

## SUMMARY

*This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full document. You should read the whole document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set forth in “Risk Factors”. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].*

### Overview

Our mission is to make the complicated world simpler through technology.

We are a leading AI company with a strong Internet foundation. We have been investing in AI since 2010, to improve search and ad monetization, and have used “Baidu Brain,” our core AI technology engine to develop new AI businesses. The breadth and depth of our AI capabilities provide the differentiating foundational technologies that power all of our businesses. According to the CIC Report, our AI leadership in China is evidenced in the following aspects:

- We hold the largest portfolio of AI patents and AI patent applications in China as of October 30, 2020;
- Our deep learning framework, PaddlePaddle, is the No. 1 deep learning framework in China and No. 2 globally behind Facebook Pytorch in terms of cumulative pull requests as of December 31, 2020;
- Our Baidu Open AI Platform, with a developer community of over 2.65 million members, is the largest open AI platform in China, based on the number of developers as of December 31, 2020; and
- Baidu OSChina, which runs on Baidu cloud infrastructure, is the largest development platform for open source activities of in China and No. 3 globally (behind GitHub and Gitlab), in terms of the number of developers as of December 31, 2020.

We are one of the very few companies that offers a full AI stack, encompassing an infrastructure consists of AI chips, deep learning framework, core AI capabilities, such as natural language processing, knowledge graph, speech recognition, computer vision and augmented reality, as well as an open AI platform to facilitate wide application and usage. Our technological innovation in AI has been well recognized by the global community. For instance, ERNIE, our natural language processing framework, became the first AI model to score above 90 on GLUE (General Language Understanding Evaluation), which is widely considered as the benchmark for testing AI language understanding, and won the SAIL (Super AI Leader) award, the highest honorary recognition at the 2020 World Artificial Intelligence Conference. We have put our leading AI into innovative use. For example, we are the first to receive driverless licenses in China and the U.S. and we are testing driverless vehicles in China.

Baidu was founded as a search engine business in 2000 with the belief that technology can change the way people discover and consume information. At the heart of Baidu search is its ability to better understand a users’ search queries and to answer these queries by matching the most relevant information in ranked search results. To achieve this, we continuously innovate and develop new technologies and products that enhance Baidu search user experience. We began to use AI a decade ago to power these technologies in order to better match user search intent with the large amount of information on the Internet. For instance, our natural language processing, an AI capability, enables the understanding of important details of a query, particularly in complex conversational queries. This helps optimize search results returned and increase the satisfaction rate of users. Years of tagging,

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understanding and intelligently processing all forms of content on the Internet—text, images and videos—with AI has helped us develop Baidu Brain, our core AI technology engine, which in turn has enabled us to further develop leading AI technologies and commercialize them through products and services for consumers, enterprises and the public sector. Our ability to continuously invest heavily in research and development is made possible by the durable revenue that we generated as a leading Internet platform.

The widespread usage of our open AI platform by developers and businesses creates a network effect for our AI technologies, products and services. The more developers and businesses use our AI models, tool kits and services, the better our AI capabilities become, which in turn further increase the attractiveness of our AI platform to developers and business communities. This network effect helps us obtain unique insights into different kinds of products and services that are in demand and have real-world application across different industries, setting a strong foundation for us to make investment decisions and lead with technology, products and services in the markets that we have entered.

Our large portfolio of products and services is accessed by over one billion devices monthly, and our business spans across an ecosystem of hundreds of millions of users, millions of developers and hundreds of thousands of enterprises. Our usage of a strong technology foundation to support an open platform business model not only draws more participants into our ecosystem, but also adds richness and vibrancy to our ecosystem, strengthening the long-term prospect and vitality of our business overall. We usually start the development of a business with a strong technology platform, on which we build products and services for our customers and users, and through an open platform architecture, we attract a wide array of partners to our ecosystem to expand the offerings to our customers and users. The platform could then grow organically and by leveraging the power of our partners in the ecosystem, which over time feed into a virtuous cycle.

Over the past two decades, we have demonstrated a track record for long-term growth and strong profitability, which has enabled us to invest in a diversified portfolio of products and services with large market opportunities and further improve our long-term growth prospects. Through years of investment in research, AI chip design, developer community, patents and talent development, we are turning AI into innovative use cases. Powered by AI, Baidu Core, which excludes iQIYI and contributed over 70% of our total revenues during the Track Record Period, mainly provides search-based, feed-based, and other online marketing services, as well as products and services from new AI initiatives in the following three growth engines:

- *Mobile Ecosystem*: a portfolio of over one dozen apps, including Baidu App, Haokan and Baidu Post, which provides an open platform that aggregates a wide range of third-party, long-tail content and services through our AI building blocks and which helps communities connect and share knowledge and information;
- *AI Cloud*: a full suite of cloud services and solutions, including PaaS, SaaS and IaaS and uniquely differentiated by our AI solutions; and
- *Intelligent Driving & Other Growth Initiatives (OGI)*: our growth initiatives include intelligent driving (self-driving services, including HD Maps, automated valet parking and autonomous navigation pilot, intelligent electric vehicles and robotaxi fleets), as well as Xiaodu smart devices powered by DuerOS smart assistant and AI chip development.

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At the core of our Mobile Ecosystem is Baidu App, which is the No. 1 search-plus-feed app in China with an MAU of 544 million in December 2020. Unlike most mobile apps, which direct traffic to a closed content ecosystem, Baidu App, through our AI building blocks, aggregates content and services from third-party apps and websites, and directs traffic to third-party content and service providers with native-app like experience. Under an open-platform model, Baidu App can continue to grow our huge offering of third-party content and services, by leveraging our network partners of BJH Accounts, Smart Mini Program and Managed Page. Our decade-long experience with AI and the development of a powerful knowledge graph allow us to match user intent with long-tail, third-party content and services on our open platform.

