

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 20-F**

- (Mark One)
- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
- or
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- For the fiscal year ended December 31, 2022.
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- For the transition period from _____ to _____
- or
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 Date of event requiring this shell company report
- For the transition period from _____ to _____

Commission file number: 000-51469

Baidu, Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

Baidu Campus

No. 10 Shangdi 10th Street
Haidian District, Beijing 100085

The People's Republic of China

(Address of principal executive offices)

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No. 10 Shangdi 10th Street,
Haidian District, Beijing 100085

The People's Republic of China

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

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
American depository shares (each American depository share representing eight Class A ordinary shares, par value US\$0.000000625 per share) Class A ordinary shares, par value US\$0.000000625 per share*	BIDU	The Nasdaq Stock Market LLC (The Nasdaq Global Select Market) The Nasdaq Stock Market LLC (The Nasdaq Global Select Market) The Stock Exchange of Hong Kong Limited
Class A ordinary shares, par value US\$0.000000625 per share	9888	

* Not for trading, but only in connection with the listing on The Nasdaq Global Select Market of American depository shares.

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

None

(Title of Class)

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

None

(Title of Class)

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report 2,254,485,072 Class A ordinary shares and 542,100,320 Class B ordinary shares, par value US\$0.000000625 per share, as of December 31, 2022.

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "large accelerated filer," "accelerated filer" "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

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

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

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

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

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

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

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INTRODUCTION

In this annual report, except where the context otherwise requires and for purposes of this annual report only:

- “ADSs” refers to our American depositary shares, each ADSs representing eight Class A ordinary shares;
- “China” or “PRC” refers to the People’s Republic of China, including Hong Kong, Macau and Taiwan; and “mainland China” refers to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan;
- “Class A ordinary shares” refers to Class A ordinary shares of the share capital of our company with a par value of US\$0.000000625 each, conferring a holder of a Class A ordinary share one vote per share on all matters submitted for voting at general meetings of our company;
- “Class B ordinary shares” refers to Class B ordinary shares of the share capital of our company with a par value of US\$0.000000625 each, conferring weighted voting rights in our company such that a holder of a Class B ordinary share is entitled to 10 votes per share on all matters submitted for voting at general meetings of our company;
- “DAU”, or daily active user, refers to the average number of mobile devices that launched our mobile apps at least once during a day within a specific period;
- “Hong Kong” or “HK” or “Hong Kong S.A.R.” are to the Hong Kong Special Administrative Region of the PRC;
- “Hong Kong Listing Rules” are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
- “Hong Kong Share Registrar” are to Computershare Hong Kong Investor Services Limited;
- “Hong Kong Stock Exchange” are to The Stock Exchange of Hong Kong Limited;
- “Main Board” are to the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange;
- “MAU”, or monthly active user, refers to the number of mobile devices that launched our mobile apps during a given month;
- “our company” refers to Baidu, Inc., which is not a PRC operating company but a Cayman Islands holding company with operations primarily conducted through (i) our mainland China subsidiaries and (ii) contractual arrangements with the variable interest entities, or the VIEs, based in mainland China. This structure entails unique risks to investors, see “Item 3.D. Key Information—Risk Factors—Risks Related to our Corporate Structure” for more details;
- “RMB” or “Renminbi” refers to the legal currency of mainland China;
- “SFO” refers to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;
- “shares” or “ordinary shares” refers to our ordinary shares, which include both Class A ordinary shares and Class B ordinary shares;
- “user traffic” or “traffic” refers generally to page views of a website, with “page views” measuring the number of web pages viewed by internet users over a specified period of time except that multiple page views of the same page viewed by the same user on the same day are counted only once;
- “U.S. GAAP” refers to generally accepted accounting principles in the United States;

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- “we,” “us,” “our,” or “Baidu” refers to Baidu, Inc., its subsidiaries, and, in the context of describing our operations and consolidated financial information, the variable interest entities in mainland China, including, but not limited to, Beijing Baidu Netcom Science Technology Co., Ltd., or Baidu Netcom, Beijing Perusal Technology Co., Ltd., or Beijing Perusal, Beijing iQIYI Science & Technology Co., Ltd., or Beijing iQIYI, and all of the variable interest entities are domestic companies incorporated in mainland China in which we do not have any equity ownership but whose financial results have been consolidated into our consolidated financial statements based solely on contractual arrangements in accordance with U.S. GAAP. See “Item 4. Information on the Company—C. Organizational Structure” for an illustrative diagram of our corporate structure;
- “iQIYI” refers to iQIYI, Inc., a company incorporated in the Cayman Islands listed on Nasdaq under the symbol “IQ” and one of our subsidiaries;
- “\$,” “dollars,” “US\$” or “U.S. dollars” refers to the legal currency of the United States; and
- all discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

On March 1, 2021, Baidu, Inc. effected a change to its authorized share capital by 1-to-80 subdivision of shares. Concurrently, Baidu, Inc. effected a proportionate change in ADS to Class A ordinary share ratio from 10 ADSs representing 1 Class A ordinary share to each ADS representing 8 Class A ordinary shares, or the Share Subdivision. Such changes been reflected retroactively throughout this document.

FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as “may,” “will,” “expect,” “anticipate,” “future,” “intend,” “plan,” “believe,” “estimate,” “is/are likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our ability to identify and conduct investments and acquisitions, obtain relevant regulatory approvals from governmental authorities, as well as integrate acquired target(s);
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- our dividend policy; and
- all other risks and uncertainties described in “Item 3.D. Key Information—Risk Factors.”

We would like to caution you not to place undue reliance on these forward-looking statements and you should read these statements in conjunction with the risk factors disclosed in “Item 3.D. Key Information—Risk Factors.” Those risks are not exhaustive. We operate in a rapidly evolving environment. New risks emerge from

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time to time and it is impossible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in any forward-looking statement. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.

Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this annual report are made at a rate of RMB6.8972 to US\$1.00, the exchange rate in effect as of December 30, 2022 as set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Our Corporate Structure and Contractual Arrangements with the Variable Interest Entities

Baidu, Inc. is not a PRC operating company but a Cayman Islands holding company with operations primarily conducted through (i) our subsidiaries incorporated in mainland China, or mainland China subsidiaries, and (ii) contractual arrangements with the variable interest entities based in mainland China. Our internet content services, value-added telecommunication-based services, internet map services, online audio and video services and mobile application distribution businesses in mainland China have been conducted through the applicable VIEs in order to comply with the laws and regulations of mainland China, which restrict and impose conditions on foreign direct investment in companies involved in the provision of such businesses. Accordingly, we operate these businesses in mainland China through the variable interest entities, and rely on contractual arrangements among Baidu, Inc./iQIYI, Inc., our mainland China subsidiaries, the variable interest entities and their nominee shareholders to control the business operations of the variable interest entities. External revenues contributed by the variable interest entities accounted for 43%, 44% and 47% of our total external revenues for the years ended December 31, 2020, 2021 and 2022, respectively. As used in this annual report, “our company” refers to Baidu, Inc., whereas “we,” “us,” “our,” or “Baidu” refers to Baidu, Inc., its subsidiaries, and, in the context of describing our operations and consolidated financial information, the variable interest entities in mainland China and all of the variable interest entities are domestic companies incorporated in mainland China in which we do not have any equity ownership but whose financial results have been consolidated into our consolidated financial statements based solely on contractual arrangements in accordance with U.S. GAAP. Investors in our ADSs are not purchasing equity interest in the variable interest entities in mainland China but instead are purchasing equity interest in a holding company incorporated in the Cayman Islands.

Our subsidiaries, the variable interest entities and their shareholders have entered into a series of contractual agreements. These contractual arrangements:

- enable us to receive the economic benefits that could potentially be significant to the variable interest entities in consideration for the services provided by our subsidiaries;
- effectively assigned all of the voting rights underlying the nominee shareholders’ equity interest in the variable interest entities to us; and

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- enable us to hold an exclusive option to purchase all or part of the equity interests in the variable interest entities when and to the extent permitted by the laws of mainland China.

These contractual arrangements among Baidu, Inc./iQIYI, Inc., our subsidiaries, the variable interest entities and their shareholders generally include shareholder voting rights trust agreements or proxy agreements, exclusive equity purchase and transfer option agreements or exclusive purchase option agreements, loan agreements, operating agreements or business operation agreements, exclusive technology consulting and services agreements, and equity pledge agreements, as the case may be. As for some of the variable interest entities, our subsidiaries have entered into additional business cooperation agreements, power of attorney, license agreements and/or commitment letters (as the case may be) with these variable interest entities and their respective shareholders. Terms contained in each set of contractual arrangements with the variable interest entities and their respective shareholders are substantially similar. As a result of the contractual arrangements, the shareholders of the variable interest entities effectively assigned all of their voting rights underlying their equity interest in the variable interest entities to the primary beneficiaries of these companies, which gives our company or its subsidiaries/iQIYI the power to direct the activities that most significantly impact the variable interest entities' economic performance. The nominee shareholders of Baidu Netcom, Beijing Perusal and Beijing iQIYI, the variable interest entities, are directors or members of senior management of us or iQIYI. We or iQIYI consider such people suitable to act as the nominee shareholders of these variable interest entities because of, among other considerations, their contribution to us or iQIYI, their competence and their length of service with and loyalty to us or iQIYI. For more details of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the Variable Interest Entities and the Nominee Shareholders."

However, the contractual arrangements may not be as effective as direct ownership in providing us with control over the variable interest entities and we may incur substantial costs to enforce the terms of the arrangements. If the variable interest 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 effectively assigned us the voting rights in the variable interest entities, and these agreements have not been tested in the courts of mainland China. Furthermore, if we are unable to maintain such effective assignment, we would not be able to continue to consolidate the financial results of these entities in our financial statements. See "Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure—Our contractual arrangements with the variable interest entities in mainland China and the individual nominee shareholders may not be as effective in providing control over these entities as direct ownership" and "Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure—The individual nominee shareholders of the variable interest entities may have potential conflicts of interest with us, which may adversely affect our business. We do not have any arrangements in place to address such potential conflicts."

There are also substantial uncertainties regarding the interpretation and application of current and future laws, regulations and rules of mainland China regarding the status of the rights of our Cayman Islands holding company with respect to its contractual arrangements with the variable interest entities and their nominee shareholders. It is uncertain whether any new laws or regulations of mainland China relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or any of the variable interest entities is found to be in violation of any existing or future laws or regulations of mainland China, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in accordance with the applicable laws and regulations to take action in dealing with such violations or failures. See "Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure—Laws and regulations of mainland China governing our businesses and the validity of certain of our contractual arrangements are uncertain. If we are found to be in violation, we could be subject to sanctions. In addition, changes in the laws and regulations of mainland China or changes in interpretations thereof may materially and adversely affect our business."

