such employee benefits were RMB66.3 million, RMB231.3 million and RMB238.7 million (US\$34.6 million) for the years ended December 31, 2020, 2021 and 2022, respectively, and expensed in the period incurred.

***Redeemable noncontrolling interests***

For the Company's non-wholly owned subsidiaries, a noncontrolling interest is recognized to reflect the portion of equity that is not attributable, directly or indirectly, to the Company. When the noncontrolling interest is contingently redeemable upon the occurrence of a conditional event, which is not solely within the control of the Company, the noncontrolling interest is classified as mezzanine equity. The Company accretes changes in the redemption value over the period from the date that it becomes probable that the noncontrolling interest will become redeemable to the earliest redemption date using the effective interest method. When the noncontrolling interest is mandatorily redeemable on a fixed or determinable date, the noncontrolling interest is classified as liabilities.

***Share-based compensation***

Share based awards granted to employees and senior management of the Group are accounted for under ASC 718, *Compensation—Stock Compensation* ("ASC 718").

In accordance with ASC 718, the Company determines whether an award should be classified and accounted for as a liability award or equity award. Based on the Company's assessment, all of the Company's share-based awards to employees were classified as equity awards and are recognized in the consolidated financial statements based on their grant date fair values. The Company's equity awards included a performance condition that required employees to meet a minimum performance standard in order to be eligible for vesting. The Company assessed and concluded it is highly probable that employees would be able to fully vest in their awards based on the nature of the performance condition and the Company's historical experience. The Company, with the assistance of an independent third-party valuation firm, determined the fair value of the share options using a binomial option tree pricing model when estimating the fair value of the options granted to employees. As the Company's award included both service and performance conditions, the Company records compensation costs on a tranche-by-tranche basis, with a corresponding impact reflected in additional paid-in capital. The Group accounts for forfeitures when they occur and reverses the previously recognized compensation costs for an award in the period which the employee resigns from or is terminated by the Group.

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Amounts in thousands of RMB and US\$, except for number of shares and per share data)**

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

***Government subsidies***

Government subsidies are received from provincial and local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments.

There are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. Government subsidies with no conditions to be met are recorded as income when received. Government subsidies with certain operating conditions received upfront are recorded as “Other non-current liabilities” and recognized as income when the conditions are met. The Group considers the nature of each government subsidy to determine whether the related income shall be recorded as “Other operating income/(loss), net” or non-operating income in “Other (expenses)/income, net” in the consolidated statements of comprehensive loss.

The Group recognized total operating and non-operating income from government subsidies of RMB23.2 million, RMB16.8 million and RMB15.0 million (US\$2.2 million) during the years ended December 31, 2020, 2021 and 2022, respectively, from various local PRC government authorities. Government subsidies with certain operating conditions amounting to RMB60.0 million and RMB60.0 million (US\$8.7 million) were recorded as “Other non-current liabilities” as of December 31, 2021 and 2022, respectively, and will be recognized as other operating income when the conditions are met.

***Leases***

The Group elects to exempt leases of vehicles and equipment with an initial term of 12 months or less from being recognized on the consolidated balance sheets. Payments related to those leases continue to be recognized in the consolidated statements of comprehensive loss on a straight-line basis over the lease term.

The Group has no finance leases for any of the periods presented. The Group determines whether a contract contains a lease at contract inception. A contract contains a lease if there is an identified asset and the Group has the right to control the use of the identified asset.

At the commencement of each lease, management determines its classification as an operating or finance lease. For leases that qualify as operating leases, the Group recognizes the associated lease expense on a straight-line basis over the term of the lease beginning on the date of initial possession, which is generally when the Group enters the leased premises and begins to make improvements in preparation for its intended use.

A lease liability is recognized for future fixed lease payments and a ROU asset representing the right to use the underlying asset during the lease term.

The Group uses the incremental borrowing rate in determining the present value of lease payments, unless the implicit rate is readily determinable. The incremental borrowing rate is estimated on a portfolio basis considering the lease term, currency risk, credit risk and other adjustments. If lease terms include options to extend or terminate the lease, the operating lease ROU asset and lease liability are measured based on the reasonably certain criteria.

The Group uses the discount rate as of the commencement date of the lease, incorporating the entire lease term. Current maturities and long-term portions of operating lease liabilities are classified as “Operating lease liabilities, current” and “Operating lease liabilities, non-current”, respectively, in the consolidated balance sheets.

The operating lease ROU assets are measured at the amount of the lease liabilities with adjustments, if applicable, for lease prepayments made prior to or at lease commencement, initial direct costs incurred and lease incentives.

Repayments of operating lease liabilities, variable lease payments and short-term lease payments are classified as operating activities in the consolidated statements of cash flows. Payments made for operating leases representing costs of bringing another asset to the condition and location necessary for its intended use are classified as investing activities in the consolidated statements of cash flows.

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Amounts in thousands of RMB and US\$, except for number of shares and per share data)**

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

***Leases (continued)***

An immediate termination of an operating lease before the expiration of the lease term is accounted for by derecognizing the operating lease ROU asset and liability, with profit or loss recognized for the difference. Any consideration paid or received upon termination that was not already included in the lease payments is also included in the gain or loss on termination of the lease and recorded in “Other operating income/(loss), net” in the consolidated statements of comprehensive loss. Lease terminations that do not take effect contemporaneously with the effective date of the lease modification are accounting for as a lease modification as they are effectively reductions in the lease term, resulting in remeasurement of the lease liability and adjustment to the corresponding operating lease ROU asset.

***Income taxes***

The Group follows the liability method of accounting for income taxes in accordance with ASC 740, *Income Taxes* (“ASC 740”). Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in tax expense in the period that includes the enactment date of the change in tax rate.

The Group evaluates its uncertain tax positions using the provisions of ASC 740, which prescribes a recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements.

The Group recognizes in the consolidated financial statements the benefit of a tax position which is “more likely than not” to be sustained under examination based solely on the technical merits of the position assuming a review by tax authorities having all relevant information. Tax positions that meet the recognition threshold are measured using a cumulative probability approach, at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. The actual penalties or benefits ultimately realized may differ from the Group’s estimates. Additionally, changes in facts, circumstances and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions and are recognized in the period in which the changes occur. The Group records the unrecognized tax benefits in “Other non-current liabilities” in the consolidated balance sheets and has elected to include interest and penalties related to uncertain tax positions in “Income tax expenses” in the consolidated statements of comprehensive loss.

***PRC VAT***

The Group is subject to VAT on revenue generated from sales of products. The Group records revenue net of VAT. This VAT may be offset by qualified input VAT paid by the Group to suppliers. The net VAT balance between input VAT and output VAT is recorded in “Other current assets” on the consolidated balance sheets.

***Segment reporting***

The Group operates and manages its business as a single segment, in accordance with ASC 280, *Segment Reporting*. The Group’s chief operating decision maker is the CEO. The Group’s CODM assess the Group’s performance and results of operations on a consolidated basis. The Group generates substantially all of its revenues from customers in the PRC. Accordingly, no geographical segments are presented. Substantially all of the Group’s long-lived assets are located in the PRC.



**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

***Loss per share***

In accordance with ASC 260, *Earnings Per Share*, basic loss per share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, net loss is allocated between ordinary shares and other participating securities based on dividends declared (or accumulated) and participating rights in undistributed earnings as if all the earnings for the reporting period had been distributed. Prior to the Company's initial public offering, the redeemable convertible preferred shares were considered participating securities because they were entitled to receive dividends or distributions on an as converted basis. Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares include ordinary shares issuable upon the conversion of the redeemable convertible preferred shares using the if-converted method prior to the Company's IPO and ordinary shares issuable upon the exercise of share options using the treasury stock method. Ordinary share equivalents are excluded from the computation of diluted earnings per share if their effects are anti-dilutive.

For the year ended December 31, 2020, the computation of basic loss per share using the two-class method was not applicable as the Company was in a net loss position and the redeemable convertible preferred shares did not have contractual rights and obligations to share in the losses of the Company. For the year ended December 31, 2021 and 2022, the two-class method is applicable because the Group has two classes of ordinary shares outstanding, Class A and Class B ordinary shares, respectively. The participating rights (liquidation and dividend rights) of the holders of the Company's Class A and Class B ordinary shares are identical, except those with respect to voting and conversion (Note 13). As a result, and in accordance with ASC 260, the undistributed loss for each year is allocated based on the respective contractual participation rights of the Class A and Class B ordinary shares. As the liquidation and dividend rights are identical, the undistributed loss is allocated on a proportionate basis. Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the accretion related to the redeemable convertible preferred shares prior to the Company's IPO and redeemable noncontrolling interests, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period.

***Concentration of credit risk***

Financial instruments that potentially expose the Group to concentration of credit risk consist primarily of cash and cash equivalents, restricted cash, accounts receivable, short-term investments and other non-current assets. As of December 31, 2021 and 2022, the Group had RMB5,238.8 million and RMB6,495.7 million (US\$941.8 million) of cash, time deposits and wealth management products held by financial institutions in the PRC, respectively. Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions.

The Group conducts credit evaluations on its customers and generally does not require collateral or other security from such customers. The Group periodically evaluates the creditworthiness of the existing customers in determining an allowance for credit losses primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

***Currency Convertibility Risk***

Substantially all of the Group's operating activities are transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the People's Bank of China or other banks authorized by the PRC government to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other regulatory institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Amounts in thousands of RMB and US\$, except for number of shares and per share data)**

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

***Foreign Currency Exchange Rate Risk***

The functional currency of the Company is US\$, and the reporting currency is RMB. Since July 21, 2005, RMB has been permitted by the PRC government to fluctuate within a managed band against a basket of certain foreign currencies. The depreciation of the US\$ against RMB was 6.3% and 2.3% in 2020, 2021, respectively, and the appreciation of the US\$ against RMB was 9.2% in 2022. Any significant revaluation of RMB may materially and adversely affect the cash flows, operating results and financial position of the Group. As a result, an appreciation of RMB against US\$ would result in foreign currency translation loss when translating the net assets of the Group from US\$ into RMB.

The net foreign currency translation loss resulting from the translation from US\$ to RMB reporting currency recorded in other comprehensive (loss)/income was RMB53.4 million and RMB161.3 million for the years ended December 31, 2020 and 2021, respectively. For the year ended December 31, 2022, the gain resulting from the translation from US\$ to RMB was RMB172.4 million (US\$25.0 million).

***Recent Accounting Pronouncements***

**New accounting standards which have been adopted**

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. This update requires certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. This update is effective for annual periods beginning after December 15, 2021, and early application is permitted. This guidance should be applied either prospectively to all transactions that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application or retrospectively to those transactions. The Company adopted this standard on January 1, 2022. There was no material impact to the Company's financial position or results of operations upon adoption.

