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## HISTORY AND CORPORATE STRUCTURE

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### Overview

We commenced our business in January 2000, and have since grown to become a leading AI company and Internet platform. Since our founding in 2000, we have served as the gateway to the Internet by connecting users to an expansive, long-tail and open content network through our search platform. Years of tagging, understanding and intelligently processing all forms of content on the Internet—text, images, videos—with AI has helped us develop Baidu Brain, our core AI 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 Company is a holding company incorporated in the Cayman Islands in January 2000. We conduct our operations in China principally through Baidu Online, our wholly-owned subsidiary, and Baidu Netcom and Beijing Perusal, consolidated affiliated entities, which hold the licenses and approvals necessary to operate our platform and provide value-added telecommunication-based online marketing services.

### KEY MILESTONES

Our key business milestones are summarized below:

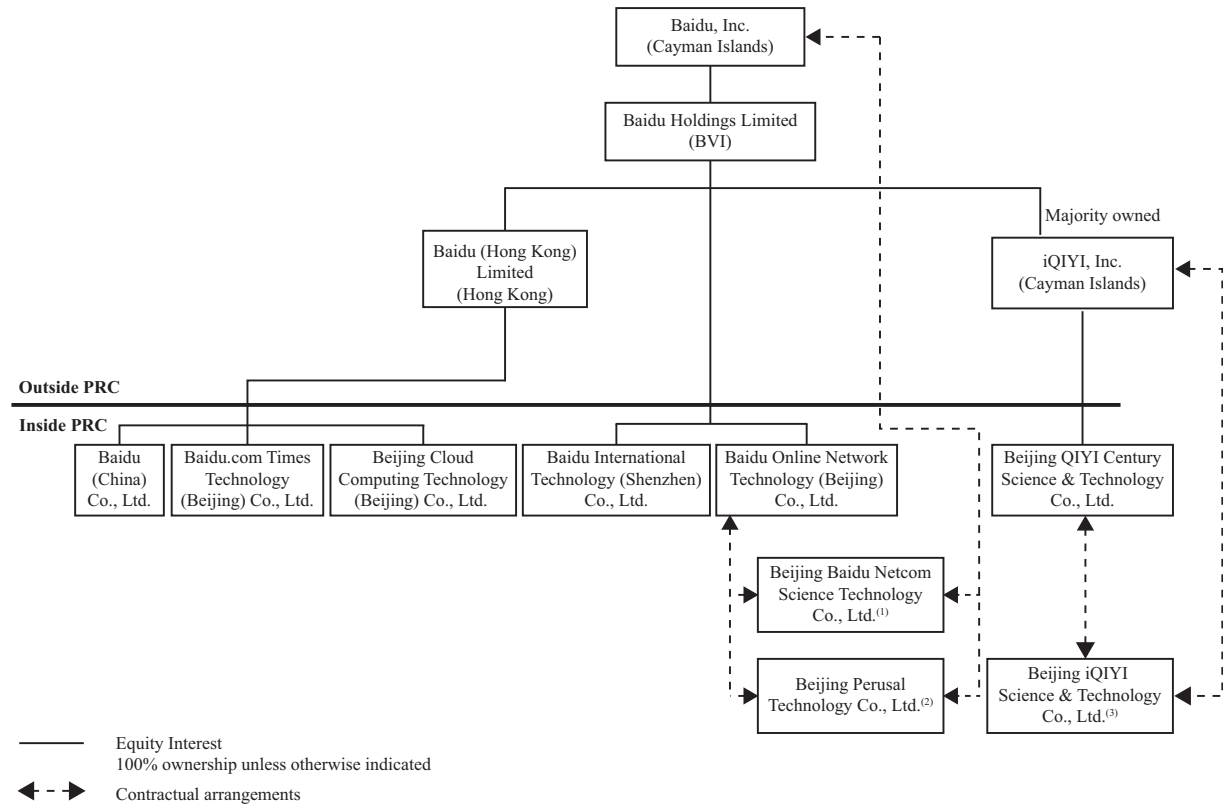
<u>Date</u>	<u>Event</u>
2000	We incorporated the Company and commenced our business in January.
2005	In August, we and certain selling shareholders of our Company completed an initial public offering and listed our ADSs on Nasdaq under the symbol “BIDU”.
2010	We commenced our AI business in January.
2012	In November, we obtained the controlling interest in iQIYI, one of our main business segments.
2017	In August, we completed the disposal of Xiaodu Life Technology Ltd., our former subsidiary that was primarily engaged in the business of takeout delivery services, to Rajax Holding.
2018	In March, iQIYI completed an initial public offering and listed its ADSs on Nasdaq under the symbol “IQ”.
	In August, we completed the divestiture of a majority equity stake in our financial services business, Du Xiaoman.