Our operations are primarily conducted in mainland China through (i) our mainland China subsidiaries and (ii) contractual arrangements with the variable interest entities based in mainland China, and revenues are

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primarily generated from mainland China. Though the Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, the definition of “foreign investment” thereunder is relatively wide and contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities in the future. If any of the variable interest entities were deemed as a foreign-invested enterprise under any such future laws, administrative regulations or provisions and any of our business would be included in any negative list or other form of restrictions on foreign investment, we may need to take further actions to comply with such future laws, administrative regulations or provisions. Such actions may have a material and adverse impact on our business, financial condition, result of operations and prospects. In addition, if the PRC regulatory authorities were to find our legal structure and contractual arrangements to be in violation of any laws, administrative regulations or provisions of mainland China, we are uncertain what impact of above PRC regulatory authorities’ actions would have on us and our ability to consolidate the variable interest entities in the consolidated financial statements. For more details, see “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and its Implementation Regulations and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

Our corporate structure is subject to risks associated with our contractual arrangements with the variable interest entities. Our company and its investors may never have a direct ownership interest in the businesses that are conducted by the variable interest entities. Uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements, and these contractual arrangements have not been tested in a court of law. If the PRC government finds that the agreements that establish the structure for operating our business in mainland China do not comply with the laws and regulations of mainland China, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we and the variable interest entities could be subject to severe penalties or be forced to relinquish our interests in those operations. This would result in the variable interest entities being deconsolidated. The majority of our assets, including the necessary licenses to conduct business in mainland China, are held by the variable interest entities. A significant part of our revenues are generated by the variable interest entities. An event that results in the deconsolidation of the variable interest entities would have a material effect on our operations and result in the value of the securities of our company diminish substantially or even become worthless. Our company, our mainland China subsidiaries and the variable interest entities, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the variable interest entities and, consequently, significantly affect the financial performance of the variable interest entities and our company as a whole. Baidu, Inc. may not be able to repay its indebtedness, and the Class A ordinary shares or ADSs of our company may decline in value or become worthless, if we are unable to assert our contractual control rights over the assets of our mainland China subsidiaries and the variable interest entities that conduct all or substantially all of our operations. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under “Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure.”

Our company and the variable interest entities face various risks and uncertainties related to doing business in China. For example, we face risks associated with regulatory approvals on offshore offerings, antimonopoly regulatory actions, and oversight on cybersecurity and data privacy. These risks could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or adversely affect the value of such securities. For a detailed description of risks related to doing business in China, see “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China.”

PRC government’s certain administrative measures in regulating (i) our operations and (ii) offerings conducted overseas by, and foreign investment in, China-based issuers, could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide

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regulations, including data security or anti-monopoly related regulations, in this nature may result in adverse effect on the value of such securities. For more details, see “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—Failure to meet the PRC government’s complex regulatory requirements on our business operation could have a material adverse effect on our operations and the value of our securities.”

Risks and uncertainties arising from the PRC legal system, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in mainland China, could result in a material adverse change in our operations and the value of our ADSs. For more details, see “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and its Implementation Regulations and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

The Holding Foreign Companies Accountable Act

Pursuant to the Holding Foreign Companies Accountable Act, or the HFCAA, if the Securities and Exchange Commission, or the SEC, determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the Public Company Accounting Oversight Board, or the PCAOB, for two consecutive years, the SEC will prohibit our shares or the ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor. In April 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 20-F. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA. See “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections.” and “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting or prohibition of trading of the ADSs, or the threat of their being delisted or prohibited from trading, may materially and adversely affect the value of your investment.”

Permissions Required from the PRC Government Authorities for Our Operations

We conduct our business primarily through our subsidiaries and the variable interest entities in mainland China. Our operations in mainland China are governed by the laws and regulations of mainland China. As of the date of this annual report, our mainland China subsidiaries and the variable interest entities have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our subsidiaries and the variable interest entities in mainland China, including, among others, the Value-Added Telecommunication Business Operating License, the Internet News Information Service License, the

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Short Messaging Service Access Code Certificate, the Online Audio/Video Program Transmission License, the Radio and Television Program Production License, the Surveying and Mapping Qualification Certificate for internet map services, the Internet Culture Business Permit, the Publication Business Operating License, the Filing Certificate for Internet Drug and Medical Devices Information Services/the Qualification Certificate for Internet Drug Information Services, the Human Resource Services License, the Filing Certificate for the Online Transaction Platform, the Filing Certificate for Business of Category II Medical Devices, the Registration Certificate for Medical Devices, the Food Business License, the Medicine Business License, the Filing Certificate for the Online Publication Transaction Platform, the Internet Domain Name Services License, the Medical Device Operation License, the Medical Device Production License, the Filing Certificate for Third-Party Platform Provider of Online Trading Service for Medical Device, the Practice License of Medical Institutions, the Internet Religious Information Service License, the Filing Certificate of Artworks Operators, the Filing Information Form of Third Party Platform Providers of Online Food Trading, the Aquatic Wildlife Operation and Utilization License and certain permits for road testing and demonstration application of autonomous driving vehicles. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by relevant government authorities, we may be required to obtain additional licenses, permits, filings or approvals for the functions and services of our platform in the future. For more detailed information, see “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in the regulations of internet and related business and companies in mainland China.”

Furthermore, in connection with our historical issuance of securities to foreign investors, we, our mainland China subsidiaries and the variable interest entities, (i) are not required to obtain permissions from the China Securities Regulatory Commission, or the CSRC, (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China, or the CAC, and (iii) have not been asked to obtain such permissions by any PRC government authority.

However, the PRC government has promulgated certain regulations and rules to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, or, collectively, the Filing Rules, which will take effect on March 31, 2023. According to the Filing Rules, domestic companies in mainland China that directly or indirectly offer or list their securities in an overseas market are required to file with the CSRC. In addition, an overseas listed company must also submit the filing with respect to its follow-on offerings, issuance of convertible corporate bonds and exchangeable bonds, and other equivalent offering activities, within a specific time frame requested under the Filing Rules. Therefore, we will be required to file with the CSRC for our overseas offering of equity and equity linked securities in the future within the applicable scope of the Filing Rules. For more detailed information, see “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—The approval of and/or filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under the laws of mainland China, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.”

Cash Flows through Our Organization

Baidu, Inc. is a holding company with no operations of its own. We conduct our operations in mainland China primarily through our subsidiaries and the variable interest entities in mainland China. As a result, although other means are available for us to obtain financing at the holding company level, Baidu, Inc.’s ability to pay dividends to the shareholders and to service any debt it may incur may depend upon dividends paid by our mainland China subsidiaries and license and service fees paid by the variable interest entities. If any of our subsidiaries incurs debt on its own behalf, the instruments governing such debt may restrict its ability to pay dividends to Baidu, Inc. In addition, our mainland China subsidiaries are permitted to pay dividends to Baidu, Inc. only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Further, our mainland China subsidiaries and the variable interest entities are required to make

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appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. For more details, see “Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Holding Company Structure.”

Under the laws and regulations of mainland China, our mainland China subsidiaries and the variable interest entities are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of mainland China is also subject to examination by the banks designated by State Administration of Foreign Exchange, or SAFE. The amounts restricted include the paid-up capital and the statutory reserve funds of our mainland China subsidiaries and the net assets of the variable interest entities in which we have no legal ownership, totaling RMB45.0 billion, RMB45.9 billion and RMB47.3 billion (US\$6.9 billion) as of December 31, 2020, 2021 and 2022, respectively. For risks relating to the fund flows of our operations in mainland China, see “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—Our subsidiaries and the variable interest entities in mainland China are subject to restrictions on paying dividends and making other payments to our holding company.”

From 2020 to 2022, certain of our mainland China subsidiaries have declared and distributed profits earned to Baidu (Hong Kong) Limited for an aggregate amount of RMB20.0 billion (US\$2.9 billion); the dividend payments are subject to withholding tax. We have made tax provisions based on the corresponding tax rate. If our mainland China subsidiaries further declare and distribute profits earned after January 1, 2008 in the future, the dividend payments will be subject to withholding tax, which will increase our tax liability and reduce the amount of cash available to our company. For the potential distributable profits to be distributed to our qualified Hong Kong incorporated subsidiary, the deferred tax liabilities are accrued at a 5% withholding tax rate. For more information on related risks, please see “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—If our mainland China subsidiaries declare and distribute dividends to their respective offshore parent companies, we will be required to pay more taxes, which could have a material and adverse effect on our result of operations.”

Under the laws of mainland China, Baidu Inc. may provide funding to our mainland China subsidiaries only through capital contributions or loans, and to the variable interest entities only through loans, subject to satisfaction of applicable government registration and approval requirements.

For the years ended December 31, 2020, 2021 and 2022, Baidu, Inc. provided loans with principal amount of RMB10.0 billion, RMB14.5 billion and RMB11.0 billion (US\$1.6 billion), respectively, to its subsidiaries, and the subsidiaries repaid principal amount of RMB15.4 billion, RMB4.9 billion and RMB12.6 billion (US\$1.8 billion), respectively, to Baidu, Inc.

For the years ended December 31, 2020, 2021 and 2022, the subsidiaries of Baidu, Inc. provided loans with principal amount of RMB6.5 billion, RMB3.1 billion and RMB22.3 billion (US\$3.2 billion), respectively, to Baidu, Inc. and Baidu, Inc. repaid principal amount of RMB3.5 billion, RMB3.0 billion and RMB3.1 billion (US\$449 million), respectively, to its subsidiaries.

For the years ended December 31, 2020, 2021 and 2022, loans for the amounts of RMB602 million, RMB409 million and RMB65 million (US\$9 million), respectively, were provided to the nominee shareholders to fund the capitalization of the variable interest entities for which the Company does not intend to seek repayment, and nil was repaid by the nominee shareholders.

For the years ended December 31, 2020, 2021 and 2022, the variable interest entities received RMB5.0 billion, RMB6.9 billion and RMB5.4 billion (US\$780 million), respectively, as capital contributions or loans from the subsidiaries of Baidu, Inc. and the variable interest entities repaid principal amount of RMB1.1 billion, nil and RMB6.5 billion (US\$940 million), respectively, to the subsidiaries.

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For the years ended December 31, 2020, 2021 and 2022, the variable interest entities provided loans with principal amount of RMB261 million, RMB450 million and nil, respectively, to the subsidiaries of Baidu, Inc. and the subsidiaries repaid principal amount of RMB36 million, RMB10 million and RMB200 million (US\$29 million), respectively, to the variable interest entities.