Our Mobile Ecosystem also includes a portfolio of over one dozen apps, including Haokan and Baidu Post, providing a platform for people to discover and consume information through search and feed, interact and engage with creators, publishers, service providers and merchants. This native-app like experience from user acquisition to user relationship management to closed loop transactions demonstrates our value to merchants, enabling them to perform user life-time management on our platform, and has made Baidu App a leading online marketing services provider for both search and feed. Within our Mobile Ecosystem, we serve half-a-million customers by enabling them to tap into our massive user base. We monetize primarily through offering comprehensive and effective marketing services to fulfill our customers’ needs. We generate revenue primarily from providing search, feed and other marketing services, which account for a majority of our total revenues during the Track Record Period. We have made extensive use of AI technologies to develop innovative marketing services, such as dynamic ads, which recommends products from our marketing customers most fitting to each search user. Our marketing cloud also provides innovative AI capabilities to our marketing customers, so that users can still make product inquiries during non-business hours and Baidu Brain can automatically carry a conversation with users to facilitate transactions. In addition, the user engagement and user logins that have developed on our platform are enabling us to diversify monetization beyond online marketing into other services, such as live broadcasting, online games and membership.

Our AI Cloud is the leading AI public cloud service provider and a top four public cloud service provider in China in 2019, according to the CIC Report. Our AI Cloud offers a full suite of cloud services and solutions, including PaaS, SaaS and IaaS, and is differentiated with our AI solutions. Leveraging Baidu Brain, our AI solutions provide customers and developers with a comprehensive library of modularized solutions, including open source codes, pre-trained models, end-to-end development kits, tools and components. In addition, our AI Cloud customers can leverage our large library of key AI capabilities, such as knowledge graph, speech recognition and synthesis, natural language processing and computer vision. Our products and services, such as EasyDL and Baidu ML, make it easier for customers to use deep learning and machine learning to solve real world problems, and our cloud services are formulated to serve across different industries, including Internet, media, telecom, financial services, transportation and logistics, education and manufacturing.

Our Intelligent Driving & OGI consist of promising businesses in development with huge market opportunities, and some are at early-stage commercialization with a growing customer base. We are a market leader in intelligent driving and smart devices, and we are pursuing these large growth opportunities by leveraging our unique AI capabilities, data insights and internally developed chips. For example, in autonomous driving, Apollo is the market leader in China with 4.3 million accumulated test miles and 199 autonomous driving licenses across China, as of December 31, 2020. Our 199 autonomous driving licenses reflect the geographic reach of Apollo testing scenarios in China, compared to the second player with approximately 20 licenses. There are currently three Apollo robotaxi pilot programs running in China. Our strong brand and market leadership in autonomous

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driving has carried over to intelligent driving. Apollo is a well-recognized brand among automakers. We have signed strategic agreements with 10 leading automakers to power their passenger vehicles with Apollo Self Driving services, which includes Baidu high definition (HD) Maps and automated valet parking (AVP), and we recently announced the availability of Apollo autonomous navigation pilot (ANP). Under smart display, Xiaodu was ranked No. 1 in shipments globally for 2019. We also develop AI chips internally customized for Baidu Brain and specific AI usages to improve performance and costs. We believe these initiatives will strengthen our revenue drivers for long-term growth.

iQIYI produces, aggregates and distributes a wide variety of professionally produced content, as well as a broad spectrum of other entertainment-oriented video content.

We believe we have built a large and strong portfolio of products and services to give Baidu the scale necessary to invest heavily in technology, while optimizing our future for sustainable long-term growth. We derive significant synergies by incorporating the AI developed for search into other parts of our business. For example, large daily use of our visual search and voice search may be used to improve Apollo computer vision and DuerOS speech recognition capabilities.

We generated total revenues of RMB102.3 billion, RMB107.4 billion and RMB107.1 billion (US\$16.4 billion) in 2018, 2019 and 2020, respectively. Our revenue in 2020 was impacted by the COVID-19 pandemic, and we experienced revenue change of -7%, -1%, +1% and +5% year over year for the three months ended March 31, June 30, September 30 and December 31, 2020, respectively. We generated net income attributable to Baidu, Inc. of RMB27.6 billion, RMB2.1 billion and RMB22.5 billion (US\$3.4 billion) in 2018, 2019 and 2020, respectively. Net income attributed to Baidu, Inc. in 2019 included a non-cash impairment loss of RMB8.9 billion from investment in Trip.com.

Baidu Core generated revenues of RMB78.3 billion, RMB79.7 billion and RMB78.7 billion (US\$12.1 billion) in 2018, 2019 and 2020, respectively. Baidu Core’s revenue in 2020 was impacted by the COVID-19 pandemic, and Baidu Core experienced revenue change of -13%, -3%, +2% and +6% year over year for the three months ended March 31, June 30, September 30 and December 31, 2020, respectively. We generated net income attributable to Baidu Core of RMB33.6 billion, RMB7.6 billion and RMB26.5 billion (US\$4.1 billion) in 2018, 2019 and 2020, respectively. Net income attributed to Baidu Core in 2019 included a non-cash impairment loss of RMB8.9 billion from investment in Trip.com.

iQIYI generated revenues of RMB25.0 billion, RMB29.0 billion and RMB29.7 billion (US\$4.6 billion) in 2018, 2019 and 2020, respectively. We generated net loss attributable to iQIYI of RMB9.1 billion, RMB10.3 billion and RMB7.0 billion (US\$1.1 billion) in 2018, 2019 and 2020, respectively.