In June 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*. For convertible instruments, the new guidance simplifies an issuer's accounting for convertible instruments by eliminating two of the three models in ASC 470-20 that require separate accounting for embedded conversion features. As a result, more convertible instruments will be reported as single units of account. The Company adopted this standard on January 1, 2022. There was no material impact to the Company's financial position or results of operations upon adoption.

**New accounting standards which have not yet been adopted**

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which provides guidance on the acquirer's accounting for acquired revenue contracts with customers in a business combination. The amendments require an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination at the acquisition date in accordance with ASC 606 as if it had originated the contracts. This guidance also provides certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination. The new guidance is required to be applied prospectively to business combinations occurring on or after the date of adoption. This guidance is effective for the Company for fiscal years beginning after December 15, 2022, including interim periods therein. Early adoption is permitted. The Company does not expect that the adoption of this guidance will have a material impact on its financial position, results of operations and cash flows.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for the Company for fiscal years beginning after December 15, 2023, including interim periods therein. Early adoption is permitted. The Company does not expect that the adoption of this guidance will have a material impact on its financial position, results of operations and cash flows.

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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**3. REVENUE FROM CONTRACTS WITH CUSTOMERS**

*Contract Balances*

The Group's payments from customers are based on the billing terms established in contracts. Customers' payment to the Group is generally made before the delivery of goods or the provision of service. Only corporate customers are offered credit terms of between 7 to 30 days, as specified in each customer's contract. Customer billings are classified as accounts receivable when the Group's right to consideration is unconditional. If the right to consideration is conditional on future performance under the contract, the balance is recorded as a contract asset. The Group's contract assets are insignificant as of December 31, 2021 and 2022.

The Group's contract liabilities include payments received in advance of performance under revenue contracts which are included in "Customer advances and deferred revenue" on the Group's consolidated balance sheets and are recognized as revenue as the Group performs under the contract. The customer advances and deferred revenue balances as of December 31, 2021 and 2022 were comprised of the following:

	As of December 31,		
	2021 RMB	2022 RMB (in thousands)	2022 US\$
Customer advances and prepaid cards	96,785	103,680	15,032
Deferred revenue related to loyalty points	2,852	685	99
Deferred membership service revenue	143,843	148,645	21,552
<b>Total</b>	<b>243,480</b>	<b>253,010</b>	<b>36,683</b>

The Group recognized revenues that were previously deferred as contract liabilities of RMB57.4 million, RMB117.8 million and RMB148.6 million (US\$21.5 million) during the years ended December 31, 2020, 2021 and 2022, respectively.

*Revenue Allocated to Remaining Performance Obligations*

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods.

The Group had RMB143.8 million and RMB148.6 million (US\$21.6 million) of deferred revenues related to membership service fees at December 31, 2021 and 2022 that are expected to be recognized as revenues over the remaining membership period of one to twelve months. The Group had RMB2.9 million and RMB0.7 million (US\$0.1 million) of deferred revenues at December 31, 2021 and 2022 related to unsatisfied performance obligations under the loyalty points program that will be recognized as revenues when the points are redeemed, which will occur over the next three months given their expiration period. The Group also had RMB96.8 million and RMB103.7 million (US\$15.0 million) of deferred revenues related to customer advances and cash received for prepaid sales cards at December 31, 2021 and 2022 respectively, which are expected to be recognized as revenues in future periods upon the usage of the prepaid card balances to purchase the Group's products.

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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**4. FAIR VALUE MEASUREMENTS**

The following summarizes the Company's financial assets measured and recorded at fair value on a recurring basis as of December 31, 2021 and 2022:

	As of December 31, 2021	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(RMB in thousands)		
Short-term investments:				
Time deposits	4,518,346	—	4,518,346	—
Wealth management products	50,000	—	50,000	—
	4,568,346	—	4,568,346	—
	As of December 31, 2022	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(RMB in thousands)		
Short-term investments:				
Time deposits	4,586,774	—	4,586,774	—
Wealth management products	50,000	—	50,000	—
	4,636,774	—	4,636,774	—

The Company does not have any significant non-recurring fair value measurements for the periods presented.

**5. INVENTORIES**

The Company's inventories consist primarily of products to be sold to customers and packing materials as follows:

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
(in thousands)			
Products	487,066	554,441	80,386
Packing materials and others	50,406	50,443	7,314
<b>Total</b>	<b>537,472</b>	<b>604,884</b>	<b>87,700</b>

**6. PREPAYMENTS AND OTHER CURRENT ASSETS**

Prepayments and other current assets consist of the following:

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
(in thousands)			
Deductible VAT	359,915	8,635	1,252
Rental deposits	54,824	68,204	9,889
Interest receivables	15,992	49,491	7,175
Others	31,112	44,006	6,380
<b>Total</b>	<b>461,843</b>	<b>170,336</b>	<b>24,696</b>

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**7. PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consists of the following:

	As of December 31,		
	2021 RMB	2022 RMB (in thousands)	2022 US\$
Electronic office equipment	58,463	68,027	9,863
Leasehold improvements	555,941	506,501	73,436
Furniture, fixtures and equipment	177,621	159,042	23,059
Total	792,025	733,570	106,358
Less: Accumulated depreciation	(328,367)	(446,678)	(64,762)
Construction in progress	8,713	28,088	4,072
<b>Total.</b>	<b>472,371</b>	<b>314,980</b>	<b>45,668</b>

Depreciation expense was RMB115.4 million, RMB213.1 million and RMB204.2 million (US\$29.6 million) for the years ended December 31, 2020, 2021 and 2022, respectively, and were included in the following financial statement line items in the consolidated statements of comprehensive loss:

	For the year ended December 31,			
	2020 RMB	2021 RMB (in thousands)	2022 RMB	2022 US\$
Cost of goods sold	—	—	13,026	1,888
Fulfillment expenses	107,333	195,022	168,374	24,412
Sales and marketing expenses	2,018	2,666	1,907	277
General and administrative expenses	4,731	7,395	6,804	986
Product development expenses	1,272	7,999	14,096	2,044
<b>Total.</b>	<b>115,354</b>	<b>213,082</b>	<b>204,207</b>	<b>29,607</b>

The disposal gain or loss on property and equipment recognized as a result of closing down certain regional processing centers and frontline fulfillment stations was not significant for the periods presented.

**8. OTHER NON-CURRENT ASSETS**

Other non-current assets consist of the following:

	As of December 31,		
	2021 RMB	2022 RMB (in thousands)	2022 US\$
Rental deposits	167,282	109,272	15,843
Others	18,511	36,291	5,262
<b>Other non-current assets.</b>	<b>185,793</b>	<b>145,563</b>	<b>21,105</b>

The Group recorded an allowance for credit losses relating to other non-current assets of nil and RMB2.9 million (US\$0.4 million) as of December 31, 2021 and 2022, respectively.

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**9. SHORT-TERM BORROWINGS**

	As of December 31,		
	2021 RMB	2022 RMB (in thousands)	2022 US\$
Short-term bank loans	630,000	665,000	96,416
Reversed factoring arrangements	2,491,046	3,572,978	518,033
<b>Total.</b>	<b>3,121,046</b>	<b>4,237,978</b>	<b>614,449</b>

*Short-term bank loans*

Short-term bank loans consist of secured RMB denominated borrowings from financial institutions in the PRC that are repayable within one year. The weighted average interest rates for the outstanding short-term borrowings as of December 31, 2021 and 2022 were 3.67% and 3.17%, respectively. As of December 31, 2021 and 2022, the aggregate amounts of unused lines of credit available for the Group's use were RMB135.0 million and RMB205.0 million (US\$29.7 million), respectively. As of December 31, 2021 and 2022, the repayments of all short-term loans are guaranteed by the founder of the Company.

*Reversed factoring arrangements*

The Group enters into reversed factoring arrangements with certain commercial banks which accelerated the suppliers' receivables collection process by allowing suppliers to sell their receivables from the Group to the banks.

In 2020, the Group entered into the 2020 reversed factoring arrangement with a commercial bank which entitled the Group to draw up to RMB800.0 million at an interest rate of 3.6%. The arrangement was further amended in 2021 and 2022 ("amended 2020 reversed factoring arrangement") such that the draw down period was extended to July 2023 and the total available financing amount increased to RMB5,000.0 million (US\$724.9 million) with interest rates ranging from 2.6% to 3.6%. The Group is obligated to repay the principal upon maturity, typically within six months. As of December 31, 2022, the aggregate amount available for the Group's use under the amended 2020 reversed factoring arrangement was RMB3,000.7 million (US\$435.1 million).

In March 2021, the Group entered into a reversed factoring arrangement with the same commercial bank ("2021 reversed factoring arrangement I") which entitled the Group to draw up to RMB40.0 million from March 2021 to January 2022 at an interest rate of 3.6%. As of December 31, 2022, all borrowings made under this arrangement were repaid by the Group.

In December 2021, the Group entered into a reversed factoring arrangement with the same commercial bank ("2021 reversed factoring arrangement II") which entitled the Group to draw up to RMB1,800.0 million from December 2021 to December 2022 at an interest rate of 3.6%. As of December 31, 2022, all borrowings made under this arrangement were repaid by the Group.

In October 2022, the Group entered into a reversed factoring arrangement with the same commercial bank ("2022 reversed factoring arrangement I") which entitled the Group to draw up to RMB1,500.0 million (US\$217.5 million) from October 2022 to August 2023 at an interest rate of 3.5%. As of December 31, 2022, the aggregate amounts available for the Group's use under the 2022 reversed factoring arrangement I was RMB1,500.0 million (US\$217.5 million).

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**9. SHORT-TERM BORROWINGS (CONTINUED)**

*Reversed factoring arrangements (Continued)*

Since July 2021, the Group entered into a reversed factoring arrangement with another commercial bank, subsequently amended in 2022 to extend the draw down period and increase the total available financing amount (“amended 2022 reversed factoring arrangement II”). Under this amended arrangement, the Group was entitled to draw up to RMB2,000.0 million (US\$290.0 million) up until July 2023 at interest rates ranging from 2.5% to 3.6%. The Group was obligated to repay the principal upon maturity, typically within six months. This reversed factoring arrangement was guaranteed by the Founder. As of December 31, 2022, the aggregate amount available for the Group’s use under the amended 2022 reversed factoring arrangement II was RMB438.5 million (US\$63.6 million).

In August 2022, the Group entered into a reversed factoring arrangement with the same commercial bank (“2022 reversed factoring arrangement III”), which entitled the Group to draw up to RMB500.0 million (US\$ 72.5 million) from August 2022 to August 2023 at an interest rate of 2.6%. The Group was obligated to repay the principal upon maturity, typically within six months. As of December 31, 2022, the aggregate amounts available for the Group’s use under the 2022 reversed factoring arrangement III was RMB490.2 million (US\$71.1 million).