Baidu, Inc. has not declared or paid any cash dividends, nor does it has any present plan to pay any cash dividends on its ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See “Item 8. Financial Information— A. Consolidated Statements and Other Financial Information—Dividend Policy.” For mainland China and United States federal income tax considerations of an investment in our ADSs, see “Item 10. Additional Information— E. Taxation.”

A. Selected Financial Data

The following table presents the selected consolidated financial information for our company. The selected consolidated statements of comprehensive income data and cash flow data for the three years ended December 31, 2020, 2021 and 2022 and the consolidated balance sheets data as of December 31, 2021 and 2022 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. The selected consolidated statements of comprehensive income data and cash flow data for the years ended December 31, 2018 and 2019 and the selected consolidated balance sheets data as of December 31, 2018, 2019 and 2020 have been derived from our audited consolidated financial statements for the years ended December 31, 2018, 2019 and 2020, which are not included in this annual report. Our historical results do not necessarily indicate results expected for any future periods. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” below. Our audited consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

	Year Ended December 31,					
	2018	2019	2020	2021	2022	
	RMB	RMB	RMB	RMB	RMB	US\$
(In millions, except per share and per ADS data)						
Consolidated Statements of Comprehensive Income Data:						
Revenues:						
Online marketing services	81,912	78,093	72,840	80,695	74,711	10,832
Others	20,365	29,320	34,234	43,798	48,964	7,099
Total revenues	102,277	107,413	107,074	124,493	123,675	17,931
Operating costs and expenses:						
Cost of revenues	51,744	62,850	55,158	64,314	63,935	9,269
Selling, general and administrative	19,231	19,910	18,063	24,723	20,514	2,975
Research and development	15,772	18,346	19,513	24,938	23,315	3,380
Total operating costs and expenses	86,747	101,106	92,734	113,975	107,764	15,624
Operating profit	15,530	6,307	14,340	10,518	15,911	2,307
Total other income (loss), net	11,795	(6,647)	8,750	260	(5,799)	(841)
Income (loss) before income taxes	27,325	(340)	23,090	10,778	10,112	1,466
Income taxes	4,743	1,948	4,064	3,187	2,578	374
Net income (loss)	22,582	(2,288)	19,026	7,591	7,534	1,092
Less: Net loss attributable to non-controlling interests	(4,991)	(4,345)	(3,446)	(2,635)	(25)	(4)
Net income attributable to Baidu, Inc.	27,573	2,057	22,472	10,226	7,559	1,096

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	As of December 31,					
	2018	2019	2020	2021	2022	
	RMB	RMB	RMB	RMB	RMB	US\$
(In millions)						
Consolidated Balance Sheets Data:						
Cash and cash equivalents	27,638	33,443	35,782	36,850	53,156	7,707
Restricted cash	2,189	996	758	10,821	11,330	1,643
Short-term investments, net ⁽¹⁾	111,626	112,924	126,402	143,243	120,839	17,520
Total assets⁽²⁾	297,566	301,316	332,708	380,034	390,973	56,686
Short-term loans	3,046	2,618	3,016	4,168	5,343	775
Long-term loans, current portion	84	737	7,427	2	—	—
Long-term loans	7,456	7,804	—	12,629	13,722	1,990
Notes payable, current portion	6,871	5,219	—	10,505	6,904	1,001
Notes payable	42,735	38,090	48,408	43,120	39,893	5,784
Convertible senior notes, current portion ⁽³⁾	—	—	4,752	—	8,305	1,204
Convertible senior notes ⁽³⁾	4,712	12,297	11,927	12,652	9,568	1,387
Total liabilities	121,814	128,501	140,865	156,082	153,168	22,208
Total Baidu, Inc. shareholders' equity	162,897	163,599	182,696	211,459	223,478	32,401

- (1) We adopted Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”) on January 1, 2020, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses.
- (2) We adopted ASU No. 2016-02: *Leases* on January 1, 2019 using the modified retrospective transition method. Right-of-use assets (“ROU assets”) and lease liabilities (including current and non-current) for operating leases are presented on the face of the consolidated balance sheets as of December 31, 2019, 2020, 2021 and 2022, while the consolidated balance sheet data as of December 31, 2018 has been prepared in accordance with ASC Topic 840, *Leases* (“ASC 840”).
- (3) We adopted ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* (“ASU 2020-06”) on January 1, 2022 using a modified retrospective transition method. Upon the adoption of ASU 2020-06, all of the proceeds received from the issuance of the existing notes should be recorded as a liability on the balance sheet in accordance with ASC 470-20. The difference between the principal amount of each of the existing notes and net proceeds from the issuance is considered debt discount and is amortized at their respective effective interest rates to accrete the carrying value of the existing notes to its face value on the respective put dates of the existing notes.

	Year Ended December 31,					
	2018	2019	2020	2021	2022	
	RMB	RMB	RMB	RMB	RMB	US\$
(In millions)						
Consolidated Cash Flow Data:						
Net cash provided by operating activities	35,967	28,458	24,200	20,122	26,170	3,794
Net cash used in investing activities	(34,460)	(19,974)	(27,552)	(31,444)	(3,944)	(572)
Net cash provided by/(used in) financing activities	15,082	(3,873)	5,665	23,396	(6,390)	(926)
Net increase in cash, cash equivalents and restricted cash	18,491	4,612	2,101	11,131	17,565	2,547

Financial Information Related to the Variable Interest Entities

The following tables present the condensed consolidating schedule of financial performance, financial position and cash flows for Baidu, Inc., its wholly owned subsidiaries that are the Primary Beneficiaries of the VIEs under U.S. GAAP (the “Primary Beneficiaries of VIEs excluding Baidu, Inc.”), its other subsidiaries that are not the Primary Beneficiaries of VIEs (the “Other Subsidiaries”), the VIEs and VIEs’ subsidiaries that we consolidate for the periods and as of the dates presented.

- “Baidu Inc.” is our holding company in the Cayman Islands, and the primary beneficiary of the VIEs including Beijing Baidu Netcom Science Technology Co., Ltd. (“Baidu Netcom”) and Beijing Perusal

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Technology Co., Ltd. (“Beijing Perusal”) and other VIEs. “Primary Beneficiaries of VIEs excluding Baidu, Inc.” mainly refer to iQIYI, Inc., the primary beneficiary of Beijing iQIYI Science & Technology Co., Ltd. (“Beijing iQIYI”) and other iQIYI VIEs.

- “Other Subsidiaries” refer to the sum of non-VIE subsidiaries, which mainly include Baidu Online Network Technology (Beijing) Co., Ltd. (“Baidu Online”), Baidu (China) Co., Ltd. (“Baidu China”), Baidu.com Times Technology (Beijing) Co., Ltd. (“Baidu Times”), Beijing QIYI Century Science & Technology Co., Ltd (“Beijing QIYI Century”, a wholly-owned foreign enterprise of iQIYI, Inc.), and other wholly-owned subsidiaries, which mainly provide online marketing services to external customers. In addition, as instructed by the primary beneficiaries of the VIEs, certain wholly-owned subsidiaries including Baidu Online and Beijing QIYI Century also provide long-term loans to the nominee shareholders of the VIEs to fund the capitalization of these entities as well as exclusive technology consulting and services to the VIEs.
- “VIEs and VIEs’ subsidiaries” refer to the sum of Baidu Netcom, Beijing Perusal, Beijing iQIYI and other iQIYI VIEs, and other VIEs.

Selected Condensed Consolidating Statements of Comprehensive Income Information

	For the Year Ended December 31, 2022					Consolidated Total
	Baidu, Inc.	Primary Beneficiaries of VIEs excluding Baidu, Inc.	Other Subsidiaries	VIEs and VIEs’ subsidiaries	Eliminations	
	RMB (In millions)					
Revenues	—	14	82,471	62,121	(20,931)	123,675
Share of income (loss) of the VIEs and VIEs’ subsidiaries	158	164	—	—	(322)	—
Net income (loss)	7,559	(272)	11,640	212	(11,605)	7,534

	For the Year Ended December 31, 2021					Consolidated Total
	Baidu, Inc.	Primary Beneficiaries of VIEs excluding Baidu, Inc.	Other Subsidiaries	VIEs and VIEs’ subsidiaries	Eliminations	
	RMB (In millions)					
Revenues	—	4	83,424	61,380	(20,315)	124,493
Share of (loss) income of the VIEs and VIEs’ subsidiaries	(276)	(2,067)	—	—	2,343	—
Net income (loss)	10,226	(6,248)	16,330	(220)	(12,497)	7,591

	For the Year Ended December 31, 2020					Consolidated Total
	Baidu, Inc.	Primary Beneficiaries of VIEs excluding Baidu, Inc.	Other Subsidiaries	VIEs and VIEs’ subsidiaries	Eliminations	
	RMB (In millions)					
Revenues	—	—	69,425	52,666	(15,017)	107,074
Share of income (loss) of the VIEs and VIEs’ subsidiaries	2,483	(1,045)	—	—	(1,438)	—
Net income (loss)	22,472	(7,055)	26,137	2,091	(24,619)	19,026

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Selected Condensed Consolidating Balance Sheets Information

	As of December 31, 2022					
	Baidu, Inc.	Primary Beneficiaries of VIEs excluding Baidu, Inc.	Other Subsidiaries RMB (In millions)	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
Assets						
Cash and cash equivalents	18,691	4,351	26,333	3,781	—	53,156
Short-term investments	5,485	—	110,704	4,650	—	120,839
Accounts receivable, net	—	—	3,325	8,408	—	11,733
Others	—	48	18,587	8,487	—	27,122
Total current assets	24,176	4,399	158,949	25,326	—	212,850
Fixed assets, net	225	—	16,124	7,624	—	23,973
Intangible assets, net	—	—	45	1,209	—	1,254
Licensed copyrights, net	—	—	4,889	1,952	—	6,841
Produced content, net	—	—	468	12,534	—	13,002
Long-term investments, net	—	365	36,775	18,157	—	55,297
Long-term time deposits and held-to-maturity investments	—	—	23,329	300	—	23,629
Investments in subsidiaries	274,483	243	—	—	(274,726)	—
Contractual interests in the VIEs and VIEs' subsidiaries ⁽¹⁾	884	—	23,778	—	(24,662)	—
Operating lease right-of-use assets	—	—	4,905	5,460	—	10,365
Others	—	152	32,781	10,829	—	43,762
Total non-current assets	275,592	760	143,094	58,065	(299,388)	178,123
Amounts due from the entities within Baidu⁽²⁾	—	22,648	3,206	—	(25,854)	—
Total assets	299,768	27,807	305,249	83,391	(325,242)	390,973
Liabilities						
Accounts payable and accrued liabilities	616	167	21,482	15,749	—	38,014
Customers' deposits and deferred revenue	—	—	5,729	7,387	—	13,116
Operating lease liabilities	—	—	255	2,554	—	2,809
Others	6,904	8,305	5,804	4,678	—	25,691
Total current liabilities	7,520	8,472	33,270	30,368	—	79,630
Operating lease liabilities	—	—	245	4,565	—	4,810
Others	53,614	9,568	3,448	2,098	—	68,728
Total non-current liabilities	53,614	9,568	3,693	6,663	—	73,538
Amounts due to the entities within Baidu⁽²⁾	15,156	—	—	18,743	(33,899)	—
Total liabilities	76,290	18,040	36,963	55,774	(33,899)	153,168
Redeemable noncontrolling interests	—	5,604	2,678	111	—	8,393
Equity						
Total Baidu shareholders' equity ⁽³⁾	223,478	1,041	265,640	24,662	(291,343)	223,478
Noncontrolling interests	—	3,122	(32)	2,844	—	5,934
Total equity	223,478	4,163	265,608	27,506	(291,343)	229,412
Total liabilities, redeemable noncontrolling interests, and equity	299,768	27,807	305,249	83,391	(325,242)	390,973