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### CORPORATE STRUCTURE

#### Our corporate structure

The following diagram illustrates our corporate structure, including our principal subsidiaries and consolidated affiliated entities, as at the Latest Practicable Date:



\* The diagram above omits the names of subsidiaries and consolidated affiliated entities that are insignificant individually and in the aggregate.

#### Notes:

- (1) Beijing Baidu Netcom Science Technology Co., Ltd. is 99.5% owned by Mr. Robin Yanhong Li, our chairman and chief executive officer, and 0.5% owned by Ms. Shanshan Cui, an executive officer of the Company. Please see “Major Shareholders” for details of Mr. Robin Yanhong Li’s beneficial ownership in our Company. Ms. Shanshan Cui’s beneficial ownership of our Company is less than 1% of our total outstanding shares.
- (2) Beijing Perusal Technology Co., Ltd. is 50% owned by Ms. Shanshan Cui and 50% owned by Mr. Zhixiang Liang. Both Ms. Shanshan Cui and Mr. Zhixiang Liang are our employees, and their respective beneficial ownership in our Company is less than 1% of our total outstanding shares.
- (3) Beijing iQIYI Science & Technology Co., Ltd. is wholly-owned by Mr. Xiaohua Geng, senior vice president of iQIYI. Mr. Xiaohua Geng is not beneficially interested in any shares of our Company.

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### Significant Subsidiaries

As of December 31, 2020, we conducted our business operations across more than 200 subsidiaries and operating entities, twelve of which are our Significant Subsidiaries. Their principal business activities and dates of establishment are shown below:

Name of company	Principal business activities	Date and jurisdiction of establishment
Baidu Holdings Limited	a holding company	November 30, 1999, BVI
Baidu (Hong Kong) Limited	a holding company and a company providing information technology services	November 27, 2007, Hong Kong
Baidu Online	a company providing information technology services	January 18, 2000, PRC
Baidu (China) Co., Ltd.	a company providing information technology services	June 6, 2005, PRC
Baidu.com Times Technology (Beijing) Co., Ltd.	a company providing technology services	April 19, 2006, PRC
Baidu International Technology (Shenzhen) Co., Ltd.	a company providing information technology services	November 23, 2010, PRC
Baidu Netcom	a consolidated affiliated entity providing internet information services	June 5, 2001, PRC
Beijing Perusal	a consolidated affiliated entity providing internet information services	June 6, 2006, PRC
iQIYI	a holding company	November 27, 2009, Cayman Islands
Beijing QIYI Century	a company providing online entertainment service related technology and operational service	March 8, 2010, PRC
Beijing iQIYI	a consolidated affiliated entity providing online entertainment service	March 27, 2007, PRC
Baidu Cloud Computing Technology (Beijing) Co., Ltd.	a company providing information technology services	January 5, 2012, PRC

### Major Acquisition and Disposal

#### *Divestiture of majority equity stake in Du Xiaoman*

In April 2018, we entered into definitive agreements with certain investors relating to our divestiture of a majority equity stake in our financial services business, Du Xiaoman. The financial services provided by the now-divested Du Xiaoman mainly include consumer credit, wealth management, financial technology services and payment support, through which Du Xiaoman mainly offers technology solutions to financial institution partners covering loan facilitation and risk management aspects and consumer financing to individual customers to meet their cash expenditure needs. To facilitate the divestiture, the Company conducted a series of legal restructuring and recapitalization of entities conducting the financial services business, which were accounted for as transactions under common control.

The divestiture was completed in August 2018 through issuance of preferred shares to third-party investors by Du Xiaoman, following which we held a non-controlling equity interest in Du Xiaoman,

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which was accounted for as an equity method investment, and have deconsolidated the financial results of Du Xiaoman from our consolidated financial statements in accordance with U.S. GAAP. To the best of their knowledge having made reasonable inquiry, our Directors believe that the third-party investors, are third parties independent of us and our connected persons. The disposal of Du Xiaoman did not meet the definition of a discontinued operation per ASC Subtopic 205-20, *Presentation of Financial Statements—Discontinued Operations*, as the divestiture did not represent a shift in strategy nor had a major impact to the Group’s operation and financial results.