In April 2022, the Group entered into a reversed factoring arrangement with a third commercial bank (“2022 reversed factoring arrangement IV”). Under the factoring arrangement, the Group was entitled to draw up to RMB100.0 million (US\$14.5 million) from April 2022 to March 2023 at an interest rate of 3.65% and is obligated to repay the principal upon maturity, typically within six months. As of December 31, 2022, the aggregate amount available for the Group’s use under the 2022 reversed factoring arrangement IV was RMB98.9 million (US\$14.3 million).

In May 2022, the Group entered into a reversed factoring arrangement with the same commercial bank (“2022 reversed factoring arrangement V”). Under the factoring arrangement, the Group was entitled to draw up to RMB300.0 million (US\$43.5 million) from May 2022 to May 2023 at an interest rate of 3.55% and is obligated to repay the principal upon maturity, typically within six months. The Group was required to deposit cash collateral for the 2022 reversed factoring arrangement V, which was classified as “Restricted cash” on the Group’s consolidated balance sheet as of December 31, 2022. Total restricted cash held as collateral was RMB1.6 million (US\$0.2 million) as of December 31, 2022. As of December 31, 2022, the aggregate amount available for the Group’s use under the 2022 reversed factoring arrangement V was RMB298.7 million (US\$43.3 million).

The total aggregate amount available for the Group’s use under the above-mentioned reversed factoring arrangements was RMB4,448.4 million and RMB5,827.0 million (US\$844.9 million) as of December 31, 2021 and 2022, respectively.

Pursuant to the above-mentioned reversed factoring arrangements, the Group was required to collateralize the reversed factoring borrowings with time deposits purchased from the respective banks. Time deposits collateralized and restricted from withdrawal and usage amounted to RMB2,769.7 million and RMB3,864.9 million (US\$560.4 million) as of December 31, 2021 and 2022, respectively, and are classified as “Short-term investments” on the Group’s consolidated balance sheets.

As a result of the above-mentioned reversed factoring arrangements, the payment terms of the Group’s original accounts payables were substantially modified and considered extinguished as the nature of the original liability has changed from accounts payables to loan borrowings from the bank, for which the origination of the loans were reported as “Proceeds from short-term borrowing” within financing activities in the consolidated statements of cash flows for the years ended December 31, 2020, 2021 and 2022.

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**10. LONG-TERM BORROWINGS**

	As of December 31,		
	2021 RMB	2022 RMB (in thousands)	2022 US\$
Long-term borrowings.	57,875	—	—
Less: Current portion of long-term borrowings.	(57,875)	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>

In October 2020, the Group entered into secured loan agreements with East West Bank and SPD Silicon Valley Bank, pursuant to which the Group is entitled to borrow RMB68.0 million and RMB60.0 million, respectively, for its general working capital purposes. The Group drew down RMB68.0 million from East West Bank with a fixed annual interest rate of 4.15% and RMB60.0 million from SPD Silicon Valley Bank with a fixed annual interest rate of 4.75%. Principal repayments are due in monthly installments until the loan matures in October and November 2022. The repayment of the loans are guaranteed by the Founder of the Group and fully repaid as of December 31, 2022.

**11. LEASES**

The Group has operating leases arrangements for their regional processing centers, frontline fulfillment stations, processing plants, office space, vehicles and equipment.

A summary of supplemental information related to operating leases as of December 31, 2021 and 2022 is as follows:

	As of December 31,		
	2021 RMB	2022 RMB (in thousands)	2022 US\$
<b>Operating lease right-of-use assets</b>	<b>2,245,571</b>	<b>1,425,117</b>	<b>206,622</b>
Operating lease liabilities, current	969,494	693,496	100,547
Operating lease liabilities, non-current	1,244,096	678,000	98,301
<b>Total operating lease liabilities.</b>	<b>2,213,590</b>	<b>1,371,496</b>	<b>198,848</b>
<b>Weighted average remaining lease term</b>	<b>2.79 years</b>	<b>2.54 years</b>	<b>2.54 years</b>
<b>Weighted average discount rate</b>	<b>6.8 %</b>	<b>6.9 %</b>	<b>6.9 %</b>

A summary of lease cost recognized in the Group's consolidated statements of comprehensive loss and supplemental cash flow information related to operating leases is as follows:

	For the year ended December 31,			
	2020 RMB	2021 RMB (in thousands)	2022 RMB	2022 US\$
Operating lease cost	475,064	953,325	1,040,862	150,911
Short-term lease cost	7,391	12,227	11,219	1,626
Variable lease cost	—	8,247	14,896	2,160
<b>Total</b>	<b>482,455</b>	<b>973,799</b>	<b>1,066,977</b>	<b>154,697</b>
<b>Cash paid for operating leases.</b>	<b>500,458</b>	<b>1,002,511</b>	<b>1,046,689</b>	<b>151,756</b>
<b>Right-of-use assets obtained in exchange for operating lease liabilities.</b>	<b>1,489,367</b>	<b>1,671,666</b>	<b>393,755</b>	<b>57,089</b>



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**11. LEASES (CONTINUED)**

A summary of the maturity of operating lease liabilities under the Group's non-cancelable operating leases as of December 31, 2022 is as follows:

	As of December 31, 2022	
	RMB	US\$
	(in thousands)	
2023	758,787	110,014
2024	420,328	60,942
2025	217,340	31,511
2026	77,552	11,244
2027	6,079	881
Thereafter	2,668	387
<b>Total future lease payments.</b>	<b>1,482,754</b>	<b>214,979</b>
<b>Less: imputed interest</b>	<b>(111,258)</b>	<b>(16,131)</b>
<b>Total operating lease liabilities</b>	<b>1,371,496</b>	<b>198,848</b>

The aggregate consideration paid for the early termination of the operating leases of certain regional processing centers and frontline fulfillment stations and the resulting gain or loss recognized upon termination of such leases was not significant for the periods presented.

**12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consist of the following:

	As of December 31,		
	2021	2022	2022
	RMB	RMB	US\$
	(in thousands)		
Accrued outsourcing expenses	385,305	376,073	54,526
Accrued transportation and logistic expenses	43,759	78,155	11,331
VAT and other tax payable	30,081	94,409	13,688
Deposit from suppliers	29,437	31,775	4,607
Interest payable	14,749	14,732	2,136
Accrued advertising expenses	43,916	13,360	1,937
Accrued professional fees	5,988	41,546	6,024
Accrued utilities and other expenses	100,026	160,913	23,330
<b>Total.</b>	<b>653,261</b>	<b>810,963</b>	<b>117,579</b>

**13. ORDINARY SHARES**

The Company was incorporated in October 2018 with an authorized share capital of US\$50,000 divided into 25,000,000,000 ordinary shares of US\$0.000002 each, of which 64,908,700 ordinary shares had been issued as of December 31, 2020.

In April 2020, 4,745,200 ordinary shares of the Company were issued to the Founder for nil consideration and considered share-based awards with no associated performance or service based vesting conditions (Note 14).

In March and May 2021, 22,782,950 and 17,398,450 ordinary shares of the Company were issued to EatBetter Holding Limited, a BVI limited liability company ("EatBetter", "Offshore ESOP Platform"). Meanwhile, 2,601,000 ordinary shares held by EatBetter were issued to the Group's senior management for nil consideration and considered share-based awards with no associated performance or service based vesting conditions (Note 14). As of December 31, 2021, 29,633,200 Class A ordinary shares held by EatBetter were considered legally issued but not outstanding.

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**13. ORDINARY SHARES (CONTINUED)**

On June 8, 2021, the Company effected a 1:50 share subdivision of all issued and outstanding ordinary shares and redeemable convertible preferred shares (the “Share Subdivision”). The par value and authorized shares of the ordinary and preferred shares were adjusted as a result of the Share Subdivision. All ordinary shares, redeemable convertible preferred shares, and related per share amounts presented in the consolidated financial statements have been retrospectively adjusted to reflect the Share Subdivision for all periods presented, where applicable.

In July 2021, the Company’s authorized share capital was reclassified and redesignated into US\$50,000 divided into 25,000,000,000 shares comprising of (i) 20,000,000,000 Class A ordinary shares at par value of US\$0.000002; (ii) 2,500,000,000 Class B ordinary shares at par value of US\$0.000002; and (iii) 2,500,000,000 shares at par value of US\$0.000002 each of such class or classes (however designated) as the board of directors may determine. The rights of the holders of Class A and Class B ordinary shares are identical, except with respect to voting and conversion rights. Each Class A ordinary share is entitled to one vote per share. Each class B ordinary share is entitled to twenty votes per share and is convertible into one Class A ordinary share at any time by the holder. 54,543,800 ordinary shares which are ultimately owned by the Founder were re-designated and re-classified into Class B ordinary shares on a one-for-one basis and the remaining 10,364,900 issued and outstanding ordinary shares were re-designated and re-classified into Class A ordinary shares on a one-for-one basis.

In July 2021, the Company issued 250,826,100 Class A ordinary shares upon the automatic conversion of all outstanding redeemable convertible preferred shares upon completion of the Company’s IPO. Concurrently, the Company issued 6,108,000 Class A ordinary shares (equivalent to 4,072,000 ADSs) upon completion of its IPO.

In August 2021, the Company issued 264,528 Class A ordinary shares (equivalent to 176,352 ADSs) pursuant to the underwriters’ partial exercise of their option to purchase additional ADSs.

In December 2021, the Company repurchased 109,944 Class A ordinary shares at fair value. The Company designated the repurchased shares as treasury stock.

During the year ended December 31, 2022, the Company repurchased a total of 406,717 Class A ordinary shares at fair value. The Company designated the repurchased shares as treasury stock.

In June 2022, 363,315 Class A ordinary shares repurchased by the Company were transferred from the Company to the Offshore ESOP Platforms and reserved for future issuance upon the exercise of options (Note 14). As of December 31, 2022, 29,701,893 Class A ordinary shares held by the Offshore ESOP Platforms were considered legally issued but not outstanding.

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**14. SHARE BASED COMPENSATION**

*Onshore Share Incentive Plan*

Prior to the Reorganization, the shareholders and Board of Directors of Shanghai 100me approved a series of employee option plans in order to provide incentives and rewards to the Group's directors, senior management and employees (the "2015 Plan", "2016 Plan", "2018 Plan", "2019 Plan" and "2020 Plan", or the "Onshore Plans"). Each option under the Onshore Plans allowed employees to purchase one share of, a limited partnership whose sole holding was 295,503 common shares in Shanghai 100me (the "ESOP Platform"). Each share in the ESOP Platform is equivalent to 0.0148 of Shanghai 100me's common shares. Share options awarded under the Onshore Plans vest over a period of four years, with 50% of the award vesting on the second anniversary of the grant date, 25% of the award vesting on the third anniversary and 25% vesting on the fourth anniversary. Each share option has a contractual life of 10 years. The Company authorized and granted a total of 10,471,912 options under the Onshore Plans.