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As of December 31, 2021						
Baidu, Inc.	Primary Beneficiaries of VIEs excluding Baidu, Inc.	Other Subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total	
RMB (In millions)						
Assets						
Cash and cash equivalents	11,448	1,673	20,850	2,879	—	36,850
Short-term investments	6,499	2	133,756	2,986	—	143,243
Accounts receivable, net	—	—	2,491	7,490	—	9,981
Others	61	50	15,056	8,074	—	23,241
Total current assets	18,008	1,725	172,153	21,429	—	213,315
Fixed assets, net	199	—	13,923	8,905	—	23,027
Intangible assets, net	—	1	74	1,614	—	1,689
Licensed copyrights, net	—	—	4,969	2,289	—	7,258
Produced content, net	—	—	525	10,426	—	10,951
Long-term investments, net	—	374	36,046	22,998	—	59,418
Long-term time deposits and held-to-maturity investments	—	—	7,914	—	—	7,914
Investments in subsidiaries	251,929	—	—	106	(252,035)	—
Contractual interests in the VIEs and VIEs' subsidiaries ⁽¹⁾	2,117	—	24,095	—	(26,212)	—
Operating lease right-of-use assets	—	—	4,989	7,076	—	12,065
Others	—	152	33,548	10,697	—	44,397
Total non-current assets	254,245	527	126,083	64,111	(278,247)	166,719
Amounts due from the entities within Baidu⁽²⁾	6,116	18,751	3,269	—	(28,136)	—
Total assets	278,369	21,003	301,505	85,540	(306,383)	380,034
Liabilities						
Accounts payable and accrued liabilities	712	71	22,249	18,352	—	41,384
Customers' deposits and deferred revenue	—	—	7,656	6,050	—	13,706
Operating lease liabilities	—	—	243	2,619	—	2,862
Others	10,450	—	2,515	3,571	—	16,536
Total current liabilities	11,162	71	32,663	30,592	—	74,488
Operating lease liabilities	—	—	316	5,253	—	5,569
Others	55,748	12,655	6,589	1,033	—	76,025
Total non-current liabilities	55,748	12,655	6,905	6,286	—	81,594
Amounts due to the entities within Baidu⁽²⁾	—	—	—	19,744	(19,744)	—
Total liabilities	66,910	12,726	39,568	56,622	(19,744)	156,082
Redeemable noncontrolling interests	—	4,912	1,580	656	—	7,148
Equity						
Total Baidu shareholders' equity ⁽³⁾	211,459	850	259,577	26,212	(286,639)	211,459
Noncontrolling interests	—	2,515	780	2,050	—	5,345
Total equity	211,459	3,365	260,357	28,262	(286,639)	216,804
Total liabilities, redeemable noncontrolling interests, and equity	278,369	21,003	301,505	85,540	(306,383)	380,034

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Note:

- (1) It represents the elimination of the contractual interests in the VIEs and VIEs' subsidiaries, which includes contractual interests in the VIEs through loans to nominee shareholders or capital contributions and the primary beneficiaries' share of income (loss) from the VIEs and VIEs' subsidiaries.
- (2) It represents the elimination of intercompany balances among Baidu, Inc., the primary beneficiaries, other subsidiaries and the VIEs and VIEs' subsidiaries. The short-term loans and long-term loans provided to the VIEs and VIEs' subsidiaries were RMB8.8 billion (US\$1.3 billion) and RMB8.1 billion (US\$1.2 billion), respectively, as of December 31, 2022 and RMB7.4 billion and RMB10.6 billion, respectively, as of December 31, 2021.
- (3) The loans provided to the nominee shareholders were RMB19.1 billion (US\$2.8 billion) and RMB19.4 billion as of December 31, 2022 and 2021, respectively, which will mature from 2027 to 2047. The loans provided to the nominee shareholders were to fund the capitalization of the VIEs for which the Company does not intend to seek repayment. The term of all such loans provided to the nominee shareholders has historically been extended prior to their respective original maturity dates, and we will continue to extend the term of all outstanding loans before they become due.

Selected Condensed Consolidating Cash Flows Information

	For the Year Ended December 31, 2022					Consolidated Total
	Baidu, Inc.	Primary Beneficiaries of VIEs excluding Baidu, Inc.	Other Subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	
	RMB					
	(In millions)					
Net cash (used in)/provided by operating activities	(2,418)	(161)	25,664	2,938	147	26,170
Net cash provided by/ (used in) investing activities	2,753	(2,773)	(21,268)	(1,898)	19,242	(3,944)
Including: Cash contribution to VIEs and VIEs' subsidiaries ⁽¹⁾⁽²⁾	—	—	(65)	—	65	—
Loans provided to VIEs and VIEs' subsidiaries ⁽³⁾	—	—	(5,313)	—	5,313	—
Loans repayments from VIEs and VIEs' subsidiaries ⁽³⁾	—	—	6,480	—	(6,480)	—
Net cash provided by/ (used in) financing activities	6,054	5,580	795	(64)	(19,389)	(7,024)
Including: Cash contribution to VIEs and VIEs' subsidiaries ⁽¹⁾⁽²⁾	—	—	—	65	(65)	—
Loans provided to VIEs and VIEs' subsidiaries ⁽³⁾	—	—	—	5,313	(5,313)	—
Loans repayments from VIEs and VIEs' subsidiaries ⁽³⁾	—	—	—	(6,480)	6,480	—

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For the Year Ended December 31, 2021						
	Baidu, Inc.	Primary Beneficiaries of VIEs excluding Baidu, Inc.	Other Subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
	RMB (In millions)					
Net cash (used in)/provided by operating activities	(1,853)	(371)	18,080	4,121	145	20,122
Net cash (used in)/provided by investing activities	(16,183)	(3,564)	(25,522)	(7,551)	21,376	(31,444)
Including: Cash contribution to VIEs and VIEs' subsidiaries ⁽¹⁾⁽²⁾	—	—	(1,408)	—	1,408	—
Loans provided to VIEs and VIEs' subsidiaries ⁽³⁾	—	—	(5,520)	—	5,520	—
Net cash provided by/(used in) financing activities	25,628	(272)	15,562	3,999	(21,521)	23,396
Including: Cash contribution to VIEs and VIEs' subsidiaries ⁽¹⁾⁽²⁾	—	—	—	1,408	(1,408)	—
Loans provided to VIEs and VIEs' subsidiaries ⁽³⁾	—	—	—	5,520	(5,520)	—

For the Year Ended December 31, 2020						
	Baidu, Inc.	Primary Beneficiaries of VIEs excluding Baidu, Inc.	Other Subsidiaries	VIEs and VIEs' subsidiaries	Eliminations	Consolidated Total
	RMB (In millions)					
Net cash (used in)/provided by operating activities	(1,912)	(295)	21,643	4,616	148	24,200
Net cash provided by/(used in) investing activities	5,921	(7,284)	(27,557)	(8,382)	9,750	(27,552)
Including: Cash contribution to VIEs and VIEs' subsidiaries ⁽¹⁾⁽²⁾	—	—	(3,502)	—	3,502	—
Loans provided to VIEs and VIEs' subsidiaries ⁽³⁾	—	—	(1,507)	—	1,507	—
Loans repayments from VIEs and VIEs' subsidiaries ⁽³⁾	—	—	1,136	—	(1,136)	—
Net cash (used in)/provided by financing activities	(1,757)	10,895	2,566	3,859	(9,898)	5,665
Including: Cash contribution to VIEs and VIEs' subsidiaries ⁽¹⁾⁽²⁾	—	—	—	3,502	(3,502)	—
Loans provided to VIEs and VIEs' subsidiaries ⁽³⁾	—	—	—	1,507	(1,507)	—
Loans repayments from VIEs and VIEs' subsidiaries ⁽³⁾	—	—	—	(1,136)	1,136	—

Note:

- (1) For the years ended December 31, 2020, 2021 and 2022, the primary beneficiaries designated its subsidiaries to provide loans totaling RMB602 million, RMB409 million and RMB65 million (US\$9 million), respectively, to the nominee shareholders to fund the capitalization of the VIEs and VIEs' subsidiaries for which the primary beneficiaries do not intend to seek repayment, and nil was repaid by the nominee shareholders.
- (2) For the years ended December 31, 2020, 2021 and 2022, the VIEs and VIEs' subsidiaries received RMB2.9 billion, RMB1.0 billion and nil, respectively, as capital contribution from other subsidiaries.
- (3) For the years ended December 31, 2020, 2021 and 2022, the VIEs and VIEs' subsidiaries received RMB1.5 billion, RMB5.5 billion and RMB5.3 billion (US\$770 million), respectively, as loans from other subsidiaries and the VIEs and VIEs' subsidiaries repaid principal amounts of RMB1.1 billion, nil and RMB6.5 billion (US\$940 million), respectively, to other subsidiaries.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

An investment in our ADSs or Class A ordinary shares involves significant risks. Below is a summary of material risks we face, organized under relevant headings. All the operational risks associated with being based in and having operations in mainland China also apply to operations in Hong Kong. With respect to the legal risks associated with being based in and having operations in mainland China, the laws, regulations and the discretion of mainland China governmental authorities discussed in this annual report are expected to apply to mainland China entities and businesses, rather than entities or businesses in Hong Kong which operate under a different set of laws from mainland China. These risks are discussed more fully in Item 3.D. Key Information—Risk Factors.