### *Divestiture of interests in Xiaodu Life Technology Ltd. (“Xiaodu Life”)*

In May 2018, we transferred all of our equity interests in Rajax Holding (“**Rajax**”), which operates the food delivery business under the ele.me brand in China, to Ali Panini Investment Limited. Previously in August 2017, our former subsidiary that was primarily engaged in the business of takeout delivery services and operated Baidu Deliveries, Xiaodu Life, completed its merger with Rajax and became a subsidiary of Rajax.

### *Acquisition of YY Live*

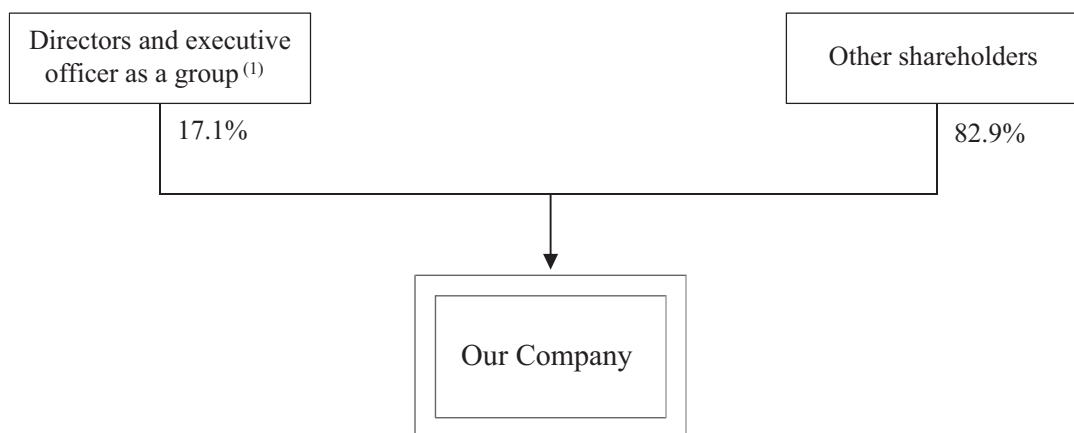
On November 16, 2020, Baidu (Hong Kong) Limited, our wholly-owned subsidiary, entered into a share purchase agreement with JOYY Inc. (Nasdaq:YY) and certain of its affiliates (collectively, “**JOYY**”) to acquire JOYY’s domestic video-based entertainment live streaming business in China (“**YY Live**”), for an aggregate purchase price of approximately US\$3.6 billion in cash, subject to certain adjustments. The purchase price was determined based on arm’s length negotiation, taking into account various factors, including, among others, the performance of YY Live and the potential synergies that YY Live may bring to our own business if the transaction is completed. Our Directors approved the transaction and believed, based on the circumstances that had been in existence at the time, that the terms of the transaction were fair and reasonable and in the interest of the shareholders of the Company as a whole. To the best of their knowledge having made reasonable inquiry, our Directors believe that, JOYY and Mr. David Xueling Li, the ultimate beneficial owner of JOYY, are third parties independent of us and our connected persons. The closing of the transaction is subject to certain conditions. On February 7, 2021, we entered into amended and restated share purchase agreement with JOYY. The acquisition has been substantially completed, with certain customary matters remaining to be completed in the near future. For further details, please refer to “Recent Developments—Business Updates”.

Apart from the above, we have not conducted any major acquisition or disposal during the Track Record Period.

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### Shareholding structure

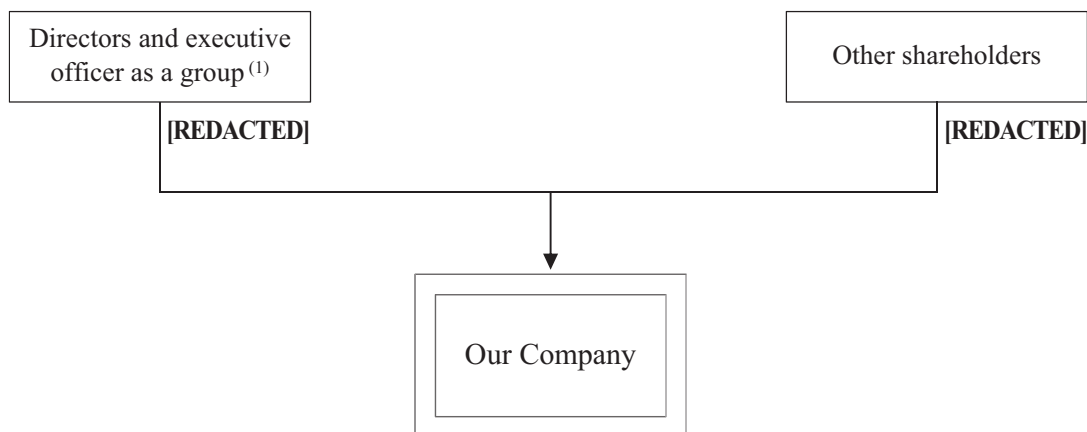
The following diagram illustrates our shareholding structure as at the Latest Practicable Date:



*Notes:*

(1) See “Major Shareholders” for further details on the voting rights and the beneficial ownership of our Directors and executive officers as a group and other shareholders. 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 on all matters that require a shareholder’s vote.

The following diagram illustrates our shareholding structure immediately upon the completion of the [REDACTED] (assuming all major shareholders’ shareholdings remain unchanged as of the Latest Practicable Date, the [REDACTED] is not exercised, and no additional Shares are issued under the Share Incentive Plans):



Please refer to the details contained in Note (1) above.

### CONTRACTUAL ARRANGEMENTS

PRC laws and regulations restrict and impose conditions on foreign investment in internet content, value-added telecommunication-based online marketing, audio and video services and mobile application distribution businesses. Accordingly, we operate these businesses in China through our consolidated affiliated entities. We have entered into a series of contractual arrangements with our consolidated affiliated entities and the nominee shareholders of our consolidated affiliated entities.

These contractual arrangements enable us to:

- (a) receive the economic benefits that could potentially be significant to our consolidated affiliated entities in consideration for the services provided by our subsidiaries;

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- (b) exercise effective control over our consolidated affiliated entities; and
- (c) hold an exclusive option to purchase all or part of the equity interests in our consolidated affiliated entities when and to the extent permitted by PRC law.

These contractual agreements include exclusive technology consulting and services agreements, operating agreements, license agreements, business cooperation agreements, exclusive equity purchase and transfer option agreements, commitment letters, loan agreements, proxy agreements/powers of attorney and equity pledge agreements, as the case may be. Please see “History and Corporate Structure—Contractual Arrangements—Contractual Arrangements Relating to Our Consolidated Affiliated Entities” for further details. We do not have any equity interests in our consolidated affiliated entities. However, as a result of contractual arrangements, we have effective control over and are considered the primary beneficiaries of these companies, and we have consolidated the financial results of these companies in our consolidated financial statements. The nominee shareholders of Baidu Netcom, Beijing Perusal and Beijing iQIYI, our consolidated affiliated entities, are directors or members of senior management of the Company/iQIYI. We/iQIYI consider such people suitable to act as the nominee shareholders of these consolidated affiliated entities because of, among other considerations, their contribution to the Company/iQIYI, their competence and their length of service with and loyalty to the Company/iQIYI. If our consolidated affiliated entities or the nominee shareholders fail to perform their respective obligations under the contractual arrangements, we could be limited in our ability to enforce the contractual arrangements that give us effective control over our consolidated affiliated entities. Furthermore, if we are unable to maintain effective control, we would not be able to continue to consolidate the financial results of our consolidated affiliated entities in our financial statements. In 2018, 2019 and 2020, we derived 33%, 40% and 43% of our external revenues from our consolidated affiliated entities, respectively. Based on the book value of Baidu Netcom and Beijing Perusal and taking into account major adjustments for intra-group transactions, the revenue contribution of Baidu Netcom and Beijing Perusal to the Group for each of the years 2018, 2019 and 2020 was 9%, 14% and 15% and 0%, 0% and 0% respectively. Based on the book value of Baidu Netcom and Beijing Perusal and not taking into account adjustments for intra-group transactions, the net income of Baidu Netcom and Beijing Perusal attributable to Baidu, Inc. for each of the years 2018, 2019 and 2020 was -8%, -6% and 19% and -1%, 41% and -3% respectively. For a detailed description of the regulatory environment that necessitates the adoption of our corporate structure, please see “Regulations.” For a detailed description of the risks associated with our corporate structure, please see “Risk Factors—Risks Related to Our Corporate Structure”.

### **Contractual Arrangements Relating to Our Consolidated Affiliated Entities**

The following is a summary of the material provisions of the contractual arrangements relating to Baidu Netcom, Beijing Perusal and Beijing iQIYI.