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### Key Financial and Operating Metrics

#### Baidu Core

	For the Month Ended December 31,		
	2018	2019	2020
MAU of Baidu App (in millions) . . . . .	435	500	544
DAU of Baidu App (in millions) . . . . .	161	195	202
	For the Year Ended December 31,		
	2018	2019	2020
Revenue (RMB in millions) . . . . .	78,271	79,711	78,684
Operating profit (RMB in millions) . . . . .	23,808	15,261	20,538

#### iQIYI

	As of December 31,		
	2018	2019	2020
Subscribing Members (in millions) . . . . .	87.4	106.9	101.7
	For the Year Ended December 31,		
	2018	2019	2020
Revenue (RMB in millions) . . . . .	24,989	28,994	29,707
Operating loss (RMB in millions) . . . . .	(8,306)	(9,258)	(6,041)

### OUR STRENGTHS

We believe the following competitive strengths contribute to our success and set us apart from our peers:

- leading technology company with world-class AI capabilities;
- Mobile Ecosystem: China’s leading content and services discovery ecosystem;
- AI Cloud: China’s leading AI cloud service provider;
- Intelligent Driving & Other Growth Initiatives: strong leadership in large AI-powered markets;
- platform-centric model cultivating vibrant ecosystems and capturing huge market opportunities;
- strong synergies across our AI-powered markets and offerings; and
- management team with decades-long proven track record of technology innovation and commercialization.

### OUR STRATEGIES

We intend to pursue the following strategies to further grow our business:

- continue to invest in technology;
- continue to scale our AI Cloud;
- further develop and commercialize intelligent driving and other growth initiatives;
- continue to grow our Mobile Ecosystem; and
- selectively pursue M&A and strategic investments.

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### **Our Technology Innovation**

We focus on technology and innovation. To stay at the forefront of the internet and AI, and to achieve long-term growth and success, we invest heavily in research and development. We have established several research AI labs in China and the United States to enhance our research and development capabilities, and to focus on AI, quantum computing and other areas. We have developed a proprietary AI technological infrastructure, which also powers other technologies, such as search technologies and large-scale systems. Our established infrastructure serves as the backbone for our AI, mobile and PC platforms.

Throughout our two-decade history, we have innovated and developed successful businesses. We have been at the forefront of technological innovation in the internet industry, evidenced by our pioneering search product offering since our founding, adoption of user preference algorithms and personalized product delivery in 2007, transition from personal computer (PC) to mobile in 2012, integration of search and related products and functionalities, like maps voice search and visual search into our offerings, deepening our investment in deep learning to enhance user experience and customer return-on-investment (ROI), focusing on AI as the engine to drive long-term growth and initiatives on deploying AI technologies beyond search and feed, into smart assistant, AI cloud solutions, AI chip design and autonomous driving. With a culture of innovation in mind, we have been a trailblazer in China’s search-plus-feed and other AI fields and offer a number of innovative technologies and services, such as auction-based P4P services, search plus feed, multi-source heterogeneous knowledge graph, and PaddlePaddle.

### **SUMMARY OF HISTORICAL FINANCIAL INFORMATION**

Rule 13.46(2) of the Hong Kong Listing Rules requires an overseas issuer to send an annual report or a summary financial report within four months after the end of the financial year to which the report relates. As an issuer seeking a listing as a Grandfathered Greater China Issuer pursuant to Chapter 19C of the Hong Kong Listing Rules, we are not subject to the disclosure requirements under notes 4(a) and (b) to Rule 13.46(2) of the Hong Kong Listing Rules. As this document already includes the financial information of the Company for the year ended December 31, 2020, the Company will not separately prepare and send an annual report to its shareholders for the year ended December 31, 2020, which will not be in breach of its constitutional documents, laws and regulations of the Cayman Islands or other regulatory requirements.



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### Selected Consolidated Statements of Comprehensive Income (Loss)

	Year ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in millions)			
<b>Revenues:</b>				
Online marketing services .....	81,912	78,093	72,840	11,163
Others .....	20,365	29,320	34,234	5,247
<b>Total revenues .....</b>	<b>102,277</b>	<b>107,413</b>	<b>107,074</b>	<b>16,410</b>
<b>Operating costs and expenses<sup>(1)</sup>:</b>				
Cost of revenues .....	51,744	62,850	55,158	8,454
Selling, general and administrative .....	19,231	19,910	18,063	2,769
Research and development .....	15,772	18,346	19,513	2,989
<b>Total operating costs and expenses .....</b>	<b>86,747</b>	<b>101,106</b>	<b>92,734</b>	<b>14,212</b>
<b>Operating profit .....</b>	<b>15,530</b>	<b>6,307</b>	<b>14,340</b>	<b>2,198</b>
<b>Total other income (loss), net .....</b>	<b>11,795</b>	<b>(6,647)</b>	<b>8,750</b>	<b>1,341</b>
<b>Income (loss) before income taxes .....</b>	<b>27,325</b>	<b>(340)</b>	<b>23,090</b>	<b>3,539</b>
Income taxes .....	4,743	1,948	4,064	623
<b>Net income (loss) .....</b>	<b>22,582</b>	<b>(2,288)</b>	<b>19,026</b>	<b>2,916</b>
Less: Net loss attributable to non-controlling interests .....	(4,991)	(4,345)	(3,446)	(528)
<b>Net income attributable to Baidu, Inc. ....</b>	<b>27,573</b>	<b>2,057</b>	<b>22,472</b>	<b>3,444</b>

*Note:*

(1) Share-based compensation expenses are allocated in operating costs and expenses as follows:

Cost of revenues .....	224	327	360	55
Selling, general and administrative .....	1,725	1,768	1,897	290
Research and development .....	2,727	3,531	4,471	686
<b>Total .....</b>	<b>4,676</b>	<b>5,626</b>	<b>6,728</b>	<b>1,031</b>

Net income attributable to Baidu, Inc. increased from RMB2.1 billion in 2019 to RMB22.5 billion (US\$3.4 billion) in 2020. The increase primarily resulted from (i) total operating costs and expenses decreasing by RMB8.4 billion, from RMB101.1 billion 2019 to RMB92.7 billion (US\$14.2 billion) in 2020 (ii) total other income, net amounting to RMB8.8 billion (US\$1.3 billion) in 2020, compared to a total other loss, net of RMB6.6 billion in 2019, which included a non-cash impairment loss of RMB8.9 billion from investment in Trip.com.