Risks Related to Our Business and Industry

- 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;
- 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 proposed acquisition of YY Live and its online live streaming business;
- 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 results of operation and growth prospects may be materially and adversely affected;
- We have experienced slowdowns and declines in our revenues, and we may sustain net loss from time to time, and we may experience downward pressure on our operating and profit margins in the future;
- Our business is subject to complex and evolving Chinese and international laws and regulations, including those regarding data privacy and cybersecurity. Failure to comply with these laws and

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regulations would result in claims, penalties, damages to our reputation and brand, or declines in user growth or engagement, or otherwise harm our business; and

- We have been and may again be subject to legal proceedings, claims and investigations and could be adversely impacted by unfavorable results of legal proceedings and investigations.

Risks Related to Our Corporate Structure

- Our company is a Cayman Islands holding company with no equity ownership in the variable interest entities and we conduct our operations in mainland China through (i) our mainland China subsidiaries and (ii) the variable interest entities with which we have maintained contractual arrangements. Investors in our Class A ordinary shares or the ADSs thus are not purchasing equity interest in the variable interest entities in mainland China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government deems that our contractual arrangements with the variable interest entities do not comply with mainland China's regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company in the Cayman Islands, the variable interest entities, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the variable interest entities and, consequently, significantly affect the financial performance of the variable interest entities and our company as a group;
- Our contractual arrangements with the variable interest entities in mainland China and the individual nominee shareholders may not be as effective in providing control over these entities as direct ownership; and
- We are in the process of registering the pledges of equity interests by nominee shareholders of some of the variable interest entities, and we may not be able to enforce the equity pledges against any third parties who acquire the equity interests in good faith in the relevant variable interest entities before the pledges are registered.

Risks Related to Doing Business in China

- Changes in China's economic, political or social conditions or government policies could have a material and adverse effect on our business and operations;
- The approval of and/or filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under the laws of mainland China, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing;
- Uncertainties with respect to the PRC legal system could adversely affect us;
- We may be adversely affected by the complexity, uncertainties and changes in the regulations of internet and related business and companies in mainland China;
- Failure to meet the PRC government's complex regulatory requirements on our business operation could have a material adverse effect on our operations and the value of our securities;
- Any failure or perceived failure by us to comply with the enacted Anti-Monopoly Guidelines for Internet Platforms and other anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations;
- It may be difficult for overseas regulators to conduct investigation or collect evidence within mainland China;

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- The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections; and
- Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting or prohibition of trading of the ADSs, or the threat of their being delisted or prohibited from trading, may materially and adversely affect the value of your investment.

Risks Related to our ADSs and Class A Ordinary Shares

- The trading price of our ADSs and/or our Class A ordinary shares has been and is likely to continue to be volatile regardless of our operating performance;
- We adopt different practices as to certain matters as compared with many other companies primarily listed on the Hong Kong Stock Exchange;
- Substantial future sales or perceived potential sales of our Class A ordinary shares and/or ADSs in the public market could cause the price of our Class A ordinary shares and/or ADSs to decline; and
- The different characteristics of the capital markets in Hong Kong and the U.S. may negatively affect the trading prices of our Class A ordinary shares and/or ADSs.

Risks Related to Our Business and Industry

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.

We generate a substantial majority of our revenues from online marketing services. Our online marketing customers will not continue to do business with us if their investment does not generate sales leads and ultimately consumers, or if we do not deliver their web pages in an appropriate and effective manner. Our online marketing customers may choose to discontinue their business with us, which are not subject to fixed-term contracts. In addition, third parties may develop and use certain technologies to block the display of our customers' advertisements and other marketing products on our Baidu platform, which may in turn cause us to lose customers and adversely affect our results of operations. Furthermore, as our auction-based P4P services enable our customers to bid for priority placement of their paid sponsored links, we may lose customers if they find the bidding mechanism not cost effective or otherwise not attractive. Additionally, if our users do not increase their engagement on our platform, or our content ecosystem fails to offer rich and quality content that meets users' tastes and preferences, or our users spend more time with or otherwise satisfy their content consumption demands on competing platforms, or we otherwise experience user traffic decline due to any reason, it would be difficult for us to attract new customers or retain existing customers. If our customers determine that their expenditures on our platform do not generate expected returns, they may allocate a portion or all of their advertising budgets to other advertising channels, such as other online marketing platforms, television and outdoor media, and reduce or discontinue business with us. Failure to retain our existing customers or attract new customers for our online marketing services could seriously harm our business, results of operations and growth prospects. We have recorded substantial customer deposits and deferred revenue, which mainly consist of deposits received from certain customers of our online marketing services. If we are unable to fulfill our obligation in respect of such customer deposits and deferred revenue, we may have to refund the balance to our customers and our cash flow and liquidity position would be materially adversely affected.

Since most of our customers are not bound by long-term contracts, they may amend or terminate advertising arrangements with us. Failure to retain existing customers or attract new ones to advertise on our platform may materially and adversely affect our business, financial condition, results of operations and prospects.

We have in the past removed, and may in the future again remove, questionable listings or advertisements to ensure the quality and reliability of our search results and/or information feed. Such removal, whether temporary

or permanent, may cause affected customers to discontinue their business with us or negatively impact our relationships with affected Baidu Union partners. We also examine the relevant business licenses and bank accounts of prospective customers prior to business engagement, as a quality control measure. In addition, we have taken steps to implement measures requested by PRC regulatory authorities, such as modifying paid search practices and limiting the displays of advertisements in connection with certain industries. We have also proactively implemented numerous additional measures to deliver a better user experience and build a safer and more trustworthy platform for users. Such measures have had a negative impact on the number of customers and our revenues, although we believe such impact is likely to be temporary. Regulations on online marketing services in mainland China are evolving, and uncertainties remain with respect to the implementation of and compliance with new regulations that may emerge, which in turn may have a material adverse impact on our business, results of operations and growth prospects.

Our business and results of operations could continue to be materially and adversely affected by the challenging macroeconomic environment impacting online marketing demand.

Online marketing services continue to be a primary source of our revenues and declined in 2022, mainly due to the weakness in online advertising demand as our customers face challenging macroeconomic environment in their respective industries and in the general economy, including the significant adverse impact of the COVID-19 pandemic. Our business and results of operations could continue to be materially and adversely affected by the challenging macroeconomic environment and the general growth in online marketing through internet search or feed. While the internet has developed to a more advanced stage in China, customers have many channels to conduct online marketing and promotions. As users may not spend as much time on search-plus-newsfeed as they do on other types of internet platforms, many current and potential customers may not allocate as much of their marketing budgets to online marketing through search-plus-newsfeed, as compared to other methods of online marketing. Our ability to increase revenue and profitability from online marketing may be adversely impacted by a number of factors, many of which are beyond our control, including but not limited to:

- difficulties associated with developing and maintaining a larger user base with demographic characteristics attractive to online marketing customers and maintaining and increasing user engagement;
- increased competition and potential re-allocation of marketing budgets and downward pressure on online marketing prices, for example, resulting from an oversupply of advertising inventory released into the market;
- higher customer acquisition costs due in part to the limited experience of small to medium-sized enterprises, or SMEs, with the internet as a marketing channel or due to competition;
- decreased use of our search and paid click because search queries are increasingly being undertaken via voice-activated smart devices, apps, social media or other online platforms;
- ineffectiveness of our online marketing delivery, tracking and reporting systems;
- decreased use of internet or online marketing in China; and
- tightened regulatory environment in mainland China's internet and mobile internet space.

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 believe that our brand “Baidu” has contributed significantly to the success of our business. We also believe that maintaining and enhancing the “Baidu” brand is critical to increasing the number of our users, customers, Baidu Union partners and content providers, as well as to expanding our developer communities and to attracting and retaining enterprise and public sector customers and partners. We have conducted various marketing and brand promotion activities, but we cannot assure you that these activities will achieve the brand promotion effect expected by us. If we fail to maintain and further promote the “Baidu” brand, or if we incur excessive expenses in this effort, our business and results of operations may be materially and adversely affected.

In addition, any negative publicity about us, our products and services, our employees, our business practices, our search results or the platform to which our search results link, regardless of its veracity, could harm our brand image and in turn adversely affect our business and results of operations. We cannot assure you that we will be able to defuse negative publicity to the satisfaction of our investors, users, customers and business partners. From time to time, there has been negative publicity about us, our brand image, our value proposition and our business practice, which has adversely affected our public image and reputation during certain periods of intense negative publicity. Moreover, our platform and services by nature may from time to time be related to, or perceived to be related to, certain controversial public events or discussion, leading to public criticism against us. The negative publicity surrounding similar incidents have resulted in significant adverse impact on our public image and reputation. Intense negative publicity may divert our management's attention and may adversely impact our business. We cannot assure you that our brand, public image and reputation will not be materially and adversely affected in the future.

We face risks associated with our proposed acquisition of YY Live and its online live streaming business.

Baidu (Hong Kong) Limited, our wholly-owned subsidiary, entered into definitive agreements with JOYY Inc. and certain of its affiliates, which are collectively referred to as JOYY, to acquire JOYY's domestic video-based entertainment live streaming business in China ("YY Live") on November 16, 2020, and subsequently amended the share purchase agreement on February 7, 2021. The closing of this acquisition is subject to certain conditions, including, among others, obtaining necessary regulatory approvals from governmental authorities. The share purchase agreement is subject to termination if the closing does not occur by the long stop date, and we and JOYY have agreed to extend the long stop date indefinitely until the extension is terminated by either party. We have paid an aggregate of US\$1.9 billion, after considering working capital adjustment of US\$0.1 billion, to JOYY and its designated escrow account, and deposited an aggregate of US\$1.6 billion into several escrow accounts, in accordance with the terms and schedule set forth in the share purchase agreement. Despite good faith efforts, we have not obtained necessary regulatory approvals with respect to the proposed acquisition as of the date of this annual report. There can be no assurance that the relevant regulatory approvals will be obtained or the acquisition of YY Live will be closed. In the event the acquisition is not closed, we will not be able to achieve the intended objectives, benefits or opportunities associated thereto, despite the significant diversion of resources and management attention to date, and we may also suffer from material adverse impact on our business, prospects, reputation, liquidity, financial results and face disputes or other proceedings.