As part of the Reorganization, the Onshore Plans were replaced with the Company's 2015, 2016, 2018, 2019 and 2020 Replacement Plans (the "Replacement Plans") on October 31, 2020. All 9,681,668 outstanding share options of Shanghai 100me under the Onshore Plans as of October 31, 2020 were replaced and carried over at a conversion factor of 14.8. Each option under the Replacement Plans allowed employees to purchase 0.05 of the Company's ordinary shares. Concurrently, the exercise price for each share option under the Replacement Plans was also adjusted by the same 14.8 factor. All other terms, including vesting periods, proportion of vested and unvested options outstanding for each grantee were identical between the Onshore Plans and Replacement Plans. The Company performed a qualitative assessment pursuant to criteria in ASC 718-20-35-2A and determined that the cancellation of the awards under the Onshore Plans and the corresponding grant of awards under the Replacement Plans did not constitute a substantive modification of the original share-based payment awards.

*Offshore Share Incentive Plans*

On September 5, 2020, the Company's shareholders and Board of Directors approved the 2019 Plan II. Under the 2019 Plan II, the Company authorized and issued 71,001,793 share options to purchase the Company's ordinary shares. On October 31, 2020, the Company granted all of the options authorized under the 2019 Plan II.

On September 5, 2020, the Company's shareholders and Board of Directors approved the 2020 Plan II and Plan III. Under the 2020 Plan II and Plan III, the Company authorized and issued 11,786,197 and 23,096,715 share options to purchase the Company's ordinary shares, respectively. On October 31, 2020, the Company granted all of the options authorized under the 2020 Plan II and Plan III.

In January 2021, the Company's Board of Directors approved the 2020 Plan IV and granted 7,082,103 share options to the Group's senior management and employees. In March 2021, the Company's Board of Directors approved the 2021 Plan I and granted 854,608 share options to the Group's senior management and employees. In April 2021, the Company's Board of Directors approved the 2020 Plan V and granted 14,862,751 share options to the Group's senior management and employees. In September 2021, the Company's Board of Directors approved the 2020 Plan VI-X and 2021 Plan II and granted a total of 147,315,628 share options to the Group's senior management and employees.

In December 2021, the Company's Board of Directors amended and restated the Replacement Plans, 2019 Plan II, 2020 Plan II-X and 2021 Plan I-II (the "A&R 2020 Share Incentive Plan"), which consolidated all share-based payment awards under one incentive plan and clarified certain administration terms of the share incentive plan. The A&R 2020 Share Incentive Plan did not substantively modify the terms of any previously granted share options. Pursuant to the A&R 2020 Share Incentive Plan, the maximum aggregate number of shares which may be issued is 40,181,400 Class A ordinary shares of the Company.

In December 2021, the Company granted 30,808,793 share options under the A&R 2020 Share Incentive Plan to the Group's senior management and employees.

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**14. SHARE BASED COMPENSATION (CONTINUED)**

In June 2022, the Company's Board of Directors further amended and restated the A&R 2020 Share Incentive Plan (the "Second A&R 2020 Share Incentive Plan"), which clarified certain administration terms of the share incentive plan and also authorized the transfer of 10,329,025 Class A ordinary shares from EatBetter to Glory Graze Holding Limited, a BVI limited liability company controlled by a director and executive officer of the Company (together with EatBetter, the "Offshore ESOP Platforms"). The Second A&R 2020 Share Incentive Plan did not substantively modify the terms of any previously granted share options. Under the Second A&R 2020 Share Incentive Plan, the Company authorized additional share options to purchase 363,315 Class A ordinary shares and the maximum aggregate number of shares which may be issued is 40,544,715 Class A ordinary shares of the Company.

The ordinary shares to be awarded pursuant to the Second A&R 2020 Incentive Plan were issued by the Company and held by the Offshore ESOP Platforms. Each share option under the Second A&R 2020 Share Incentive Plan has a 10-year contractual life and allow participants to purchase 0.05 of the Company's Class A ordinary shares held by the Offshore ESOP Platforms. Option awards under the Second A&R 2020 Share Incentive Plan vest over either a four-year period, with 50% of the awards vesting on the second anniversary of the grant date, 25% of the awards vesting on the third anniversary and 25% vesting on the fourth anniversary, or a five-year period, with 25% vesting on the second, third, fourth and fifth anniversaries of the grant date, respectively.

The following table summarizes the Company's share option activities for the year ended December 31, 2022 pursuant to the Second A&R 2020 Share Incentive Plan (referred to as the A&R 2020 Share Incentive Plan prior to amendment in June 2022):

	Number of Options	Weighted Average Exercise Price per Option	Weighted Average Grant Date Fair Value per Option	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
		US\$	US\$	Years	US\$ (in thousands)
Share options outstanding as of December 31, 2021	384,467,623	0.2099	0.2676	8.28	126,484
Granted	170,870,383	0.1092	0.1346		
Forfeited	(49,460,587 )	0.2525	0.3585		
Exercised	(5,892,122 )	0.0451	0.0108		
Share options outstanding as of December 31, 2022	499,985,297	0.1732	0.2162	7.99	21,612
Vested and expected to vest as of December 31, 2022	499,985,297	0.1732	0.2162	7.99	21,612
Exercisable as of December 31, 2022	142,826,927	0.1201	0.0897	5.50	9,108

The aggregate intrinsic value is calculated as the difference between the exercise price of the awards and the fair value of the underlying ordinary shares at each reporting date, for those awards that had an exercise price below the fair value of the underlying ordinary share.

The total fair value of vested share options was RMB2.5 million, RMB31.4 million and RMB49.5 million (US\$7.2 million) for the years ended December 31, 2020, 2021 and 2022, respectively. As of December 31, 2022, total unrecognized share-based compensation expense relating to unvested awards was RMB387.1 million (US\$56.1 million) which is expected to be recognized over a weighted-average period of 3.4 years.

The weighted average grant date fair value of the share options granted during the years ended December 31, 2020, 2021 and 2022 were US\$0.05, US\$0.51 and US\$0.13, respectively. Total intrinsic value of options exercised for the years ended December 31, 2020, 2021 and 2022 were nil, nil and RMB4.0 million (US\$0.6 million).

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**14. SHARE BASED COMPENSATION (CONTINUED)**

The Group uses the binomial tree option pricing model to estimate the fair value of share options with the assistance of an independent third-party valuation firm. The assumptions used to value the share options were as follows:

	For the year ended December 31,		
	2020	2021	2022
Fair value of ordinary shares (US\$)	4.78	4.78-15.78	1.75-10.78
Risk-free interest rate (%)	0.66-0.88	0.93-1.71	1.52-4.10
Expected volatility (%)	47-48	48	48-55
Expected dividend yield	—	—	—
Life of option	10	10	10
Exercise multiple	2.5	2.5	2.5
Post-vesting forfeiture rate	—	—	—

The risk-free interest rate for periods within the contractual life of the options is based on the U.S. treasury yield curve in effect at the time of grant for a term consistent with the contractual term of the awards. Expected volatility is estimated based on the historical volatility of the ordinary shares of several comparable companies in the same industry until the Company had adequate historical volatility of the share price. The dividend yield is estimated based on our expected dividend policy over the expected term of the options. The expected exercise multiple is based on management's estimation, which the Company believes is representative of the future.

*2020 Senior Management Awards*

In April 2020, the Company's shareholders and Board of Directors authorized and approved a 5% increase in the number of ordinary shares held and reserved by the Offshore ESOP Platform for future share-based payment awards and shares held by the Founder and other senior management. As a result, the Founder received 4,745,200 ordinary shares, 465,550 Series Angel+ preferred shares, and 605,600 Series B4-1 preferred shares with no associated performance or service based vesting conditions at nil consideration. The Company accounted for the immediate increase in the Founder's shareholding as a share-based payment arrangement pursuant to ASC 718 and immediately recognized share-based compensation expenses of RMB143.0 million, of which RMB110.6 million and RMB32.4 million was reflected in additional paid-in capital and mezzanine equity, respectively.

*2021 Senior Management Awards*

In May 2021, the Company's shareholders and Board of Directors authorized and approved the 2021 Senior Management Awards. As a result, a director and executive officer of the Company received 2,601,000 ordinary shares with no associated performance or service based vesting conditions at nil consideration. The Company immediately recognized share-based compensation expenses of RMB197.2 million.

As the Company's ordinary shares were not publicly traded on the date the 2021 Senior Management Awards were granted, the Group, with the assistance of an independent third-party valuation firm, estimated the fair value of the ordinary shares by using a discounted cash flow approach to determine the enterprise value of the Company, which was then allocated to the Company's various classes of equity, including preferred shares. The determination of the fair value of the Company's ordinary shares requires complex and subjective judgments to be made regarding the forecasted revenues, gross margins and operating expenses, weighted average cost of capital and the discount for lack of marketability applied to the projected cash flows. If different estimates and assumptions had been used, the fair value of the ordinary shares could be significantly different and related share-based compensation expense may materially differ from the recognized amount.

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**14. SHARE BASED COMPENSATION (CONTINUED)**

For the above-mentioned incentive plans and awards, the Group recognized aggregate share-based compensation expenses for the years ended December 31, 2020, 2021 and 2022 as follows:

	For the year ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
	(in thousands)			
Fulfillment expenses	1,974	32,673	45,979	6,666
Sales and marketing expenses	532	6,927	8,138	1,180
Product development expenses	4,370	42,666	113,965	16,524
General and administrative expenses	146,234	233,096	67,794	9,829
<b>Total.</b>	<b>153,110</b>	<b>315,362</b>	<b>235,876</b>	<b>34,199</b>

**15. INCOME TAXES**

*Cayman Islands*

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

*British Virgin Islands*

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains.

*Hong Kong*

Under the Hong Kong tax laws, the Company's subsidiary in Hong Kong is subject to Hong Kong's two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. Additionally, the Company's subsidiary in Hong Kong may be exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

*PRC*

The Company's subsidiaries in the PRC are subject to the statutory rate of 25%, in accordance with the Enterprise Income Tax Law (the "EIT Law"), which was effective since January 1, 2008.