Net income attributable to Baidu, Inc. decreased from RMB27.6 billion in 2018 to RMB2.1 billion in 2019. The decrease was primarily attributable to (i) total operating costs and expenses increasing by RMB14.4 billion, from RMB86.7 billion 2018 to RMB101.1 billion in 2019, and (ii) total other loss, net amounting to RMB6.6 billion in 2019, compared to a total other income, net of RMB11.8 billion in 2018, which mainly comprises gains from the disposal of Du Xiaoman (financial services business) and fair value gains on private company equity investments.

For more information, see “Financial Information” and Appendix IA Accountants’ Report.

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### Selected Consolidated Balance Sheets Data

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in millions)			
Cash and cash equivalents	27,638	33,443	35,782	5,484
Restricted cash	2,189	996	758	117
Short-term investments, net	111,626	112,924	126,402	19,372
Accounts receivable, net	6,015	7,416	8,668	1,328
Fixed assets, net	17,903	18,311	17,508	2,683
Goodwill	18,536	18,250	22,248	3,410
Long-term investments, net	80,454	69,410	76,233	11,683
<b>Total assets</b>	<b>297,566</b>	<b>301,316</b>	<b>332,708</b>	<b>50,990</b>
Short-term loans	3,046	2,618	3,016	462
Accounts payable and accrued liabilities	35,381	32,701	36,716	5,627
Customer deposits and deferred revenue	9,221	11,062	12,626	1,935
Long-term loans	7,540	8,541	7,427	1,138
Notes payable	49,606	43,309	48,408	7,419
Convertible senior notes	4,712	12,297	16,679	2,556
<b>Total liabilities</b>	<b>121,814</b>	<b>128,501</b>	<b>140,865</b>	<b>21,589</b>
<b>Total equity</b>	<b>175,036</b>	<b>171,706</b>	<b>188,741</b>	<b>28,926</b>
Noncontrolling interests	12,139	8,107	6,045	927
<b>Total Baidu, Inc. shareholders' equity</b>	<b>162,897</b>	<b>163,599</b>	<b>182,696</b>	<b>27,999</b>
<b>Net current assets</b>	<b>98,241</b>	<b>108,182</b>	<b>114,957</b>	<b>17,618</b>

For a detailed discussion on our cash position as well as material changes in the various working capital items, see “Financial Information—Liquidity and Capital Resources.”

Our total shareholders' equity increased by 12% from RMB163.6 billion as of December 31, 2019 to RMB182.7 billion (US\$28.0 billion) as of December 31, 2020, primarily due to net income attributable to Baidu, Inc of RMB22.5 billion (US\$3.4 billion), share-based compensation of RMB5.7 billion (US\$881 million) and issuance of shares by our subsidiaries to noncontrolling interest of RMB2.3 billion (US\$346 million), and partially offset by repurchase and retirement of ordinary shares of RMB13.1 billion (US\$2.0 billion) for the year ended December 31, 2020.

Our total shareholders' equity slightly increased from RMB162.9 billion as of December 31, 2018 to RMB163.6 billion as of December 31, 2019, primarily due to net income attributable to Baidu, Inc of RMB2.1 billion and share-based compensation of RMB5.0 billion, and offset by other comprehensive loss of RMB1.6 billion and repurchase and retirement of ordinary shares of RMB5.0 billion in 2019.

### Selected Consolidated Cash Flows Data

	Year ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in millions)			
Net cash provided by operating activities	35,967	28,458	24,200	3,709
Net cash used in investing activities	(34,460)	(19,974)	(27,552)	(4,223)
Net cash provided by (used in) financing activities	15,082	(3,873)	5,665	869
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,902	1	(212)	(32)
Net increase in cash, cash equivalents and restricted cash	18,491	4,612	2,101	323
Cash, cash equivalents and restricted cash at beginning of the year	11,336	29,827	34,439	5,278
Cash, cash equivalents and restricted cash at end of the year	29,827	34,439	36,540	5,601



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### OUR SHAREHOLDING AND CORPORATE STRUCTURE

#### *Our Major Shareholders and Relationship with Controlling Shareholders*

As of the Latest Practicable Date, Mr. Robin Yanhong Li, our chairman and chief executive officer, is interested in and controls through: (i) 3,013,200 Class A Ordinary Shares directly held by Mr. Robin Yanhong Li on record, (ii) 2,232,000 Class A ordinary shares in the form of ADSs held by Mr. Robin Yanhong Li in the brokerage account of the administrator of the issuer’s employee stock option program, (iii) 342,320 Class A Ordinary Shares issuable to Mr. Robin Yanhong Li upon exercise of options within 60 days after the Latest Practicable Date, (iv) 14,560 Class A Ordinary Shares issuable to Mr. Robin Yanhong Li upon vesting of restricted shares within 60 days after the Latest Practicable Date, (v) 439,200,000 Class B Ordinary Shares held on record by Handsome Reward Limited, a British Virgin Islands company wholly owned by Mr. Robin Yanhong Li, (vi) 5,772,720 Class A ordinary shares in the form of ADSs held by Handsome Reward Limited in the brokerage account of the administrator of the issuer’s employee stock option program, (vii) 6,916,480 Class A Ordinary Shares issuable to Handsome Reward Limited upon exercise of options within 60 days after the Latest Practicable Date. As of the Latest Practicable Date, Mr. Li holds approximately 57.0% of the voting rights in the Company through shares beneficially owned by him and capable of being exercised on resolutions in general meetings.