#### *Exclusive Technology Consulting and Services Agreement*

Pursuant to the exclusive technology consulting and services agreement between Baidu Online and Baidu Netcom, Baidu Online has the exclusive right to provide to Baidu Netcom technology consulting and services related to, among other things, the maintenance of servers, software development, design of advertisements, and e-commerce technical services. Baidu Online owns the intellectual property rights resulting from the performance of this agreement. Baidu Netcom agrees to pay service fees to Baidu Online and Baidu Online has the right to adjust the service fees at its sole discretion without the consent of Baidu Netcom. The agreement will be in effect for an unlimited term, until the term of business of one party expires and extension is denied by the relevant approval authorities.

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Each of the exclusive technology consulting and services agreements between Baidu Online and Beijing Perusal and Beijing QIYI Century and Beijing iQIYI contains substantially the same terms as those described above, except that the terms regarding determinant of the service fees may differ and that the initial term of the exclusive technology consulting and services agreement between Beijing QIYI Century and Beijing iQIYI dated November 23, 2011 is ten years, and has been extended.

### *Operating Agreement*

Pursuant to the operating agreement amongst Baidu Online, Baidu Netcom and the nominee shareholders of Baidu Netcom, Baidu Online provides guidance and instructions on Baidu Netcom's daily operations and financial affairs. In addition, Baidu Online agrees to guarantee Baidu Netcom's performance under any agreements or arrangements relating to Baidu Netcom's business arrangements with any third party. In return, Baidu Netcom agrees that without the prior consent of Baidu Online, Baidu Netcom will not engage in any transactions that could materially affect the assets, liabilities, rights or operations of Baidu Netcom, including, without limitation, incurrence or assumption of any indebtedness, sale or purchase of any assets or rights, incurrence of any encumbrance on any of its assets or intellectual property rights in favor of a third party or transfer of any agreements relating to its business operation to any third party. The agreement will be in effect for an unlimited term, until the term of business of one party expires and extension is denied by the relevant approval authorities.

The operating agreement amongst Baidu Online, Beijing Perusal and its shareholders contains substantially the same terms as those described above.

Pursuant to the amended and restated business operation agreement amongst Beijing QIYI Century, Beijing iQIYI and its shareholder, Beijing QIYI Century provides guidance and instructions on Beijing iQIYI's daily operations and financial affairs. In addition, Beijing QIYI Century agrees to guarantee Beijing iQIYI's performance under any agreements or arrangements relating to Beijing iQIYI's business arrangements with any third party. The agreement can only be unilaterally revoked by Beijing QIYI Century. The initial term of the agreement is ten years, which has been extended, and can be further renewed at Beijing QIYI Century's discretion.

### *License Agreements*

Baidu Online and Baidu Netcom have entered into a software license agreement and a web layout copyright license agreement. Pursuant to these license agreements, Baidu Online has granted to Baidu Netcom the right to use, including but not limited to, a software license and a web layout copyright license. Baidu Netcom may only use the licenses in its own business operations. Baidu Online has the right to adjust the service fees at its sole discretion. The software license agreement and web layout copyright license agreement have been renewed since their original expiration and are in effect for an unlimited term, until the term of business of one party expires and extension is denied by the relevant approval authorities.

The web layout copyright license agreements that Baidu Online has entered into with Beijing Perusal contain substantially the same terms as those between Baidu Online and Baidu Netcom described above. The agreement is in effect for an unlimited term, until the term of business of one party expires and extension is denied by the relevant approval authorities.

Pursuant to the trademark license agreement and the software usage license agreement between Beijing QIYI Century and Beijing iQIYI effective November 23, 2011, Beijing QIYI Century granted a non-exclusive and non-transferable license, without sublicensing rights, to Beijing iQIYI to use its

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trademarks and software. Beijing iQIYI may only use the licenses in its own business operations. Beijing QIYI Century has the right to adjust the service fees at its sole discretion. The initial term of the two agreements is five years and the software usage license agreement may be extended upon the written consent of Beijing QIYI Century. The trademark license agreement is automatically extended for successive one-year periods after its expiration unless Beijing QIYI Century early terminates the agreement in accordance with the provisions of the agreement. The software usage license agreement was extended for another 15 years after its initial term.

### *Business Cooperation Agreement*

Pursuant to the business cooperation agreement between Beijing QIYI Century and Beijing iQIYI effective November 23, 2011, Beijing iQIYI agrees to provide Beijing QIYI Century with services, including internet information services, online advertising and other services reasonably necessary within the scope of Beijing QIYI Century’s business. Beijing iQIYI agrees to use, technology services provided by Beijing QIYI Century on its website, including but not limited to, P2P download and video on-demand systems. Beijing QIYI Century agrees to pay specified service fees to Beijing iQIYI as consideration for the internet information services and other services provided by Beijing iQIYI. Beijing iQIYI has the right to waive the service fees at its discretion. The initial term of this agreement is ten years, which has been extended, and can be further renewed at Beijing QIYI Century’s discretion.