On November 18, 2020, Muddy Waters issued a short seller report containing certain allegations against JOYY, including YY Live business. Based on public records, in November 2020, JOYY and certain of its current and former officers and directors were named as defendants in a federal putative securities class action alleging that they made material misstatements and omissions in documents filed with the SEC regarding certain of the allegations contained in the Muddy Waters short seller report. On February 8, 2021, JOYY publicly disclosed that its audit committee conducted an independent review of the allegations raised in the report related to the YY Live business, with the assistance of independent counsel, working with a team of experienced forensic auditors and data analytics experts, and that the review concluded that the allegations raised and conclusions reached in the report about the YY Live business were not substantiated. In March 2022, the court granted defendants' motion to dismiss in its entirety with prejudice. On April 8, 2022, the co-lead plaintiffs filed a notice of appeal. JOYY cannot reasonably estimate a potential future loss at this stage. We are unable to predict any further consequence that may arise from or relate in any way to the allegations contained in the Muddy Waters short seller report. There might be other class actions or regulatory enforcement actions in connection with such allegations. Any adverse outcome as a result of the short seller report, or any class action or regulatory enforcement action in connection thereof, could have a material adverse effect on YY Live's business, financial condition, results of operation, cash flows, and reputation, and we may record impairment charges of intangible assets and goodwill in connection with the acquisition, if closed, in the future. Although the allegations against JOYY have been proven to be groundless, we had already allocated a portion of our resources to make assessment in relation to the short seller report and various matters provided for in the share purchase agreement. In the event that there is a dispute as to whether indemnification provision is triggered, we may need to utilize a

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significant portion of our resources and divert management's attention from our day-to-day operations to resolve such disputes, including any litigation or other legal proceedings arising thereof.

Even if the acquisition of YY Live is closed eventually, there can be no assurance that the acquisition will bring the anticipated benefits and opportunities to us. We have relatively limited experience with operating the online live streaming business and we may not be able to successfully integrate YY Live into our existing business. We face uncertainties and challenges in navigating the complex regulatory environment, competing effectively in attracting and retaining users and hosts, and developing and/or upgrading products and services as well as technologies to meet everchanging user needs. If implemented ineffectively or if impacted by unforeseen negative economic or market conditions or other factors, we may not realize the full anticipated benefits of the acquisition of YY Live. Our failure to meet the challenges involved in realizing the anticipated benefits of the acquisition of YY Live could cause an interruption of, or a loss of momentum in, our activities and could adversely affect our results of operations. The acquisition and integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses and diversion of management's attention, and we may record impairment charges in connection therewith if the anticipated benefits of the acquisition fail to realize. We would be subject to and may not be able to successfully manage a variety of additional risks associated with combining YY Live with us. These risks include, but are not limited to, the following:

- the online live streaming business is based on a relatively new business model in a relatively new market in which user demand may change or decrease substantially;
- challenges in the integration of operations and systems and in managing the expanded operations of a larger and more complex company;
- challenges in achieving anticipated business opportunities and growth prospects from combining YY Live with the rest of our businesses;
- rules and measures governing online live streaming businesses and hosts, both in and outside of mainland China, are complex and evolving, and we may not be able to navigate such complex regulatory environment or to respond to future changes in regulatory environment in an effective and timely manner;
- we may face significant risks related to the content and communications on YY Live, as a majority of the communications on YY Live are conducted in real time, and we are unable to verify the sources of all information posted thereon or examine the content generated by users before it is posted;
- the revenue model for online live streaming may not remain effective, and we may not be able to retain existing users, attract new users, keep users engaged and attract more paying users;
- we may not be able to retain or attract popular talents such as performers, channel managers, professional game players, commentators and hosts for our live streaming platform or these talents may fail to draw fans or participants; and
- unanticipated additional costs and expenses resulting from integrating into our business additional personnel, operations, products, services, technology, internal controls and financial reporting responsibilities.

In addition, on March 12, 2022, the National Development and Reform Commission, or the NDRC, and the Ministry of Commerce, or the MOC, issued the Negative List for Market Access (2022 Version), which, among others, prohibits non-state capital from engaging in live streaming and broadcasting of events and activities involving politics, economy, military affairs, diplomatic affairs, major social events, culture, science and technology, public health, education and sports and such other activities and events related to political direction, public opinion orientation and value orientation. The scope of these restricted subject matters for live streaming and broadcasting is relatively broad and vague, and is subject to further clarifications and interpretations by the regulator. Even if we were able to close the acquisition of YY Live eventually, we may need to further adjust the business and operations of YY Live, which may be adversely affected.

We face significant competition and may suffer from loss of users and customers as a result.

We face significant competition in almost every aspect of our business. For Baidu Core business, our primary competitors are mainly internet companies, online marketing platforms in China and other search engines. We compete with these entities for both users and customers on the basis of user traffic, cyber security quality (relevance) of search (and other marketing and advertising) results, availability and user experience products and services, distribution channels and the number of associated third-party websites. iQIYI competes with other internet media and entertainment services, such as internet and social platforms and short-form video platforms, as well as major TV stations. iQIYI competes with these market players for both users and advertising customers, and primarily on the basis of obtaining IP rights to popular content, conducting brand promotions and other marketing activities, and making investments in and acquisitions of business partners. See “Item 4.B. Information on the Company—Business Overview—Competition.” Some of our competitors have significant financial resources, long operating histories and are experienced in attracting and retaining their users, accommodating their users’ habits and preferences and managing customers. They may use their experience and resources to compete with us in a variety of ways, including competing for users and their time, customers, third-party agents, content, strategic partners and networks of third-party websites/wapsites, investing more heavily in research and development and making investments and acquisitions. Our business environment is rapidly evolving and competitive. Our business faces changing technologies, shifting user needs, and frequent introductions of rival products and services. Some of our competitors in the search sector may have innovative business models, extensive distribution network or proprietary content or technologies that may provide users with better user experience and customers with better services. They may use their resources in ways that could affect our competitive position, including developing new products, making acquisitions, continuing to invest heavily in research and development and in talent, and continuing to compete aggressively for users, advertisers, customers, the acquisition of traffic and content. If any of our competitors provides comparable or better Chinese language search and feed experience or internet video services, our user traffic could decline significantly. Additionally, if the channels and properties that we use to distribute services or products to our users and customers are no longer available to us, we may experience a decline in user traffic. Any such decline in traffic could weaken our brand and result in loss of users and customers, which could have a material and adverse effect on our results of operations.

There are vertical service providers in the forms of mobile apps and/or websites that allow users to search within their closed ecosystems. These players often purchase traffic from search engines and try to retain their users by offering comprehensive services on their platforms. As these vertical service providers expand, though they will continue to acquire traffic from search engines, their reliance on search engines may decline, especially if they can consolidate their industry verticals.

We also face competition from other types of advertising media, including traditional advertising media, such as newspapers, magazines, yellow pages, billboards, other forms of outdoor media, television and radio, mobile apps, webcasting and online video. Large companies in China generally allocate, and may continue to allocate, a limited portion of their budgets to online marketing, as opposed to traditional advertising and other forms of advertising media. If these companies do not devote a larger portion of their marketing budgets to online marketing services provided by us, or if our existing customers reduce the amount they spend on online marketing, our results of operations and growth prospects could be adversely affected.

If our expansions into new businesses are not successful, our results of operation and growth prospects may be materially and adversely affected.

As part of our growth strategy, we enter into new businesses from time to time to generate additional revenue streams and through our development of new business lines or strategic investments in or acquisitions of other businesses. Expansions into new businesses may present operating, marketing and compliance challenges that differ from those that we currently encounter.

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We have invested significant resources in the research and development of artificial intelligence (AI) technology and have made significant progress in the commercialization of AI-enabled offerings, including in-app services, cloud services and solutions, intelligent driving services and solutions and smart devices and services. We plan to continue to invest capital and other resources into our AI-enabled business operations. However, AI technology is rapidly evolving with significant uncertainties, and we cannot assure you that our investment and exploration in AI technology and AI-enabled products and services will be successful. Our operating results may also suffer if our innovation is not responsive to the needs of our users, customers and partners, inappropriately timed with market opportunities, or marketed ineffectively. For example, we have limited experience with operating and scaling AI-enabled business, including cloud services and solutions, intelligent driving services and solutions and smart devices and services, which could subject us to various challenges and risks, including developing and managing relationships with enterprises and public sector customers and partners, who are likely to have different needs and preferences from our existing customers, users and partners, highly competitive procurement processes, instances of corrupt practices or other illegal gains, longer receivable payment cycles and lower collection rates. We also may not alter our business practices in time to avoid or reduce adverse effects from any of the foregoing risks. In addition, our AI-enabled business requires very different products and services, sales and marketing channels and internal operational systems and processes. These requirements could disrupt our current operations and harm our financial condition and operating results, especially during the initial stage of investment, development and scaling of our new AI-enabled offerings.

We may also enter into other markets and industries/industry verticals that are new to us through organic business initiatives or investment and acquisitions, such as e-commerce, short-video, and healthcare vertical including internet hospital, which may subject us to different and unforeseen risks. However, we cannot assure you that such efforts will be successful. For these new markets and industries/industry verticals, we may not have sufficient experience and may not be able to navigate the rapidly evolving regulatory environment or forecast and meet the continually changing demands and preferences for products and services. Some of these new markets and industries/industry verticals are emerging with relatively novel and untested business models. Any of the foregoing could pose significant challenges to us. We may not realize the anticipated benefits of our investments or acquisitions, due to the uncertainties related to the performance and valuation of the relevant targets, or failure to integrate the targets into our existing business, or difficulty in operating the acquired business with our existing expertise and resources. See also “—Our strategy of investments and acquiring complementary businesses and assets may fail.”

It is uncertain whether our strategies will attract users and customers or generate the revenue required to succeed. If we fail to generate sufficient usage of our new products and services, we may not grow revenue in line with the significant resources we invest in these new businesses. This may negatively impact gross margins and operating income. Commercial success of our expansion into new business areas depends on many factors, including innovativeness, competitiveness, effectiveness of distribution and marketing, and pricing and investments strategies, especially in the early stage of competition for market share. For example, the smart transportation industry is highly competitive and fragmented. Our current and potential competitors in this industry range from large and established technology companies to emerging start-ups. Some competitors have longer operating histories in the sector. They can use their experience, resources and network in ways that could affect our competitive position, including making acquisitions, continuing to invest heavily in research and development and in talents, aggressively initiating intellectual property claims (whether or not meritorious), and continuing to compete aggressively for customers, partners and investees. Our competitors may be able to innovate and provide products and services faster than we can or may foresee product-and-service needs before us. As a result, we may not achieve significant revenues from our new business areas, such as our AI-enabled business operations, for several years, or at all, and may incur significant losses during the process and fail to recoup our investments. On the other hand, market conditions and general acceptance of products and services could be adversely impacted if other players in the market fail to adopt appropriate business and operational model, develop and offer successful products and services and develop and adapt appropriate technologies and infrastructure. If the markets of our new businesses, such as intelligent driving and electric vehicle, do not

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develop and grow as we anticipate, we may incur significant loss from our new businesses and our growth prospects may be materially adversely impacted.