Pursuant to Caishui [2019] No. 13 and Caishui [2022] No. 13, from January 1, 2019 to December 31, 2024, qualifying Small-Scale Enterprises with minimal profits ("SSE") are eligible for both the 75% reduction of taxable income and the reduced CIT rate of 20%. Additionally, qualified SSEs are eligible for a further 12.5% reduction of the first RMB1 million taxable income from January 1, 2021 to December 31, 2022. Qualifying SSE that derive annual taxable profit exceeding RMB1 million but less than RMB3 million are eligible for both the 50% reduction of taxable profit and the reduced CIT rate of 20%. Additionally, qualified SSEs are eligible for a further 25% reduction of taxable income exceeding RMB1 million but less than RMB3 million from January 1, 2022 to December 31, 2024. The Company's PRC subsidiaries are generally subject to statutory income tax rate of 25% except for certain PRC subsidiaries that are taxed at a preferential tax rate of 20% as qualified as SSE.

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise ("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.

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**15. INCOME TAXES (CONTINUED)**

The current and deferred components of income tax expenses appearing in the consolidated statements of comprehensive loss are as follows:

	For the year ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
	(in thousands)			
Current tax	—	9,373	6,742	977
Deferred tax	—	—	—	—
<b>Total</b>	<b>—</b>	<b>9,373</b>	<b>6,742</b>	<b>977</b>

The Group's loss before income taxes by jurisdiction consisted of:

	For the year ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
	(in thousands)			
Non-PRC	(178,916)	20,929	(18,608)	(2,698)
PRC	(2,997,998)	(6,440,615)	(781,533)	(113,312)
<b>Total.</b>	<b>(3,176,914)</b>	<b>(6,419,686)</b>	<b>(800,141)</b>	<b>(116,010)</b>

The reconciliations of the income tax expenses for the years ended December 31, 2020, 2021 and 2022 were as follows:

	For the year ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
	(in thousands)			
Loss before income tax expense	(3,176,914)	(6,419,686)	(800,141)	(116,010)
PRC statutory tax rate	25 %	25 %	25 %	25 %
Income tax benefit computed at the statutory income tax rate	(794,228)	(1,604,922)	(200,035)	(29,002)
Non-deductible expenses	6,368	(8,320)	65,366	9,477
Transfer pricing adjustment	—	102,468	(102,468)	(14,856)
Non-taxable income	(126)	(1,561)	(79,893)	(11,584)
Research and development super-deduction	(55,306)	64,806	—	—
Statutory income/(expense)	7,298	(5,244)	(2,751)	(399)
Effect of preferential tax	22,992	5,022	(2)	(1)
Changes in valuation allowances	784,611	1,465,818	244,235	35,411
Impact of changes in tax rate on deferred tax	(16,464)	(5,023)	—	—
Effect of income tax rate difference in other jurisdictions	44,855	(3,671)	82,290	11,931
<b>Income tax expenses</b>	<b>—</b>	<b>9,373</b>	<b>6,742</b>	<b>977</b>

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**15. INCOME TAXES (CONTINUED)**

The principal components of the Group's deferred income tax assets and liabilities as of December 31, 2021 and 2022 are as follows:

	As of December 31,		
	2021	2022	2022
	RMB	RMB	US\$
	(in thousands)		
Deferred tax assets:			
Operating lease liabilities	553,397	342,874	49,712
Allowance for credit losses	—	9,673	1,402
Accrued expenses and other current liabilities	4,134	3,490	506
Government subsidies	15,000	15,000	2,175
Tax losses carried forward	2,700,304	2,939,938	426,251
Less: valuation allowances*	(2,719,438)	(2,963,673)	(429,692)
<b>Total deferred tax assets, net.</b>	<b>553,397</b>	<b>347,302</b>	<b>50,354</b>
Deferred tax liabilities:			
Operating lease right-of-use assets	(553,397)	(342,874)	(49,712)
Accelerated tax depreciation	—	(4,428)	(642)
<b>Total deferred tax liabilities, net.</b>	<b>(553,397)</b>	<b>(347,302)</b>	<b>(50,354)</b>
<b>Deferred tax assets/liabilities, net</b>	<b>—</b>	<b>—</b>	<b>—</b>

\* The Company operates through its PRC subsidiaries and evaluates the potential realization of deferred tax assets on an entity basis. The Group recorded valuation allowances against deferred tax assets of those PRC subsidiaries that are in a three-year cumulative financial loss or had incurred losses since inception as of December 31, 2021 and 2022. In making such determination, the Group also evaluates a variety of factors including the Group's operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

The tax losses in the PRC subsidiaries can be carried forward for five to ten years to offset future taxable income. As of December 31, 2022, the Group had tax loss carried forwards of RMB2,939.9 million (US\$426.3 million), which will expire between 2024 to 2029.

The unrecognized tax benefits of the Group as of December 31, 2021 and 2022 are as follows:

	As of December 31,		
	2021	2022	2022
	RMB	RMB	US\$
	(in thousands)		
Balance at beginning of the year	593	117,468	17,031
Additions	117,468	—	—
Decreases	—	—	—
Settlement	(593)	(102,468)	(14,856)
<b>Balance at end of the year</b>	<b>117,468</b>	<b>15,000</b>	<b>2,175</b>

As of December 31, 2021 and 2022, the Company had recorded unrecognized tax benefit of RMB117.5 million and RMB15.0 million (US\$2.2 million), of which RMB108.1 million and nil, respectively, are presented on a net basis against the deferred tax assets related to tax loss carry forwards on the consolidated balance sheets. It is possible that the amount of unrecognized tax benefit will further change in the next 12 months; however, an estimate of the range of the possible change cannot be made at this time. As of December 31, 2021 and 2022, there were RMB 9.4 million and RMB15.0 million (US\$2.2 million) of unrecognized tax benefits that, if ultimately recognized, will impact the effective tax rate.

The Company did not record any interest and penalties related to an uncertain tax position for the periods presented.

As of December 31, 2022, the tax years ended December 31, 2019 through period ended December 31, 2022 remain open to examination by the PRC tax authorities.



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**16. RELATED PARTY TRANSACTIONS AND BALANCES**

The related parties that had transactions or balances with the Group in 2020, 2021 and 2022 consisted of:

<b>Related Party</b>	<b>Relationship with the Group</b>
Mr. Liang Changlin	Founder and CEO of the Company
Shanghai Tiejun Enterprise Consulting Center (Limited Partnership) (“Tiejun”)	Controlled by Mr. Liang Changlin
EatTogether Holding Limited (“EatTogether”)	Controlled by Mr. Liang Changlin

*Transactions with the Founder and CEO of the Company*

From 2016 to 2018, Mr. Liang Changlin, the Founder and CEO of the Company, provided interest-free convertible loans to Shanghai 100me with an aggregate principal amount of RMB190.5 million (“Onshore Loans”) with a maturity date of December 31, 2024. Pursuant to the contractual terms of the Onshore Loans, the Founder has the option to convert the Onshore Loans into convertible redeemable preferred shares at a price equal to the per share price of the redeemable convertible preferred shares issued based on a pre-money valuation of Shanghai 100me that meets a specified target (“Variable Share Conversion Feature”). The Onshore Loans are also redeemable at par prior to its maturity date when certain performance targets are met by Shanghai 100me (“Contingent Redemption Feature”).

The embedded Variable Share Conversion Feature will be share settled by a number of shares with a fair value equal to a fixed settlement amount and therefore, it is considered to be an in-substance redemption feature because the settlement amount does not vary with the share price. The in-substance redemption feature did not require bifurcation because it is clearly and closely related to the debt host. The embedded Contingent Redemption Feature is not required to be bifurcated because it is considered to be clearly and closely related to the debt host, as the loans were not issued at a substantial discount and are redeemable at par. There are no other embedded derivatives that are required to be bifurcated.

On April 11, 2019, the Company granted a warrant to EatTogether as consideration to settle the Onshore Loans. Pursuant to the terms of the warrant, EatTogether is entitled to purchase redeemable convertible preferred shares at the same issuance price as the subsequent round of financing that meets a targeted pre-money valuation of the Company for an aggregate purchase price of US\$28.7 million, which is the USD equivalent of the carrying value of the Onshore Loans of RMB190.5 million (“EatTogether Warrant”). Upon issuance of the EatTogether Warrant, the Onshore Loans were considered extinguished and derecognized. The RMB190.5 million was not repaid to the Founder by Shanghai 100me in 2019 and considered a prepayment for the future exercise price for the EatTogether Warrant and recorded as “Amounts due to related parties” as of December 31, 2019. Pursuant to a supplementary agreement entered into between the Founder and the Company on March 30, 2020, upon the Founder’s exercise of the EatTogether Warrant and payment of US\$28.7 million to the Company, Shanghai 100me would repay RMB190.5 million to the Founder. In April 2020, the Founder exercised the EatTogether Warrant and received 6,664,000 Series B4-1 redeemable convertible preferred shares (Note 17).

Similar with the Series B4 Warrant disclosed in Note 4, the EatTogether Warrant is also for underlying redeemable convertible preferred shares that are contingently redeemable if an IPO has not been completed by a specific date. Therefore, it is considered redeemable and results in the EatTogether Warrant being classified as a liability. The EatTogether Warrant is initially measured and recognized at fair value and also subsequently measured at fair value with changes in fair value recognized in “Changes in fair value of warrant liabilities” in the consolidated statements of comprehensive loss (Note 4).

The Group provided interest free loans of RMB9.0 million and RMB1.1 million to Mr. Liang Changlin and Tiejun, respectively, in 2020 which were fully repaid on April 15, 2021.

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**17. REDEEMABLE CONVERTIBLE PREFERRED SHARES**

As of January 1, 2021, the Company had outstanding preferred shares as follows:

- 5,910,100 Series Angel preferred shares for a total cash consideration of RMB10.0 million issued in April 2014;
- 8,985,050 Series Pre-A preferred shares at US\$0.72 per share for a total cash consideration of US\$6.5 million issued in May 2018;
- 22,096,550 Series A preferred shares at US\$0.79 per share for a total cash consideration of US\$17.4 million issued in September 2018;
- 1,060,200 Series A+ preferred shares at US\$1.65 per share for a total cash consideration of US\$1.8 million in October 2018;
- 17,140,700 Series B preferred shares at US\$2.36 per share for a total cash consideration of US\$40.4 million in November 2018;
- 11,072,800 Series B2 preferred shares at US\$2.71 per share for a total cash consideration of US\$30.0 million in January 2019;
- 2,332,400 Series B preferred shares at US\$2.36 per share for a total cash consideration of US\$5.5 million in March 2019;
- 7,803,400 ordinary shares held by the Founder were re-designated as Series Angel+ preferred shares in May 2019 (Note 13);
- 28,013,200 Series B3 preferred shares at US\$3.93 per share for a total cash consideration of US\$110.0 million in May 2019; and
- 6,989,700 Series B4 preferred shares at US\$4.29 per share for a total cash consideration of US\$30.0 million in June 2019

In April 2020, the Company issued 39,952,300 Series C1 preferred shares to certain investors at US\$7.77 per share for a total cash consideration of US\$310.5 million. In addition, the Company also issued 11,377,300 Series C1 preferred shares to convertible noteholders who were required to convert their 2019 Convertible Notes upon the closing of the Series C1 preferred shares financing.