### *Exclusive Equity Purchase and Transfer Option Agreement*

Pursuant to the exclusive equity purchase and transfer option agreement by and among the Company, Baidu Online, Baidu Netcom and the nominee shareholders of Baidu Netcom, the nominee shareholders of Baidu Netcom have irrevocably granted the Company or its designated person(s) (including Baidu Online) an exclusive option to purchase, to the extent permitted under PRC law, all or part of the equity interests in Baidu Netcom for the cost of the initial contributions to the registered capital or the minimum amount of consideration permitted by applicable PRC law. The nominee shareholders must remit to Baidu Online any amount that is paid by Baidu Online in connection with the purchased equity interest as requested by the Company or its designated person(s) (including Baidu Online) to the extent permitted by the applicable laws. The Company or its designated person(s) have sole discretion to decide when to exercise the option, whether in part or in full amount. Any and all dividends and other capital distributions from Baidu Netcom to the nominee shareholders must be paid to the Company in full amount. The Company or its designated person(s) (including Baidu Online) also have the exclusive right to cause the nominee shareholders of Baidu Netcom to transfer their equity interest in Baidu Netcom to the Company or any designated third party. The Company will provide unlimited financial support to Baidu Netcom, if Baidu Netcom becomes in need of any form of reasonable financial support in the normal operation of business. If Baidu Netcom were to incur any loss and as a result cannot repay any loans from the Company (through Baidu Online), the Company will unconditionally forgive any such loans to Baidu Netcom upon provision by Baidu Netcom of sufficient proof for its loss and incapacity to repay. The agreement will terminate upon the transfer by the nominee shareholders of Baidu Netcom of all their equity interests in Baidu Netcom to the Company or its designated person(s) or upon expiration of the term of business of the Company or Baidu Netcom.

Each of the exclusive equity purchase and transfer option agreements amongst the Company, Baidu Online, Beijing Perusal and its shareholders and iQIYI, Beijing QIYI Century, Beijing iQIYI and its shareholders contains substantially the same terms as those described above, except that the initial term of the amended and restated exclusive purchase option agreement amongst iQIYI, Beijing QIYI



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Century, Beijing iQIYI and its shareholder is ten years, which has been extended, and can be further renewed at iQIYI’s discretion.

### *Commitment Letters*

Pursuant to the commitment letter dated January 30, 2013, under the condition that Beijing iQIYI remains as a consolidated affiliated entity of iQIYI under United States generally accepted accounting principles and the relevant contractual arrangements remain in effect, iQIYI and Beijing QIYI Century undertake to provide financial support to Beijing iQIYI for any financial loss that might affect its business operation occurred before and after the execution of the commitment letter as permitted by relevant laws. Such financial support shall be forgiven by iQIYI and Beijing QIYI Century.

### *Loan Agreements*

Pursuant to loan agreements amongst Baidu Online and the nominee shareholders of Baidu Netcom, Baidu Online provided loans with an aggregate amount of RMB13.4 billion to the nominee shareholders of Baidu Netcom solely for the latter to fund the capitalization of Baidu Netcom. The loans can be repaid only with the proceeds from the sale of the nominee shareholders’ equity interest in Baidu Netcom to Baidu Online or its designated person(s). The term of the loan agreements with the two nominee shareholders of Baidu Netcom will expire on July 9, 2029 and August 19, 2029, respectively, and can be extended with the written consent of both parties before its expiration.

Pursuant to loan agreements amongst the shareholders of Beijing Perusal and Baidu Online, the amount of loans extended to the respective shareholders of Beijing Perusal is RMB3.2 billion. The term of the loan agreements will expire on March 30, 2028 and October 29, 2029, respectively, and can be extended with the written consent of both parties before its expiration. Each of the loan agreements amongst Baidu Online and the respective shareholders of Beijing Perusal, and Beijing QIYI Century and the shareholders of Beijing iQIYI, contains substantially the same terms as those described above, except that the amount of the loans and the contract expiration date varies. Beijing QIYI Century has extended the term of the amended and restated loan agreement.