For further details, please see “Major Shareholders” and “Relationship with the Controlling Shareholders.”

#### *Weighted Voting Rights Structure and WVR Beneficiaries*

Under our weighted voting rights structure, our share capital comprises Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share entitles the holder to exercise one vote, and each Class B ordinary share entitles the holder to exercise 10 votes, respectively, on all matters subject to the vote at general meetings of the Company. For further details, please see “Share Capital—Weighted Voting Rights Structure.”

Pursuant to the Articles, the directors of our board may, from time to time subject to their fiduciary duties to act in the best interests of the Company and for a proper purpose, cause the Company to issue preferred shares and determine, among others, their conversion rights, which may include conversion to Class A and/or Class B ordinary shares. Such rights are subject to the approval and discretion of the board.

As we are seeking a listing as a Grandfathered Greater China Issuer pursuant to Chapter 19C of the Hong Kong Listing Rules (Secondary Listings of Qualifying Issuers) with a WVR structure, certain shareholder protection measures and governance safeguards under Chapter 8A of the Hong Kong Listing Rules (Weighted Voting Rights) do not apply to us pursuant to Rule 19C.12 and our Articles differ from Chapter 8A in a number of ways, including the following:

- Chapter 8A prohibits the increase in the proportion of shares with WVRs after the Listing and, where there is a reduction in the number of issued shares, requires shares with WVRs to be reduced proportionately. Our Articles do not contain such restrictions on the Class B ordinary shares;
- Our Articles do not provide for WVRs to terminate in the circumstances specified in Chapter 8A, such as where the WVR beneficiary is deceased or no longer a director. For more details of the circumstances in which weighted voting rights would be terminated, please see “Share Capital—Weighted Voting Rights Structure”;

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- Chapter 8A requires (a) amendments to a listed issuer’s constitutional documents, (b) variation of rights attached to any class of shares, (c) the appointment or removal of an independent non-executive director, (d) the appointment or removal of auditors and (e) the voluntary winding-up of a listed issuer to be subject to shareholder approval on a one vote per share basis. Our Articles do not contain such provisions;
- the charter of our corporate governance and nominating committee does not contain the terms otherwise required under Rule 8A.30 and Code Provision D.3.1 of Appendix 14 to the Hong Kong Listing Rules. For more details of the charter of our corporate governance committee, please see “Directors and Senior Management—Board Practices”; and
- the independent non-executive directors of a listed issuer with a WVR structure must be subject to retirement by rotation at least once every three years under Chapter 8A, whereas our Articles do not provide for a term of office for our directors.

Prospective [REDACTED] are advised to be aware of the potential risks of [REDACTED] in companies with a WVR structure, in particular that the interests of the WVR beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR beneficiaries will be in a position to exercise their higher voting power to influence the affairs of our Company and the outcome of shareholders’ resolutions, irrespective of how other shareholders vote. Prospective [REDACTED] should make the decision to [REDACTED] in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to “Risk Factors—Risks Related to Our Corporate Structure.”

As a result, our Articles provide less shareholder protection and have fewer governance safeguards than if our Company were subject to Chapter 8A in its entirety.

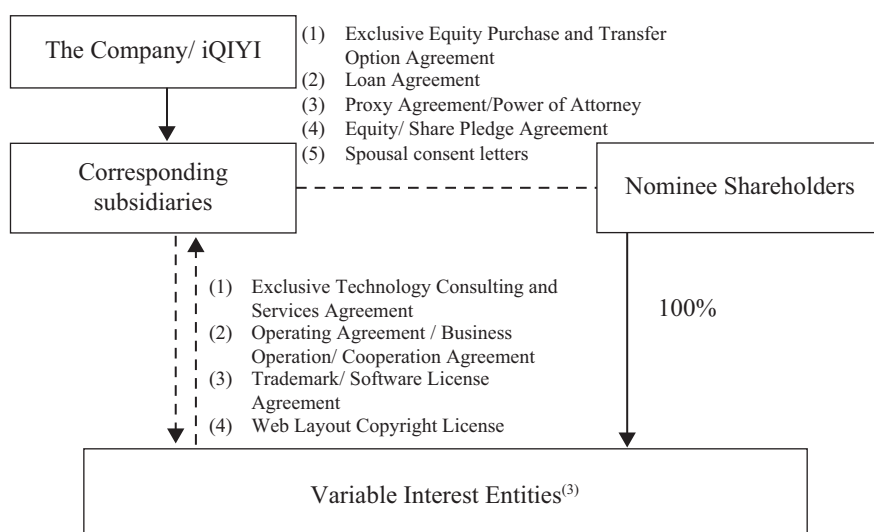
### *Our VIE Structure*

Due to the PRC legal restrictions on foreign ownership in companies that provide value-added telecommunication-based online marketing services in China, we conduct our operations in China principally through Baidu Online and Beijing QIYI Century, our subsidiaries, and Baidu Netcom, Beijing Perusal and Beijing iQIYI, consolidated affiliated entities, which holds the material licenses and approvals necessary to operate our and iQIYI platforms and provide such services.

We have entered into certain contractual arrangements, as described in more detail in “History and Corporate Structure,” which collectively enable us to exercise effective control over Baidu Netcom, Beijing Perusal and Beijing iQIYI and realize substantially all of the economic benefits arising from them. We therefore include the financial results of these consolidated affiliated entities in our consolidated financial statements in accordance with U.S. GAAP as if they were our wholly-owned subsidiaries.