In April 2020, the Company issued 6,664,000 Series B4-1 preferred shares upon the exercise of the EatTogether Warrant by the Founder for a total cash consideration of US\$28.7 million.

In April 2020, the Company issued 465,550 Series Angel+ preferred shares to EatTogether and 605,600 Series B4-1 preferred shares to EatTogether that were considered share-based awards (Note 14).

In March 2021, the Company issued 6,989,750 Series B4 preferred shares to an investor upon the exercise of the Series B4 Warrant for a total cash consideration of US\$30.0 million (Note 4).

In March 2021, the Company issued 2,895,100 Series C1 preferred shares to an investor at US\$7.77 per share for a total cash consideration of US\$22.5 million.

In March 2021, the Company issued 49,207,650 Series D redeemable convertible preferred shares to existing shareholders and certain investors for an aggregate consideration of US\$700.0 million.

In May 2021, the Company issued 21,264,750 Series D+ redeemable convertible preferred shares to certain investors for an aggregate consideration of US\$330.0 million.

All the issued and outstanding Preferred Shares were automatically converted into 250,826,100 Class A Ordinary Shares upon completion of the Company's IPO in July 2021.

The key terms of the Series D+, Series D, Series C1, Series B4, Series B4-1, Series B3, Series B2, Series B, Series A+, Series A, Series Pre-A, Series Angel+ and Series Angel Preferred shares (collectively the "Preferred Shares") are summarized below:

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**17. REDEEMABLE CONVERTIBLE PREFERRED SHARES (CONTINUED)**

***Conversion rights***

Each holder of the Preferred Shares has the right, at the sole discretion of the holder, to convert at any time and from time to time, all or any portion of the Preferred Shares into ordinary shares based on the then-effective Conversion Price. The initial conversion ratio shall be on a one for one basis, subject to certain anti-dilution adjustments, as adjusted for the Share Subdivision.

The Preferred Shares are converted automatically into ordinary shares at the then effective applicable conversion price, as adjusted for the Share Subdivision in the event of a Qualified IPO.

***Redemption rights***

Prior to the issuance of the Series C1 preferred shares in April 2020, all of the Preferred Shares are redeemable at the holders' option at any time after the occurrence of (i) a Qualified IPO or a Qualified Trade Sale of the Company has not occurred on December 31, 2024; or (ii) the occurrence of certain events including breach or violation of applicable laws or regulations by the Founder. Upon the issuance of the Series C1 preferred shares, all of the Preferred Shares are redeemable at the holders' option at any time after the occurrence of (i) a Qualified IPO or a Qualified Trade Sale of the Company has not occurred on March 31, 2025; or (ii) the occurrence of certain events including breach or violation of applicable laws or regulations by the Founder.

Upon the issuance of the Series D preferred shares in March 2021, all of the Preferred Shares are redeemable at the holders' option at any time after the occurrence of (i) a Qualified IPO or a Qualified Trade Sale of the Company has not occurred on March 31, 2026; or (ii) the occurrence of certain events including breach or violation of applicable laws or regulations by the Founder.

Upon the issuance of the Series D+ preferred shares in May 2021, all of the Preferred Shares are redeemable at the holders' option at any time after the occurrence of (i) a Qualified IPO or a Qualified Trade Sale of the Company has not occurred on May 11, 2026; or (ii) the occurrence of certain events including breach or violation of applicable laws or regulations by the Founder.

The redemption price of each preferred share other than the Series Angel preferred share and Series Angel+ preferred share equals to (i) the original issue price as adjusted for the Share Subdivision, plus (ii) 8% annual compound interest calculated from the actual payment date of the original issue price, plus (iii) all accrued but unpaid dividends. The redemption price of the Series Angel preferred share and the Series Angel+ preferred share equals to the original issue price as adjusted for the Share Subdivision, plus 8% annual simple interest calculated from the actual payment date of the original issue price.

***Voting rights***

Each Preferred Shareholder is entitled to the number of votes equal to the number of ordinary shares into which such Preferred Shares could be converted at the voting date. Preferred shareholders will vote together with ordinary shareholders, and not as a separate class or series, on all matters put before the shareholders.

***Dividend rights***

Each preferred shareholder shall be entitled to receive dividends at a rate no less than the rate at which dividends are paid on any ordinary share for each Preferred Shares held by such holders, payable in cash. All accrued but unpaid dividends shall be paid in cash when and as such cash becomes legally available to the holders of the Preferred Shares immediately prior to the closing of a Qualified IPO.

In the event the Company shall declare a dividend or distribution other than in cash, each preferred shareholder shall be entitled to a proportionate share of any such distribution as though the holders of the Preferred Shares were holders of the number of ordinary shares into which their Preferred Shares are convertible.

For the years ended December 31, 2020, 2021 and 2022, no dividends were declared by the Company's Board of Directors on the Preferred Shares.

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**17. REDEEMABLE CONVERTIBLE PREFERRED SHARES (CONTINUED)**

***Liquidation rights***

In the event of any liquidation, dissolution or winding up of the Company, the assets of the Company legally available for distribution to the shareholders shall be distributed in the following manner and order:

Preferred shareholders of Series D+, Series D, Series C1, Series B4, Series B4-1, Series B3, Series B2, Series B, Series A+, Series A and Series Pre-A shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any previous preferred shares and ordinary shares, the amount equal to the sum of 100% of its original issue price on each preferred share as adjusted for the Share Subdivision, and 8% annual compound interest calculated from the actual payment date of its purchase price for each preferred share as adjusted for the Share Subdivision, plus all dividends accrued or declared but unpaid.

Preferred shareholders of Series Angel+ and Series Angel shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any previous preferred shares and ordinary shares, the amount equal to 100% of the original issue price as adjusted for the Share Subdivision on each preferred share.

The liquidation preference amount will be paid to the preferred shareholders in the following order: first to holders of Series D+ preferred shares, second to holders of Series D preferred shares, third to holders of Series C1 preferred shares, fourth to holders of Series B4 preferred shares, fifth to holders of Series B4-1 preferred shares, sixth to holders of Series B3 preferred shares, seventh to holders of Series B2 preferred shares, eighth to holders of Series B preferred shares, ninth to holders of Series A+ preferred shares, tenth to holders of Series A preferred shares, eleventh to holders of Series Pre-A preferred shares, twelfth to holders of Series Angel+ preferred shares and lastly to holders of Series Angel preferred shares. After distributing or paying in full the liquidation preference amount to all of the preferred shareholders, the remaining assets of the Company available for distribution, if any, shall be distributed to the holders of ordinary shares and the preferred shareholders on a pro rata basis, based on the number of ordinary shares then held by each shareholder on an as converted basis. If the value of the remaining assets of the Company is less than the aggregate liquidation preference amounts payable to the holders of a particular series of Preferred Shares, then the remaining assets of the Company shall be distributed pro rata amongst the holders of all outstanding Preferred Shares of that series.

***Initial measurement and subsequent accounting for Preferred Shares***

The Preferred Shares are initially classified as mezzanine equity in the consolidated balance sheets as these Preferred Shares may be redeemed at the options of the holders on or after an agreed upon date outside the sole control of the Group. The holders of the Preferred Shares have the ability to convert the instrument into the Company's ordinary shares. The Preferred Shares are recognized at their respective fair value at the date of issuance, net of issuance costs. The issuance costs for Series B, Series B2, Series B3, Series B4, Series C1, Series D and Series D+ preferred shares were RMB5.0 million, RMB3.3 million, RMB9.0 million, RMB9.9 million, RMB19.6 million (US\$3.0 million), RMB39.7 million (US\$6.1 million) and RMB21.3 (US\$3.3 million) million respectively. In 2019, the Company received total cash proceeds, net of issuance costs of RMB961.1 million for the issuance of Series B, Series B2, Series B3 and Series B4 preferred shares. In 2020, the Company received total cash proceeds, net of issuance costs of RMB2,171.3 million from the issuance of Series C1 preferred shares. In 2021, the Company received total cash proceeds, net of issuance costs of RMB6,646.5 million (US\$1,043.0 million) from the issuance of Series D and Series D+ preferred shares.

The Group evaluated the embedded conversion option in the Preferred Shares to determine if there were any embedded derivatives requiring bifurcation and to determine if there were any beneficial conversion features ("BCF"). The conversion option of the Preferred Shares is not bifurcated because the conversion option is clearly and closely related to the host equity instrument. The contingent redemption options of the Preferred Shares are not bifurcated because the underlying ordinary shares are not net settlable since the Preferred Shares were neither publicly traded nor readily convertible into cash. There were no other embedded derivatives that are required to be bifurcated.

Beneficial conversion features ("BCF") exist when the conversion price of the Preferred Shares is lower than the fair value of the ordinary shares at the commitment date, which is the issuance date of the Preferred Shares. No BCF was recognized for the Preferred Shares as the fair value per ordinary share at the commitment date was less than the respective most favorable conversion price, as adjusted for the Share Subdivision. The Group determined the fair value of the Company's ordinary shares with the assistance of an independent third-party valuation firm.

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**17. REDEEMABLE CONVERTIBLE PREFERRED SHARES (CONTINUED)**

***Initial measurement and subsequent accounting for Preferred Shares (Continued)***

The contingent conversion price adjustment is accounted for as a contingent BCF. In accordance with ASC 470-20-35-1, changes to the conversion terms that would be triggered by future events not controlled by the issuer should be accounted as contingent conversions, and the intrinsic value of such conversion options would not be recognized until and unless a triggering event occurred. No contingent BCF was recognized for any of the Preferred Shares for the years ended December 31, 2020, 2021 and 2022, respectively.

As the Preferred Shares will become redeemable solely based on the passage of time should the contingent events not occur, the Company chose to recognize the changes in redemption value as they occur over the period from the date of issuance to the earliest redemption date to equal the redemption value of the Preferred Shares at each reporting period. Accretion charges were recorded as an increase to the net loss attributable to ordinary shareholders and were RMB320.3 million, RMB288.4 million and nil for the years ended December 31, 2020, 2021 and 2022, respectively.