### *Proxy Agreement/Power of Attorney*

Pursuant to the proxy agreement amongst the Company and the nominee shareholders of Baidu Netcom, the nominee shareholders of Baidu Netcom agree to entrust all the rights to exercise their voting power and any other rights as shareholders of Baidu Netcom to the person(s) designated by the Company. Each of the nominee shareholders of Baidu Netcom has executed an irrevocable power of attorney to appoint the person(s) designated by the Company as their attorney-in-fact to vote on their behalf on all matters requiring shareholder approval. Any action taken by such attorney-in-fact in relation to the entrusted rights shall be directed and approved by the Company. The proxy agreement will be in effect for as long as the relevant nominee shareholder of Baidu Netcom holds any equity interests in Baidu Netcom unless terminated in writing by the Company. Each of the powers of attorney will be in effect for as long as the relevant nominee shareholder of Baidu Netcom holds any equity interests in Baidu Netcom.

Each of the proxy agreements or shareholder voting rights trust agreements amongst the Company and the shareholders of Beijing Perusal and between Beijing QIYI Century and the shareholder of Beijing iQIYI contains substantially the same terms as those described above. Each of the proxy agreements or shareholder voting rights trust agreements will be in effect for an unlimited term unless terminated in writing by the Company or other subsidiaries. Each of the powers of attorney or shareholder voting

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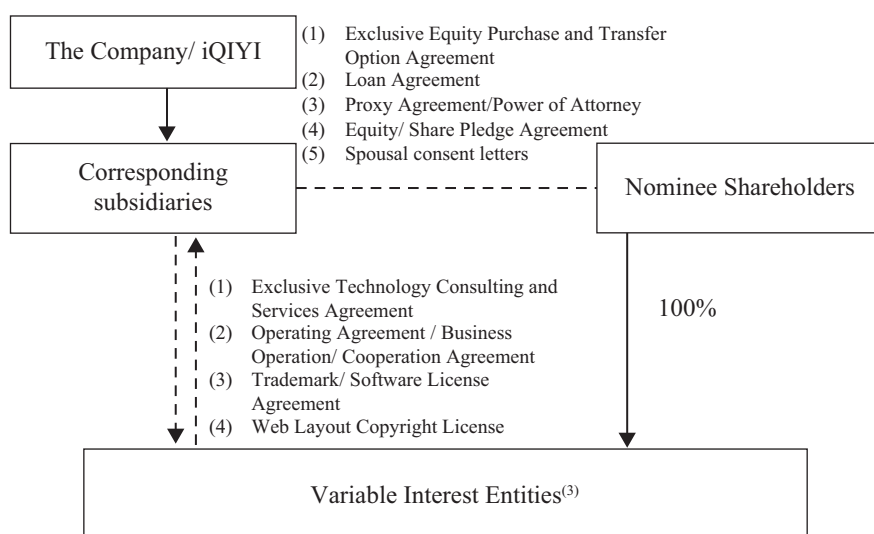
rights trust agreements will be in effect for as long as the shareholder of Beijing Perusal or Beijing iQIYI holds any equity interests in Beijing Perusal or Beijing iQIYI, as the case may be.

### *Equity Pledge Agreement*

Pursuant to the equity pledge agreement amongst Baidu Online and the nominee shareholders of Baidu Netcom, the nominee shareholders of Baidu Netcom shall pledge all of their equity interests in Baidu Netcom to Baidu Online to guarantee their obligations under the loan agreements and Baidu Netcom’s performance of its obligations under the exclusive technology consulting and service agreement. If Baidu Netcom or the nominee shareholders breach their respective contractual obligations, Baidu Online, as the pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. The nominee shareholders of Baidu Netcom agree not to dispose of the pledged equity interests or take any actions that would prejudice Baidu Online’s interest. The equity pledge agreement will terminate on the date when Beijing Netcom and its shareholders have completed all their respective obligations under the exclusive technology consulting and service agreement and the loan agreements.

Each of the equity pledge agreements amongst Baidu Online and the shareholders of Beijing Perusal and Beijing QIYI Century and the shareholder of Beijing iQIYI, contains substantially the same terms, including its term to expiration, as those described above.

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.

Through design of the aforementioned agreements, the nominee shareholders of these affiliated entities have effectively assigned their full voting rights to the Company/iQIYI, which gives the Company/iQIYI the power to direct the activities that most significantly impact the affiliated entities’ economic performance. The Company/iQIYI obtains the ability to approve decisions made by the affiliated entities and the ability to acquire the equity interests in the affiliated entities when permitted by PRC law. The Company/iQIYI is obligated to absorb losses of the affiliated entities that could potentially be

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significant to the affiliated entities through providing unlimited financial support to the affiliated entities or is entitled to receive economic benefits from the affiliated entities that could potentially be significant to the affiliated entities through the exclusive technology consulting and service fees. As a result of these contractual arrangements, the Company/iQIYI is determined to be the primary beneficiary of these affiliated entities. Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between us and these affiliated entities through these contractual arrangements, and we consolidate these affiliated entities through the Company/iQIYI.