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The diagram below illustrates the general structure of the economic flow and control under the VIE structure created by the contractual arrangements described above:



*Notes:*

- (1) “→” denotes the direction of legal and beneficial ownership.
- (2) “...” denotes the contractual arrangements among the variable interest entities, their nominee shareholders, and corresponding subsidiaries (being Baidu Online and Beijing QIYI Century).
- (3) Baidu Netcom, Beijing Perusal and Beijing iQIYI.

## LEGAL PROCEEDINGS

In April 2020, a short seller report was published by Wolfpack Research (the Wolfpack Report). In sum and substance, the Wolfpack Report alleges that iQIYI inflated its user numbers, inflated its revenue and deferred revenue in connection with certain parts of iQIYI’s business, inflated its expenses and the purchase prices of certain assets to conceal revenue inflation, and provided misleading financial statements of cash flows by adopting an incorrect accounting method. Following the publication of the Wolfpack Report, the SEC requested iQIYI to produce certain financial, operating, and other documents and records primarily relating to the allegations in the Wolfpack Report. In particular, the SEC requested that iQIYI voluntarily provides it with documents and information relating to, among other things, iQIYI’s organizational charts, accounting policies, and financial books and records from 2018 to the present, as well as documents relating to iQIYI’s acquisition or investments in certain entities mentioned in the Wolfpack Report and the valuation of those entities at the time of those transactions. On April 7, 2020, iQIYI publicly addressed the allegations contained in the Wolfpack Report in a press release on its website, noting that iQIYI “believes that the report contains numerous errors, unsubstantiated statements and misleading conclusions and interpretations regarding information relating to the Company.” iQIYI also reiterated that “it has always been and will remain committed to maintaining high standards of corporate governance and internal control, as well as transparent and timely disclosure in compliance with the applicable rules and regulations of the Securities and Exchange Commission and the Nasdaq Global Select Market.” On August 13, 2020, iQIYI issued another press release announcing its second quarter financial results, and also disclosed that the SEC’s Division of Enforcement is seeking the production of certain financial and operating records dating from January 1, 2018, as well as documents related to certain acquisitions and investments that were identified in a report issued the Wolfpack Report. In addition, iQIYI disclosed that shortly after the publication of the Wolfpack Report, iQIYI engaged professional advisers to conduct an internal review into certain of the key allegations in the Wolfpack Report and to report their findings to its audit committee. These professional advisers examined iQIYI’s books and records and

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undertook testing procedures that, in their judgment, were necessary and appropriate to evaluating the key allegations in the Wolfpack Report, including accounting policy analysis, data analytics on whether iQIYI manufactured orders and inflated revenues and/or expenses. On October 5, 2020, iQIYI publicly disclosed that the internal review within the agreed scope has been substantially completed and did not uncover any evidence that would substantiate the allegations. The SEC has also sought the production of certain documents and records from iQIYI related to such internal review and other related information. iQIYI is cooperating with the SEC’s investigation. iQIYI has voluntarily and publicly disclosed the SEC’s request for information, and, through its legal counsel, it has been providing the SEC with requested documents and information. As a matter of U.S. law, as confirmed by iQiyi’s U.S. legal counsel, the initiation of a request for information is not a finding of fact or an indication by the SEC or its enforcement staff that any violation of the federal securities laws has occurred. We understand that iQIYI intends to continue cooperating with the SEC if and when it receives further inquiries. We are unable to predict the timing, outcome, or consequences of the SEC investigation of iQIYI, or from the SEC’s review of the documents and records requested from iQIYI. Because the SEC has not charged iQIYI or any of its officers and directors with any wrongdoing, there is no factual basis to offer even aspeculative prognosis as to what the “worst case scenario” may be. As advised by iQIYI’s U.S. legal counsel, successful enforcement actions by the SEC (which can pursue only civil and administrative, not criminal, remedies) against other companies in the past have typically resulted in civil fines and disgorgement and other equitable remedies such as injunctions to refrain from further violations of law. However, there is no basis to conclude at this point whether there will be an enforcement action brought against iQIYI, whether any such action will be successful, or what the “worst case scenario” will be.

Furthermore, starting in April 2020, iQIYI and certain of its current and former officers and directors were named as defendants in four federal putative securities class actions alleging that they made material misstatements and omissions in documents filed with the SEC regarding certain of the key allegations contained in the Wolfpack Report. Starting in August 2020, we and certain of our current officers were named as defendants in two federal putative securities class actions alleging that defendants made material misstatements and omissions in documents filed with the SEC regarding certain of the key allegations contained in the Wolfpack Report. In the view of the Directors, which is based on Baidu’s and iQIYI’s U.S. legal counsel, in the event that a court finds that iQIYI, Baidu and/or other defendants violated any of these securities laws, or in the event that iQIYI, Baidu and/or other defendants choose to reach a settlement with plaintiffs, iQIYI and/or Baidu may be liable for civil monetary damages and the potential financial, operational and reputational impact on iQIYI and/or Baidu may be material. However, we cannot predict the timing, outcome or consequences of these class actions, and there is no basis to conclude at this point whether such actions will be successful or whether the Company will be subject to any damages, let alone how much. See “Business—Legal Proceedings.”

## RISK FACTORS

Our business and the [REDACTED] involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to [REDACTED] in us and/or the value of your [REDACTED]. See “Risk Factors” for details of our risk factors, which we strongly urge you to read in full before making an [REDACTED] in our Shares. Some of the major risks we face include:

- If we fail to retain existing customers or attract new customers for our online marketing services, our business, results of operations and growth prospects could be seriously harmed;
- Our business and results of operations could continue to be materially and adversely affected by the challenging macroeconomic environment impacting online marketing demand;

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## SUMMARY

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- Our business depends on a strong brand, and if we are unable to maintain and enhance our brand, our business and results of operations may be harmed;
- We face risks associated with our investments and acquisitions, including our acquisition of YY Live;
- We face significant competition and may suffer from loss of users and customers as a result;
- If our expansions into new businesses are not successful, our future results of operations and growth prospects may be materially and adversely affected; and
- We have been and may again be subject to legal proceedings, claims and investigations in the ordinary course of business and could be adversely impacted by unfavorable results of legal proceedings and investigations.

### USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] billion after deducting estimated [REDACTED] fees and the estimated [REDACTED] payable by us and based upon an indicative [REDACTED] of HK\$[REDACTED] per [REDACTED] for both [REDACTED] and [REDACTED], and assuming the [REDACTED] is not exercised, or approximately HK\$[REDACTED] billion if the [REDACTED] is exercised in full.

The [REDACTED] in the [REDACTED] may be higher than, or the same as, the [REDACTED] in the [REDACTED]. See “Structure of the [REDACTED]—[REDACTED].”

We plan to use the [REDACTED] we will receive from the [REDACTED] for the following purposes:

- **approximately [REDACTED] (approximately HK\$[REDACTED], assuming that the [REDACTED] is not exercised) for continuing to invest in technology and enhance commercialization of our innovations centered around AI, including to:**
  - Attract and retain talents, in particular artificial intelligence and software engineers, data scientists, as well as other research and development staff, in order to improve our AI capabilities including but not limited to natural language processing, knowledge graph, speech recognition and synthesis, computer vision;
  - Strengthen the commercialization of AI cloud solutions and expand our portfolio of industry-specific AI cloud solutions by developing more AI capabilities, increasing cross-selling opportunities of various solutions to existing customers, acquiring new customers across industry verticals, and growing computing, storage, network, database and delivery capabilities;
  - Enhance the development and commercialization of intelligent driving and other growth initiatives, and continue to explore new and innovative application and monetization initiatives for our AI technology. For instance, we will continue to grow the accumulated test miles and improve simulation models with data from real world to increase the accuracy and effectiveness of our solutions to further enhance our L3 and L4 self-driving technology and to work with more automakers to power more passenger vehicles. We plan to invest in research and development of intelligent electric vehicles to achieve the mass production. We will also grow our fleet size of Apollo Robotaxi, obtain more driving licenses and expand geographic reach;



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- Invest in AI chips and scale IT infrastructure, including but not limited to investing more resources in chips design, procuring more servers and network equipment, and purchasing more cloud computing bandwidth, that collectively help optimize Baidu Brain and enhance our technology capabilities, as well as to improve the capacity of our operational flows and our external service capabilities; and
- Selectively pursue suitable strategic partnerships, alliances, acquisitions and investments that have synergies with our business, such as those leveraging our AI capabilities, and our large user base to complement our organic growth. As of the Latest Practicable Date, we have not identified any other target of potential acquisition.
- **approximately [REDACTED] (approximately [REDACTED], assuming that the [REDACTED] is not exercised) for further growing Baidu Mobile Ecosystem and enhancing and diversifying monetization, including to:**
  - Continue improving functionalities and features of our mobile ecosystem to enhance our user engagement. For example, we will continue to improve Baidu App functionalities, and enhance the three AI building blocks—Baijiahao (BJH) Accounts, Smart Mini Program and Managed Page to improve overall mobile ecosystem;
  - Continue investing in and purchasing more dynamic and diversified content and service offerings to build a closed-loop content and service ecosystem, and optimize the AI building blocks for third-party content by attracting more content and service providers and users, as well as acquiring more licensed content. We will incentivize and attract more premium content creators to create high-quality content at our platform in a variety of formats such as short video and live streaming, as well as enrich the comprehensiveness of the content library of our knowledge and information products, such as Baidu Wiki, Baidu Knows;
  - Further expand user reach through branding and marketing activities, such as conducting targeted and precise marketing and promotional campaigns driven by insights into user preferences in the form of app store advertisements and collaborations with targeted brand. We will also continuously invest in product development to launch more products and services to meet our users’ evolving needs; and
  - Further strengthen our vertical and community offerings to provide superior experience to users, merchants and content providers. We will continue to improve the effectiveness of our online marketing services with our AI technology, and plan to further diversify monetization channels of our mobile ecosystem. In addition to growing our mobile ecosystem organically, we also plan to selectively pursue suitable strategic partnerships, alliances, acquisitions and investments.
- **approximately [REDACTED] (approximately [REDACTED], assuming that the [REDACTED] is not exercised) for general corporate purposes.** We will use the remaining [REDACTED] for working capital and general corporate purposes to support our business operation and growth.

To the extent that the [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we may hold such unused [REDACTED] in cash or short term deposits at authorized financial institutions and/or licensed banks.



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### THE LISTING

Our ADSs have been listed and traded on Nasdaq since August 5, 2005. Dealings in our ADSs on Nasdaq are conducted in U.S. dollars. We have applied for a listing of our Class A ordinary shares on the Main Board under Chapter 19C (Secondary Listings of Qualifying Issuers). Dealings in our Class A ordinary shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars. Our Class A ordinary shares will be traded on the Hong Kong Stock Exchange in [REDACTED] of [REDACTED] Class A ordinary shares. For additional information, see “Information about This Document and the [REDACTED].”

### WAIVERS AND EXEMPTIONS

As we are applying for listing under Chapter 19C of the Hong Kong Listing Rules, we will not be subject to certain provisions of the Hong Kong Listing Rules, including, among others, rules on notifiable transactions, connected transactions, share option schemes, content of financial statements as well as certain other continuing obligations. In addition, in connection with the Listing, we have applied for a number of waivers and/or exemptions from strict compliance with the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the SFO and a ruling under the Takeovers Codes. For additional information, see “Waivers and Exemptions.”