In addition, we may encounter regulatory uncertainties related to new business areas that we enter into. The laws and regulations related to AI technology and products are at an early stage of development and still evolving in mainland China. The effects of such laws and regulations remain unclear and may add uncertainties to the development and operation of our AI-related business. For example, as mainland China's regulatory framework on autonomous driving evolves, we may be required to comply with approval and other compliance requirements for autonomous driving road test, operation and commercialization, internet security and related data collection and sharing promulgated by PRC government authorities from time to time. See "Item 4.B. Information on the Company—Business Overview—Regulations—Regulations on Artificial Intelligence." We may confront other challenges as we enter new business domains, including the lack of adoption of new products and services, the lack of management talent in the new business, cost management and other factors required for the expansion of new businesses.

We have experienced slowdowns and declines in our revenues, and we may sustain net loss from time to time, and we may experience downward pressure on our operating and profit margins in the future.

From 2018 to 2022, we experienced a slow-down in revenue growth or even a decrease due to macroeconomic environment and the impact of the COVID-19 pandemic. We could continue to experience a decline in our revenues, as a result of a number of factors, including changes in the mix of products and services, customer demographics, industry and channel, changes in policy or policy implementation, increase in market competition for marketing and/or new AI offerings, and decrease in pricing arising from an oversupply of advertising inventory in the market, which has been witnessed since 2019. We may also experience a decline in our revenue or revenue growth rate, if there is a decrease in the rate of adoption for our products, services and technologies, or deceleration or decline in demand for platforms used to access our services, among other factors.

Our operating margin and net income attributable to us as a percentage of revenue fluctuated notably from 2018 to 2022 due to macroeconomic environment and the impact of the COVID-19 pandemic. We may experience downward pressure on our operating margin from increasing competition, revenue growth slower than expenses, and increased costs and expenses from many aspects of our business, including within online marketing where revenue growth does not keep up with traffic cost growth and related infrastructure costs to support our online properties, such as Baidu App, video-related and other products requiring huge data transmission and computing power. We may also pay increased fees for our distribution channels, as well as increased content acquisition costs to content providers. Additionally, an increase in personnel-related costs, an increase in spending to promote new products and services, the expiration of temporary tax exemptions or reductions, and the impact of the coronavirus (COVID-19), which has negatively affected our revenue growth and delayed certain spending, may dampen our operating margin. We may also experience downward pressure on our operating margin resulting from a variety of factors, such as the expansion of our business into new areas, including AI cloud, intelligent driving, voice assistant & smart device, all of which have margins much lower than that of online marketing. Our operating margin may also be negatively impacted from a greater proportion of revenue contributed by new business areas, which has grown faster than online marketing.

In addition, we may also sustain net loss from time to time due to investment impairment and foreign currency fluctuation. Declining operating margin and investment impairment have caused us to experience a net loss in the first quarter of 2020, and there is no guarantee that we will not experience loss in the future.

Due to these factors and the evolving nature of our business, our historical revenue growth rate, historical operating margin and historical profitability may not be indicative of our future performance.

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If we fail to continue to innovate and provide products, services and high-quality internet experience that attract and retain users, we may not be able to generate sufficient user traffic to remain competitive; we may expend significant resources in order to remain competitive.

Our success depends on providing products and services to attract users and enable users to have a high-quality internet experience. In order to attract and retain users and compete against our competitors, we must continue to invest significant resources in research and development to enhance our AI or other new technologies, improve our existing products and services, and introduce additional high-quality products and services. If we are unable to anticipate user preferences or industry changes, enhance the quality of our products and services on a timely basis or fail to provide sufficient content, or provide other consumer-facing services and products, including our maps and smart devices, to our users' satisfaction, we may suffer a decline in the size of our user base. Our results of operations may also suffer if our innovations do not respond to the needs of our users, are not appropriately timed with market opportunities or are not effectively brought to market. As search, marketing and AI technologies and new forms of devices and apps continue to develop, we may expend significant resources in research and development and strategic investments and acquisitions in order to remain competitive.

If we fail to keep up with technological advancements and upgrades, our business, results of operations and financial condition may be materially and adversely affected.

Our businesses operate in industries that are subject to rapid technological advancements, upgrades and changing consumer needs. Our success will depend on our ability to keep up with the latest developments in technology innovations and commercialization and if we fail to do so successfully, the demand for our products, solutions and services may decline. For instance, the ChatGPT chatbot developed by OpenAI, whose core function is to mimic a human conversationalist, has recently been prevalently tried by people worldwide. Similar applications of ChatGPT or related technology to our products and services to cater to consumer needs may be essential for us to remain competitive in the market. In addition, research and development of technological changes and innovations will typically require substantial capital expenditures as well as upgrades of products or services. Furthermore, we may not execute successfully on our development strategy, including because of challenges with regard to technical hurdles that we fail to overcome in a timely fashion. As such, if we fail to adapt our products and services to technological innovations in an effective and timely manner, our business, financial condition and results of operations could be materially and adversely affected.

If our content ecosystem fails to continually offer quality content in a cost effective manner, we may experience declines in user traffic and user engagement, our business and results of operations may be harmed.

Our content ecosystem consists of products developed for our partners, such as Baijiahao, Smart Mini Program, Managed Page, Baidu Union, and internally developed content and services products, such as Baidu Knows, Baidu Wiki, Baidu Healthcare, Baidu Wenku, Baidu Experience, Baidu Post, Haokan, and iQIYI. The success of our content ecosystem depends on our ability to attract content creators and producers to contribute quality content to our platform by leveraging our user traffic and enhance user engagement through the provision of attractive content, so as to create a virtuous cycle. We have relied, and will continue to rely, on third parties for the majority of the content offered in our content ecosystem and some of our products include third party intellectual property. As the competition for quality content becomes increasingly intense in China, we cannot assure you that we will be able to manage our content acquisition costs effectively and generate sufficient revenues to outpace future increase in content spending. We may also be unable to renew some of our content or intellectual property licensing agreements upon their expiration or termination and any renewal of the content or intellectual property licensing agreements may involve higher costs or less favorable terms. If we are not able to license popular premium content on commercially reasonable terms or renew our content or intellectual property licensing agreements, our financial condition and results of operations may be materially and adversely affected. We have undertaken significant commitments of future minimum payments under non-cancellable agreements

for produced content and licensed copyrights. If the content does not achieve anticipated popularity and commercial success, such commitments may not be recoverable. In addition, we rely on users to contribute content to our various products, including Baijiahao, Baidu Knows, Baidu Wiki, Baidu Healthcare, Baidu Experience, Baidu Post, Baidu Wenku, Haokan and iQIYI's user generated content. If these parties fail to develop and maintain high-quality and engaging content, if our desired premium content becomes exclusive to our competitors, if we are unable to continue to grow our content offerings and stay competitive vis-à-vis other content platforms, or if a large number of our existing relationships are terminated, the attractiveness of our content offerings to users may be severely impaired. If we are unable to offer content that meets users' tastes and preferences on a continuing basis, including continuously upgrading our content recommendation engines and in a cost effective manner, our user experience may deteriorate, we may suffer from reduced user traffic, our business and results of operations may be harmed.

We have been and may again be subject to legal proceedings, claims and investigations and could be adversely impacted by unfavorable results of legal proceedings and investigations.

We are subject to various legal proceedings, claims and government investigations, penalties or actions that have arisen in the ordinary course of business and have not yet been fully resolved, and new legal proceedings, claims, regulatory investigations, penalties or actions may arise in the future. In addition, agreements entered into by us sometimes include indemnification provisions which may subject us to costs and damages in the event of a claim against an indemnified third party. The existence of litigation, claims, governmental investigations and proceedings have adversely affected and may continue to adversely affect our reputation, business and the trading price of our securities. In 2020, the SEC's Division of Enforcement asked our subsidiary iQIYI to produce certain financial and operating records and documents related to certain acquisitions and investments that were identified in the April 7, 2020 short-seller report on iQIYI released 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 related to the allegations in the Wolfpack Report. iQIYI has voluntarily and publicly disclosed the SEC's request for information, and, through its legal counsel, it has provided the SEC with requested documents and information. Although no further information was requested from iQIYI since early 2021, 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. In the same year, iQIYI and certain of its current and former directors and officers were named as defendants in several federal putative securities litigations. Also in 2020, we and certain of our current and former officers were named as defendants in three federal putative securities class actions, two of which are in regard to certain of the key allegations contained in the Wolfpack Report. As explained further below, the court granted defendants' motion to dismiss the third securities class action, which does not relate to the allegations in the Wolfpack Report, in April 2021, and plaintiffs voluntarily dismissed the action in its entirety with prejudice in May 2021. In 2021, we and certain of our former officers were added as defendants to a separate federal putative securities class action alleging that our subsidiary, iQIYI, made false and misleading statements relating to the allegations in the Wolfpack Report in its public disclosure documents in violation of federal securities laws. In the event that a court finds that iQIYI, Baidu and/or other defendants violated any of the applicable 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 we will be subject to any damages, let alone how much. For more details, see "Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Legal Proceedings." Regardless of the merit of particular claims, legal proceedings, government investigations and proceedings may result in reputational harm, be expensive to respond, time consuming, disruptive to our operations and distracting to management. In the event we or iQIYI does not prevail or we or iQIYI enters into

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settlement arrangements in any of these proceedings or investigations, we or iQIYI may incur significant expenses which may materially adversely affect our results of operations. Separately, in April 2020, we and certain of our current and former officers were named as defendants in a federal putative securities class action alleging, in sum and substance, that our disclosures were materially false or misleading as they misrepresented Baidu's ability to monitor and filter illicit or improper content on its platform, and failed to disclose alleged investigations and violations of PRC regulatory requirements relating to the monitoring or filtering of illicit or improper content online. In April 2021, the U.S. District Court for the Northern District of California granted defendants' motion to dismiss in its entirety, and in May 2021, plaintiffs voluntarily dismissed this action in its entirety with prejudice.

The outcome of legal proceedings and investigations is inherently uncertain. If one or more legal matters were resolved against us or an indemnified third party in a reporting period for amounts in excess of management's expectations, our financial condition and operating results for that reporting period could be materially adversely affected. Further, such an outcome could result in significant compensatory, punitive or trebled monetary damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief against us that could materially adversely affect our financial condition and operating results.