We have also entered into contractual arrangements with several other affiliated entities and their respective nominee shareholders, including iQIYI’s affiliated entities and their respective nominee shareholders, through some of our subsidiaries other than Baidu Online and Beijing QIYI Century, which result in the Company/iQIYI or relevant subsidiaries, as the case may be, being the primary beneficiaries of the relevant affiliated entities. As a result of these contractual arrangements, there exists a parent-subsidiary relationship between us and the relevant affiliated entities, and we consolidate these affiliated entities through the subsidiaries.

### **Confirmations and risks relating to the variable interest entity structure**

Our PRC Legal Adviser is of the opinion that:

- (a) the current ownership structure of our variable interest entities and the corresponding subsidiaries in China is not in violation of applicable PRC laws and regulations currently in effect;
- (b) each of the contractual arrangements entered into by the Company, our variable interest entities, the corresponding subsidiaries and their respective shareholders governed by PRC laws and regulations are validly executed, legal and binding, and does not result in violation of any applicable PRC laws and regulations or their respective articles of association currently in effect; and
- (c) each of the contractual arrangements entered into by our variable interest entities, the corresponding subsidiaries and their respective shareholders governed by PRC laws and regulations have not been deemed as “concealment of illegal intentions with a lawful form” and void under the PRC Contract Law and, subsequent to the expiration of the PRC Contract Law and the PRC Civil Code being effective on January 1, 2021, are not deemed as void under applicable PRC laws and regulations currently in effect.

Based on the above, our directors believe that the agreements underlying the contractual arrangements as described above that confer significant control and economic benefits from the variable interest entities to us are enforceable under the relevant laws. Nevertheless, any violations by the variable interest entities of our agreements with them could disrupt our operations or adversely affect our services. See “Risk Factors—Risks Related to Our Corporate Structure.” Appropriate arrangements have been made to protect the Company’s interests in the event of death or certain indebtedness of the nominee shareholders.

Additionally, we have been advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current and future PRC Laws. Accordingly, PRC regulatory authorities or courts may take a view that is contrary to the opinion of our PRC Legal Adviser. It is uncertain whether any new PRC Laws relating to contractual arrangements will be adopted, or if adopted, what the Laws would provide. If we or our variable interest entities are found to be in violation of existing or future PRC Laws, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authority would have broad discretion to take action in

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dealing with the violation or failure, in which case we could be subject to severe penalties, including being prohibited from continuing our operations or unwinding the contractual arrangements. See “Risk Factors—Risks Related to Our Corporate Structure” and “Risk Factors—Risks Related to Doing Business in China.”

We have considered the costs and difficulties of acquiring insurance on commercially reasonable terms, and consider it impractical for us to have insurance to cover these risks. Accordingly, we have not purchased insurance to cover the risks relating to the contractual arrangements.

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC regulators in operating our business through our variable interest entities under the contractual arrangements.

### Listing on Nasdaq

On August 5, 2005, we listed our ADSs on Nasdaq under the symbol “BIDU.” Since the date of our listing on Nasdaq and up to the Latest Practicable Date, our Directors confirm that we had no instances of non-compliance with the rules of Nasdaq in any material respects and to the best knowledge of our Directors having made all reasonable enquiries, there is no matter that should be brought to [REDACTED] attention in relation to our compliance record on Nasdaq. The Joint Sponsors, on the basis of above and independent due diligence conducted (including but not limited to independent searches and interviews with the Company’s management and Directors), concur with the Directors’ view above.

We believe that the Listing on the Hong Kong Stock Exchange will present us with an opportunity to further expand our [REDACTED] base and broaden our access to capital markets.

### SAFE Registration

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知, “SAFE Circular 37”), promulgated by SAFE on July 4, 2014 and which replaced the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知, “SAFE Circular 75”), (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), “SAFE Circular 13”), promulgated by SAFE on February 13, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

## **HISTORY AND CORPORATE STRUCTURE**

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As advised by our PRC Legal Adviser, Mr. Robin Yanhong Li, our chairman, chief executive officer and principal shareholder, who is a PRC resident, has registered, and updated registration when required, with the relevant local SAFE branch.