***Modification and Extinguishment of Preferred Shares***

Upon the issuance of the Series C1 preferred shares in April 2020, Series D preferred shares in March 2021 and Series D+ preferred shares in May 2021, the redemption term of any previously issued series of preferred shares were modified to be the same as the redemption term of the Series C1, Series D and Series D+ preferred shares. As a result, the earliest redemption date was extended from December 31, 2024 to March 31, 2025 upon issuance of the Series C1 preferred shares, from March 31, 2025 to March 31, 2026 upon issuance of the Series D preferred share and from March 31, 2026 to May 11, 2026 upon issuance of the Series D+ preferred shares, in the event the Company does not complete a Qualified IPO. Further, as part of the Reorganization described in Note 1, the shareholders of Shanghai 100me surrendered their equity interests in Shanghai 100me in exchange for the Company's redeemable convertible preferred shares in proportion to their ownership interests in Shanghai 100me at a price equal to their original investment principal in Shanghai 100me. The terms of the Company's redeemable convertible preferred shares equity interests were substantially similar to the terms of the equity interests held by the shareholders of Shanghai 100me.

The Company assessed whether there was a change in fair value of each modification of preferred shares exceeding 10% immediately after the change in terms compared to the fair value of the preferred shares immediately before the amendment at each modification date. A change in fair value exceeding 10% would result in extinguishment accounting, while a change in fair value not exceeding 10% would be considered non-substantive and subject to modification accounting.

The Company accounts for modifications that result in an increase to the fair value of the modified preferred shares as a deemed dividend reconciling net loss to net loss attributable to ordinary shareholders as there is a transfer of value from the ordinary shareholders to the preferred shareholders. With the assistance of an independent third-party valuation firm, the Company determined that the change in fair value for each modification did not exceed 10% and did not result in any substantial increase to the fair value of the modified preferred shares. Therefore, there was no financial impact recognized for the preferred share modifications in the periods presented.

The Company's preferred shares activities for the years ended December 31, 2020, 2021 and 2022, respectively, are summarized below:

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**17. REDEEMABLE CONVERTIBLE PREFERRED SHARES (CONTINUED)**

	Series Angel Preferred Shares		Series Angel+ Preferred Shares		Series Pre-A Preferred Shares		Series A Preferred Shares		Series A+ Preferred Shares		Series B Preferred Shares	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
<b>Balance as of December 31, 2019</b>	<b>5,910,100</b>	<b>11,664</b>	<b>7,803,400</b>	<b>27,512</b>	<b>8,985,050</b>	<b>50,764</b>	<b>22,096,550</b>	<b>131,855</b>	<b>1,060,200</b>	<b>13,254</b>	<b>19,473,100</b>	<b>340,234</b>
Issuance of Preferred Shares	—	—	465,550	10,967	—	—	—	—	—	—	—	—
Accretion of Preferred Shares	—	736	—	2,207	—	4,032	—	10,482	—	1,054	—	24,185
<b>Balance as of December 31, 2020</b>	<b>5,910,100</b>	<b>12,400</b>	<b>8,268,950</b>	<b>40,686</b>	<b>8,985,050</b>	<b>54,796</b>	<b>22,096,550</b>	<b>142,337</b>	<b>1,060,200</b>	<b>14,308</b>	<b>19,473,100</b>	<b>364,419</b>
<b>Balance as of December 31, 2020</b>	<b>5,910,100</b>	<b>12,400</b>	<b>8,268,950</b>	<b>40,686</b>	<b>8,985,050</b>	<b>54,796</b>	<b>22,096,550</b>	<b>142,337</b>	<b>1,060,200</b>	<b>14,308</b>	<b>19,473,100</b>	<b>364,419</b>
Issuance of Preferred Shares	—	—	—	—	—	—	—	—	—	—	—	—
Accretion of Preferred Shares	—	396	—	1,151	—	2,126	—	5,521	—	555	—	17,949
Automatic conversion of preferred shares to ordinary shares upon IPO	(5,910,100 )	(12,796 )	(8,268,950 )	(41,837 )	(8,985,050 )	(56,922 )	(22,096,550 )	(147,858 )	(1,060,200 )	(14,863 )	(19,473,100 )	(382,368 )
<b>Balance as of December 31, 2021 and 2022</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Balance as of December 31, 2021 and 2022 (US\$)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

	Series B2 Preferred Shares		Series B3 Preferred Shares		Series B4-1 Preferred Shares		Series B4 Preferred Shares		Series C1 Preferred Shares		Series D Preferred Shares		Series D+ Preferred Shares	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
<b>Balance as of December 31, 2019</b>	<b>11,072,800</b>	<b>220,030</b>	<b>28,013,200</b>	<b>783,804</b>	—	—	<b>6,989,700</b>	<b>204,794</b>	—	—	—	—	—	—
Issuance of Preferred Shares	—	—	—	—	7,269,600	259,914	—	—	51,329,600	2,799,817	—	—	—	—
Accretion of Preferred Shares	—	16,109	—	57,341	—	24,171	—	15,697	—	164,287	—	—	—	—
<b>Balance as of December 31, 2020</b>	<b>11,072,800</b>	<b>236,139</b>	<b>28,013,200</b>	<b>841,145</b>	<b>7,269,600</b>	<b>284,085</b>	<b>6,989,700</b>	<b>220,491</b>	<b>51,329,600</b>	<b>2,964,104</b>	—	—	—	—
<b>Balance as of December 31, 2020</b>	<b>11,072,800</b>	<b>236,139</b>	<b>28,013,200</b>	<b>841,145</b>	<b>7,269,600</b>	<b>284,085</b>	<b>6,989,700</b>	<b>220,491</b>	<b>51,329,600</b>	<b>2,964,104</b>	—	—	—	—
Issuance of Preferred Shares	—	—	—	—	—	—	6,989,750	359,832	2,895,100	158,507	49,207,650	4,547,263	21,264,750	2,099,195
Accretion of Preferred Shares	—	11,702	—	39,479	—	3,871	—	(99,577 )	—	133,863	—	128,382	—	42,962
Automatic conversion of preferred shares to ordinary shares upon IPO	(11,072,800 )	(247,841 )	(28,013,200 )	(880,624 )	(7,269,600 )	(287,956 )	(13,979,450 )	(480,746 )	(54,224,700 )	(3,256,474 )	(49,207,650 )	(4,675,645 )	(21,264,750 )	(2,142,157 )
<b>Balance as of December 31, 2021 and 2022</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Balance as of December 31, 2021 and 2022 (US\$)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**18. REDEEMABLE NONCONTROLLING INTERESTS**

In December 2021, one of the Group's subsidiaries issued 2,727,273 preferred shares to a third-party investor for total cash consideration of RMB30.0 million. The same subsidiary issued another 6,372,636 preferred shares to the same investor and another third-party investor during the year ended December 31, 2022 and received aggregate cash consideration of RMB70.0 million (US\$10.1 million).

The subsidiary's preferred shares could be redeemed by holders at any time after (i) a Qualified IPO of the subsidiary does not occur within 5 years; or (ii) the occurrence of certain events including breach or violation of applicable laws or regulations. The preferred shareholders shall be entitled to receive prior and in preference to any distribution of any of the assets or funds of the Company to the holders of ordinary shares the amount equal to the sum of 100% of its original issue price on each preferred share, and 8% annual compound interest calculated from the actual payment date of its purchase price, plus all declared and accrued but dividends. As the Group does not solely control the redemption event, these preferred shares are accounted for as redeemable noncontrolling interests.

The Group accounts for the changes in accretion to the redemption value in accordance with ASC 480, *Distinguishing Liabilities from Equity*. The Group elects to use the effective interest method to account for the changes of redemption value over the period from the date of issuance to the earliest redemption date of the noncontrolling interests.

The movement in the carrying value of the redeemable noncontrolling interests is as follows:

		Redeemable noncontrolling interests	
	2021	2022	2022
	RMB	RMB (in thousands)	US\$
<b>Balance at the beginning of the year</b>	—	30,000	4,350
Issuance of subsidiary shares	30,000	70,000	10,149
Accretion of redeemable noncontrolling interests	—	7,490	1,086
<b>Balance at the end of the year</b>	<b>30,000</b>	<b>107,490</b>	<b>15,585</b>

**19. NET LOSS PER SHARE**

Basic and diluted net loss per share for the years ended December 31, 2020, 2021 and 2022 are calculated as follows:

	For the year ended December 31,						
	2020	2021		2022			
	Ordinary shares	Class A	Class B	Class A		Class B	
	RMB	RMB	RMB	RMB	US\$	RMB	US\$
Numerator:							
Net loss	(3,176,914)	(4,628,133 )	(1,800,926 )	(671,187 )	(97,313 )	(135,696 )	(19,674 )
Accretion of redeemable convertible preferred shares	(320,301)	(207,598 )	(80,782 )	—	—	—	—
Accretion of redeemable noncontrolling interests	—	—	—	(6,230 )	(903 )	(1,260 )	(183 )
Numerator for computing basic and diluted net loss per share	(3,497,215)	(4,835,731)	(1,881,708 )	(677,417 )	(98,216 )	(136,956 )	(19,857 )
Denominator:							
Weighted average number of ordinary shares outstanding	63,690,000	140,170,091	54,543,800	269,787,113	269,787,113	54,543,800	54,543,800
Loss per share (RMB):							
Basic and diluted net loss per share:	(54.91)	(34.50)	(34.50)	(2.51)	(0.36)	(2.51)	(0.36)

29,633,200 and 29,701,893 Class A ordinary shares held by the Offshore ESOP Platforms as of December 31, 2021 and 2022 are considered issued but not outstanding (Note 14) and therefore, not included in the calculation of basic and diluted net loss per share.

Following the Share Subdivision on June 8, 2021 as disclosed in Note 13, each issued and outstanding ordinary share and redeemable convertible preferred share was subdivided into fifty ordinary shares and redeemable convertible preferred shares, respectively. The weighted average number of ordinary shares used for the calculation of basic and diluted net loss per share for the year ended December 31, 2020 have been retrospectively adjusted.

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**20. STATUTORY RESERVES**

In accordance with China's Company Laws, an enterprise established in the PRC with foreign investment must make appropriations from their after-tax profit (as determined under the accounting principles generally acceptable in the People's Republic of China ("PRC GAAP")) to non-distributable reserve funds including (i) statutory surplus fund and (ii) discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the respective company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiary that is a foreign investment enterprise in China have to make appropriations from their after-tax profit (as determined under PRC GAAP) to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the respective companies' discretion. Amounts appropriated to the PRC statutory reserve funds were insignificant for the periods presented.

**21. RESTRICTED NET ASSETS**

Relevant PRC laws and regulations permit PRC companies to pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, the Company's PRC subsidiaries can only distribute dividends upon approval of the shareholders after they have met the PRC requirements for appropriation to the general reserve fund and the statutory surplus fund respectively. The general reserve fund and the statutory surplus fund require that annual appropriations of 10% of net after-tax income should be set aside prior to payment of any dividends. As a result of these and other restrictions under PRC laws and regulations, the PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion amounted to approximately RMB797.8 million (US\$115.7 million) of the Company's total consolidated net assets as of December 31, 2022. In accordance with Rule 4-08(e)(3) of Regulation S-X, the parent company only condensed financial information is disclosed in Note 23.