Among the various waivers that we have applied for, we have applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the requirements in Paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules such that we are able to spin off a subsidiary entity and list it on the Hong Kong Stock Exchange within three years of the Listing. While we do not have any specific plans with respect to the timing or details of any potential spin-off listing on the Hong Kong Stock Exchange as at the date of this document, in light of the Group’s overall business scale, we may consider spinning off one or more of our mature business units through a listing on the Hong Kong Stock Exchange within three years after the Listing, if there are clear commercial benefits both to the Company and the businesses to be potentially spun-off and there will be no adverse impact on the interests of shareholders of the Company. The waiver granted by the Hong Kong Stock Exchange is conditional upon us confirming to the Hong Kong Stock Exchange in advance of any spin-off that it would not render our Company, excluding the business to be spun off, incapable of fulfilling the eligibility or suitability requirements under Rules 19C.02 and 19C.05 of the Hong Kong Listing Rules based on the financial information of the entity to be spun off at the time of the Listing (calculated cumulatively where more than one entity is to be spun off). We cannot assure you that any spin-off will ultimately be consummated, whether within the three-year period after the Listing or otherwise, and any such spin-off will be subject to market conditions at the relevant time and approval by the Listing Committee of the Hong Kong Stock Exchange. In the event that we proceed with a spin-off, the Company’s interest in the entity to be spun off (and its corresponding contribution to the financial results of our Group) will be reduced accordingly.

We enjoy exemptions from certain obligations under U.S. securities laws and Nasdaq rules as a foreign private issuer as defined under the U.S. Exchange Act. [REDACTED]

### ARTICLES OF ASSOCIATION

We are an exempted company incorporated in the Cayman Islands with limited liability and our affairs are governed by our Articles of Association, the Cayman Companies Act, as well as the common law

## SUMMARY

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of the Cayman Islands. The laws of Hong Kong differ in certain respects from the Cayman Companies Act, and our Articles of Association are specific to us and include certain provisions that may be different from common practices in Hong Kong.

As such, we have applied for, [and the Hong Kong Stock Exchange has granted us], among others, a waiver from strict compliance with:

(a) Rule 19C.07(3) of the Hong Kong Listing Rules, which requires that the appointment, removal and remuneration of auditors must be approved by a majority of a Qualifying Issuer’s members or other body that is independent of the issuer’s board of directors; and

(b) Rule 19C.07(7) of the Hong Kong Listing Rules, on the condition that:

- (i) we will convene an extraordinary general meeting of our Company by December 31, 2021 (the “**2021 EGM**”), for which at least 14 days’ notice will be given to our members, and put forth resolutions to revise the Articles, so that sub-Paragraphs (i) to (iv) below shall collectively be the “**Proposed Resolutions**”):
  - (i) we are required to convene an annual general meeting each year;
  - (ii) we are required to provide at least 14 days’ notice for any general meetings of the Company;
  - (iii) a member’s right to vote is subject to the requirements under the Hong Kong Listing Rules regarding circumstances requiring a member to abstain from voting to approve a matter under consideration; and
  - (iv) the minimum stake required to convene an extraordinary general meeting and add resolutions to a meeting agenda will be 10% of the voting rights, on a one vote per share basis, in the share capital of our Company;
- (ii) we will convene general meetings at the request of our Shareholders holding in aggregate not less than 10% of our Company’s voting rights, on a one vote per share basis, prior to the Proposed Resolutions being passed;
- (iii) we will provide 14 days’ notice for any general meetings after the Listing, prior to the Proposed Resolutions being passed;
- (iv) in the event that the Proposed Resolutions are not passed at the 2021 EGM, we will convene an annual general meeting each year with at least 14 days of notice beginning from 2022 and, for so long as we remain listed on the Hong Kong Stock Exchange, to continue to put forth the Proposed Resolutions (to the extent not yet passed) at each of the annual general meetings after the 2021 EGM, until the Proposed Resolutions are passed; and
- (v) we will obtain an irrevocable undertaking prior to the Listing from Mr. Robin Yanhong Li, Handsome Reward Limited and Ms. Melissa Ma, Mr. Robin Yanhong Li’s spouse, that they will use their voting rights to vote in favor of the Proposed Resolutions.

See “Risk Factors—Risks Related to our Shares, ADSs and the Listing—As a company applying for listing under Chapter 19C, we adopt different practices as to certain matters as compared with many other companies listed on the Hong Kong Stock Exchange.” See “Information about the Listing” and “Waivers and Exemptions—Shareholder Protection Requirements” for further details.

**SUMMARY**

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[REDACTED]

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[REDACTED]

### LISTING EXPENSES

We expect to incur listing expenses of up to approximately RMB[REDACTED] million (assuming that the [REDACTED] is conducted at the indicative [REDACTED] per [REDACTED] of HK\$[REDACTED] for both [REDACTED] and [REDACTED] and the [REDACTED] is not exercised). We expect to recognize RMB[REDACTED] million as general and administrative expenses in the fiscal year ending December 31, 2021 and RMB[REDACTED] million as a deduction in equity directly.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this document, except as disclosed in “—Impact of COVID-19 on Our Operations” and elsewhere in this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2020 and there has been no event since December 31, 2020 which would materially affect the information shown in our consolidated financial statements included in the Accountants’ Report in Appendix IA to this document.

### RECENT DEVELOPMENT AND IMPACT OF COVID-19

There have been certain business updates since the end of the Track Record Period, and our results of operations have been, and could continue to be adversely, and may be materially, affected, to the extent that the COVID-19 or any other epidemic harms the Chinese and global economy in general. For a detailed discussion of business updates and the impact of COVID-19 on our operations after the Track Record Period, please refer to “Recent Developments.”