**22. COMMITMENTS AND CONTINGENCIES**

*Cloud service purchase commitment*

As of December 31, 2022, the Company has outstanding purchase commitments in relation to cloud services consisting of the following:

	RMB	US\$
	(in thousands)	
<b>For the year ending December 31, 2023</b>	<b>25,341</b>	<b>3,674</b>

*Litigation and contingencies*

The Group and its operations from time to time are, and in the future may be, parties to or targets of lawsuits, claims, investigations, and proceedings, including but not limited to acts of non-compliance with respect to third-party services and lease contracts, which are handled and defended in the ordinary course of business. The Group may be unable to estimate the reasonably possible loss or a range of reasonably possible losses until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by the court on motions or appeals, or the progress of settlement negotiations. The Group accrues a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When a single amount cannot be reasonably estimated but the cost can be estimated within a range, the Company accrues the minimum amount. The Group expenses legal costs, including those expected to be incurred in connection with a loss contingency, as incurred.



**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**22. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

In August 2022, the Company and certain of its directors and officers were named as defendants in a securities class action lawsuit filed in in the U.S. District Court for the Southern District of New York. The plaintiff in the action asserted non-fraud, strict liability claims under the U.S. Securities Act and alleged material omissions and misrepresentations in the Company's registration statements on Form F-1 (including all amendments made thereto) and final prospectus (collectively, the "Offering Documents") issued in connection with the Company's U.S. listing. This case remains in the preliminary stage and the likelihood of any unfavorable outcome or the amount or range of any potential loss associated with the resolution of this lawsuit cannot be reasonably estimated at the issuance date of the consolidated financial statements. As a result, as of December 31, 2022, the Company did not record any liabilities for the loss contingencies pertaining to the case described above.

**23. PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION**

*Condensed balance sheets (in thousands)*

	As of December 31,		
	2021	2022	2022
	RMB	RMB	US\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	24,500	36,526	5,296
Short-term investments	700,052	20,894	3,029
Amounts due from subsidiaries	8,496	267,947	38,848
Other current assets	1,723	854	124
<b>Total current assets</b>	<b>734,771</b>	<b>326,221</b>	<b>47,297</b>
<b>TOTAL ASSETS</b>	<b>734,771</b>	<b>326,221</b>	<b>47,297</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accrued expenses and other current liabilities	4,133	16,044	2,326
Amounts due to subsidiaries	2,569	—	—
<b>Total current liabilities</b>	<b>6,702</b>	<b>16,044</b>	<b>2,326</b>
<b>TOTAL LIABILITIES</b>	<b>6,702</b>	<b>16,044</b>	<b>2,326</b>
<b>Shareholders' equity</b>			
Class A ordinary shares (US\$0.000002 par value per share; 20,000,000,000 and 20,000,000,000 shares authorized as of December 31, 2021 and 2022, respectively; 299,797,728 and 299,797,728 shares issued as of December 31, 2021 and 2022, 270,054,584 and 269,942,489 shares outstanding as of December 31, 2021 and 2022, respectively)	3	3	1
Class B ordinary shares (US\$0.000002 par value per share; 2,500,000,000 and 2,500,000,000 shares authorized as of December 31, 2021 and 2022, respectively; 54,543,800 and 54,543,800 shares issued and outstanding as of December 31, 2021 and 2022, respectively)	1	1	—
Additional paid-in capital	13,685,062	13,922,811	2,018,618
Treasury stock	(7,042)	(20,666)	(2,997)
Accumulated deficit	(12,765,713)	(13,580,086)	(1,968,928)
Accumulated other comprehensive loss	(184,242)	(11,886)	(1,723)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>728,069</b>	<b>310,177</b>	<b>44,971</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>734,771</b>	<b>326,221</b>	<b>47,297</b>

**DINGDONG (CAYMAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

**23. PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION (CONTINUED)**

*Condensed statements of comprehensive loss (in thousands)*

	For the years ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
Operating expenses:				
General and administrative expenses	(142,186)	(271,436)	(578,473)	(83,871)
<b>Total operating expenses</b>	<b>(142,186)</b>	<b>(271,436)</b>	<b>(578,473)</b>	<b>(83,871)</b>
<b>Loss from operations</b>	<b>(142,186)</b>	<b>(271,436)</b>	<b>(578,473)</b>	<b>(83,871)</b>
Interest income	7,699	8,611	1,670	242
Interest expenses	(21,334)	—	—	—
Other expenses	(29,141)	—	—	—
Changes in fair value of warrant liabilities	11,450	(44,457)	—	—
Share of losses in subsidiaries	(3,003,402)	(6,121,777)	(237,570)	(34,444)
<b>Net loss.</b>	<b>(3,176,914)</b>	<b>(6,429,059)</b>	<b>(814,373)</b>	<b>(118,073)</b>
Accretions of redeemable convertible preferred shares	(320,301)	(288,380)	—	—
<b>Net loss attributable to ordinary shareholders</b>	<b>(3,497,215)</b>	<b>(6,717,439)</b>	<b>(814,373)</b>	<b>(118,073)</b>
<b>Other comprehensive (loss)/income, net of tax of nil:</b>				
Foreign currency translation adjustments	(53,370)	(161,281)	172,356	24,989
<b>Comprehensive loss.</b>	<b>(3,230,284)</b>	<b>(6,590,340)</b>	<b>(642,017)</b>	<b>(93,084)</b>
Accretions of redeemable convertible preferred shares	(320,301)	(288,380)	—	—
<b>Comprehensive loss attributable to ordinary shareholders.</b>	<b>(3,550,585)</b>	<b>(6,878,720)</b>	<b>(642,017)</b>	<b>(93,084)</b>

*Condensed statements of cash flows (in thousands)*

	For the year ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
Net cash generated from/(used in) operating activities	7,564	(4,066)	(29,541)	(4,284)
Net cash (used in)/generated from investing activities	(1,957,689)	(7,713,202)	43,166	6,259
Net cash generated from/(used in) financing activities	2,281,673	7,215,688	(16,674)	(2,417)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(41,844)	(25,625)	15,075	2,186
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>289,704</b>	<b>(527,205)</b>	<b>12,026</b>	<b>1,744</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>262,001</b>	<b>551,705</b>	<b>24,500</b>	<b>3,552</b>
<b>Cash and cash equivalents at end of the year.</b>	<b>551,705</b>	<b>24,500</b>	<b>36,526</b>	<b>5,296</b>

(a) Basis of presentation

Condensed financial information is used for the presentation of the Company, or the parent company. The condensed financial information of the parent company has been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the parent company used the equity method to account for investment in its subsidiaries.

The Company records its investment in its subsidiaries under the equity method of accounting as prescribed in ASC 323-10 *Investment-Equity Method and Joint Ventures*, such investment is presented on the condensed balance sheets as "Investment in subsidiaries" and share of the subsidiaries' losses as "Share of losses in subsidiaries" on the condensed statements of comprehensive loss. Under the equity method of accounting, the Company's carrying amount of its investment in subsidiaries for its share of the subsidiaries cumulative losses were reduced to nil and the carrying amount of "Amounts due from subsidiaries" was further adjusted as of December 31, 2021 and 2022.

The subsidiaries did not pay any dividends to the Company for the periods presented.

The Company does not have significant commitments or long-term obligations as of December 31, 2021 and 2022.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted and as such, these Company-only financial statements should be read in conjunction with the Group's consolidated financial statements.

**Certification by the Principal Executive Officer****Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Changlin Liang, certify that:

1. I have reviewed this annual report on Form 20-F of Dingdong (Cayman) Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 22, 2023

By: /s/ Changlin Liang  
Name: Changlin Liang  
Title: Director and Chief Executive Officer

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**Certification by the Principal Financial Officer****Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Le Yu, certify that:

1. I have reviewed this annual report on Form 20-F of Dingdong (Cayman) Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 22, 2023

By: /s/ Le Yu  
Name: Le Yu  
Title: Director and Chief Strategy Officer

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**Certification by the Principal Executive Officer****Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Dingdong (Cayman) Limited (the “Company”) on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Changlin Liang, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 22, 2023

By: /s/ Changlin Liang  
Name: Changlin Liang  
Title: Director and Chief Executive Officer

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**Certification by the Principal Financial Officer****Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Dingdong (Cayman) Limited (the “Company”) on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Le Yu, Chief Strategy Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 22, 2023

By: /s/ Le Yu  
Name: Le Yu  
Title: Director and Chief Strategy Officer

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333- 265819) pertaining to the Second Amended and Restated 2020 Share Incentive Plan of Dingdong Cayman Limited of our reports dated March 22, 2023, with respect to the consolidated financial statements of Dingdong Cayman Limited, and the effectiveness of internal control over financial reporting of Dingdong Cayman Limited, included in this Annual Report (Form 20-F) for the year ended December 31, 2022.

/s/ Ernst & Young Hua Ming LLP  
Shanghai, The People's Republic of China  
March 22, 2023

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March 22, 2023

**VIA EDGAR**

Office of Trade & Services  
Division of Corporation Finance  
U.S. Securities & Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549

Re: Dingdong (Cayman) Limited  
Submission under the Item 16I(a) of Form 20-F

Attn: *Division of Corporation Finance*  
*Office of Trade & Services*

Dear Sir/Madam,

In compliance with the Holding Foreign Companies Accountable Act, Dingdong (Cayman) Limited (the “**Company**”) is submitting via EDGAR the following information as required under Item 16I(a) of Form 20-F.

For the immediately preceding annual financial statement period, the Company’s auditor, Ernst & Young Hua Ming LLP (a registered public accounting firm that the United States Public Company Accounting Oversight Board was unable to inspect or investigate completely) issued an audit report for the Company.

To the Company’s best knowledge and based on an examination of its register of members and public filings made by our shareholders, the Company respectfully submits that it is not owned or controlled by a governmental entity in the foreign jurisdiction as of the date of this submission.

In addition, the Company is not aware of any governmental entity that is in possession of, direct or indirect, of the power to direct or cause the direction of the management and policies of the Company, whether through the ownership of voting securities, by contract, or otherwise.

Should any member of the Staff have any questions or comments regarding the Company’s submission set forth above, please do not hesitate to contact me by phone at (86) 21-6858-5011, or you may contact our outside legal counsel, Steve Lin, Kirkland & Ellis International LLP, at (86) 10-5737-9315.

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Very truly yours,

/s/ Changlin Liang

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Name: Changlin Liang

Title: Chief Executive Officer

cc: Changlin Liang, Chief Executive Officer  
Le Yu, Chief Strategy Officer  
Steve Lin, Kirkland & Ellis International LLP

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