In addition to the content developed and posted on our platform by ourselves, our users may post information on Baidu Post, Baidu Knows, Baidu Wiki, Baidu Wenku and other sections of our platform, our content providers may provide content through Baijiahao platform and our P4P customers may create text-based descriptions, image descriptions and other phrases to be used as text, images or keywords in our search listings, and users can also use our personal cloud computing service to upload, store and share documents, images, audio and videos on our cloud servers. We have been and may continue to be subject to claims and investigations for intellectual property ownership and infringement, defamation, negligence or other legal theories based on the content found on our platform, the results in our paid search listings or our other products and services, which, with or without merit, may result in diversion of management attention and financial resources and negative publicity for our brand and reputation. In November 2018, an individual, together with his related company, filed a complaint alleging acts of, among others, defamation and libel and commercial disparagement against, among others, us and Robin Yanhong Li in his capacity as our chairman and chief executive officer, in the Supreme Court of New York. The complaint alleged, among other things, that the defendants published articles containing false and defamatory statements concerning the plaintiffs, and sought damages in an aggregate amount of US\$11 billion, including purported punitive damages of US\$10 billion. The plaintiff filed a notice of voluntary discontinuance of the complaint in the Second State Court Lawsuit, and subsequently filed a nearly identical complaint in the U.S. District Court for the Eastern District of New York. In January 2020, the U.S. District Court for the Eastern District of New York dismissed that complaint in its entirety with prejudice, and the time for plaintiff to appeal that dismissal has expired. In February 2020, the Supreme Court of New York granted defendants' motions to discontinue the Second State Court Lawsuit with prejudice. No appeal of that order has been filed as of the date of this annual report. We believe these claims to be without merit and intend to continue to defend ourselves vigorously. See "Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Legal Proceedings." Furthermore, if the content posted on our platform or found, stored or shared through our other products and services contains information that government authorities find objectionable, our platform or relevant products or services may be shut down and we may be subject to other penalties. See "—Risks Related to Doing Business in China—We may be subject to liability for information displayed on or linked to our websites, mobile apps, Smart Mini Program or Managed Page and negative publicity in international media and our business may be adversely affected as a result."

We have been, and may again in the future be, subject to claims, investigations or negative publicity based on the results in our paid search listings. Claims have been filed against us after we allowed certain customers to register keywords containing trademarks, trade names or brand names owned by others and displayed links to such customers' websites in our paid search listings. While we maintain a database of certain well-known trademarks and continually update our system algorithms and functions to guard against customers keywords containing the well-known trademarks that are owned by others, it is not possible for us to completely prevent

our customers from bidding on keywords that contain trademarks, trade names or brand names owned by others. There has been negative publicity about fraudulent information in our paid search listings. Although we have been continually enhancing our technology, control and oversight to prevent fraudulent websites, web pages and information from appearing in our paid search listings, there is no guarantee that the measures we have taken are effective at all times. Claims, investigations and negative publicity based on the results in our paid search listings, regardless of their merit, may divert management attention, severely disrupt our operations, adversely affect our results of operations and harm our reputation.

If we fail to keep up with rapid changes in technologies and user behavior, our future success may be adversely affected.

Our future success will depend on our ability to respond to rapidly changing technologies, adapt our products and services to evolving industry standards and improve the performance and reliability of our products and services. Our failure to adapt to such changes could harm our business. In addition, changes in user behavior resulting from technological developments may also adversely affect us. For example, the number of people accessing the internet through mobile devices and internet of things, or IoTs, such as smartphones, tablets and smart (voice-activated internet) home devices, has increased in recent years, and we expect this trend to continue while 5G and more advanced mobile communications technologies are broadly implemented. If we fail to develop products and technologies that are compatible with all mobile devices, IoTs and operating systems, or if the products and services we develop are not widely accepted and used by users of various mobile devices and IoTs, our position in the mobile internet and AI sectors may be adversely affected. In addition, the widespread adoption of new internet, networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or integrate our products, services or infrastructure. If we fail to keep up with rapid technological changes to remain competitive, or consequently fail to retain users with products and services of exceptional quality, our future success may be materially and adversely affected.

Our increasing focus on cloud-based services presents execution, competitive and compliance risks; Baidu Core's results of operations and financial performance may be materially adversely affected by our ability to develop cloud-based services and generate sufficient usage of such services.

A growing part of our business involves cloud-based services available across a spectrum of computing devices. Our Baidu Core's cloud services revenue was RMB17.7 billion (US\$2.6 billion), increasing by 18% from 2021. We are devoting significant resources to provide AI solutions, cloud infrastructure, and other services to enterprises and individuals. At the same time, our competitors are rapidly developing and deploying their cloud-based solutions and services. Pricing and delivery models are evolving. Devices and form factors influence how users access services in the cloud and sometimes the user's choice of which suite of cloud-based services to use. Our success in cloud-based services strategy will depend on the level of adoption of our products and services. We may not establish market share sufficient to achieve scale necessary to achieve our business objectives or recoup costs incurred to build and maintain infrastructure to support our cloud-based services. It is uncertain whether our strategies will attract the users or generate the revenue required to succeed. If we fail to generate sufficient usage of our new products and services, we may not grow revenue in line with the costs associated with infrastructure development and research and development investments. This may negatively and materially impact our results of operations and financial performance.

The development of cloud-based services is accompanied by regulatory compliance risks. For example, PRC government authorities are increasing enforcement efforts against non-compliance relating to companies operating content delivery networks, internet data centers, and internet service providers. However, the interpretation and application of relevant laws in mainland China and other jurisdictions are often uncertain and in flux, and any failure or perceived failure to comply with all applicable laws and regulations may result in legal proceedings or regulatory actions against us, and could have a material adverse effect on our business and results of operations.

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In the past, our peers have experienced data security and infrastructure stability issues arising out of their cloud services. Our cloud services may also encounter similar issues, which could have a material and adverse impact on our brand, operations and financial performance.

Potential issues in the adoption and use of artificial intelligence in our product offerings may result in reputational harm or liability.

We are building AI into many of our product offerings and we expect this element of our business to be a driver for our future growth. We envision a future in which AI operates in our services and applications, such as search-plus-feed, cloud services and solutions, intelligent driving services and solutions and Xiaodu smart devices and services, and the cloud helps our customers become more productive. As with many disruptive innovations, AI presents risks and challenges that could affect its adoption, and, therefore, our business. Our products and services based on AI may not be adopted by our users or customers. AI algorithms may be flawed. Datasets may be insufficient or contain biased information. Inappropriate or controversial data practices by us or others could impair the acceptance of our AI solutions. AI generated content may result in copyright and other legal issues and our AI generated content related offerings may not be able to compete against that of our competitors. These deficiencies could undermine the decisions, predictions, or analysis that AI applications produce, subjecting us to legal liability, and brand or reputational harm. In addition, some AI scenarios present ethical issues. If we enable or offer AI solutions that are controversial because of their impact on human rights, privacy, employment, or other social issues, we may experience reputational harm or be exposed to liability.

We may face challenges in connection with developing, manufacturing and marketing new Xiaodu smart products in response to changing customer requirements, new technologies and market competition.

The market for our Xiaodu smart products is characterized by rapidly changing technology, evolving industry standards, short product life cycles, frequent new product introductions, continual improvement in product price and performance characteristics, and price and feature sensitivity on the part of consumers and businesses. As a result, we must continually introduce new products and technologies and enhance existing products in order to remain competitive.

The success of our Xiaodu smart products depends on several factors, including our ability to:

- anticipate technology and market trends;
- develop innovative new products and enhancements on a timely basis;
- distinguish our products from those of our competitors;
- manufacture and deliver high-quality products in sufficient volumes at competitive cost structure;
- establish strong, efficient online and offline distribution channels;
- price our products competitively;
- develop a vibrant DuerOS skills store and a large developer community to increase user stickiness and loyalty; and
- innovate post-hardware sales monetization models.

If we are unable to develop, manufacture, market and introduce enhanced or new Xiaodu smart products in a timely manner in response to changing market conditions or customer requirements, including changing fashion trends and styles, it will materially adversely affect our business, revenue growth, financial condition and results of operations. Furthermore, as we develop new generations of products more quickly, we expect that the pace of product obsolescence will increase concurrently. The disposition of inventories of excess or obsolete products may result in reductions to our operating margins and materially and adversely affect our earnings and results of operations.

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The success of our Xiaodu smart products depends on the continued growth of the smart device market, our ability to establish and maintain the brand and market share and compete with other companies, and our ability to monetize through services after the initial hardware sale.

We have invested significant resources in the “Xiaodu” brand and the research and development of Xiaodu smart products. If the smart device market does not continue to grow or grow in unpredictable ways, or we fail to maintain and further promote the “Xiaodu” brand, our revenue may fall short of expectations and our operating results may be harmed. Also, we have continued to offer sales discounts on Xiaodu smart products to attract customers, build our brand and gain market share. Offering such discounts has negatively affected, and will continue to negatively affect, our financial performance in the long term. We cannot assure you that our decision to offer or cease to offer such sales discounts is producing, or will produce, positive outcomes for our results of operations. The market for smart devices may not continue to grow; even if it does, we may not be successful in developing and selling devices that appeal to consumers or gain sufficient market acceptance, which typically takes longer in the smart device market. To succeed in this market, we will need to design, produce and sell innovative and compelling products and partner with other businesses that enable us to capitalize on new technologies, some of which have developed or may develop and sell smart devices of their own. We are currently exploring different business models with Xiaodu smart devices, and exploring different monetization model through services after hardware sales, such as membership, advertising and revenue sharing from distribution of third-party skills. Whether we will be able to achieve profitability in smart devices depends in part on our ability to generate revenue through services after the initial hardware sale at a level sufficient to cover associated operating expenses, but there can be no assurance that we will succeed in formulating and implementing the appropriate business and monetization model. Moreover, competition from other companies that seek to provide smart devices will adversely affect our profitability.

We face a number of manufacturing, supply chain, distribution channel and inventory risks as well as product quality and financing risks that, if not properly managed, could harm our financial condition, operating results, and prospects.

We rely on third parties to manufacture our Xiaodu smart products, to design certain of our components and parts, and to participate in the distribution of our products. Our business could be negatively affected if we are not able to engage these companies with the necessary capabilities or capacity on reasonable terms, or if those we engage fail to meet their obligations (whether due to financial difficulties or other reasons), or make adverse changes in the pricing or other material terms of our arrangements with them.

We may experience supply shortages and price increases driven by a variety of factors, such as raw material availability, manufacturing capacity, labor shortages, tariffs, trade disputes and barriers, natural disasters, and significant changes in the financial or business condition of our suppliers. We may experience shortages or other supply chain disruptions that could negatively affect our operations. In addition, some of the components we use in our Xiaodu smart products are available only from a single source or limited sources, and we may not be able to find replacement vendors on favorable terms in the event of a supply chain disruption.

Our Xiaodu smart products may have quality issues resulting from design, manufacturing, or operations. Sometimes, these issues may be caused by components we purchase from other manufacturers or suppliers. If the quality of our Xiaodu smart products does not meet expectations or are defective, it could harm our reputation, financial condition, and operating results.

We are exposed to significant inventory risks that may adversely affect our operating results as a result of seasonality, new product launches, rapid changes in product cycles and pricing, defective merchandise, changes in consumer demand and consumer spending patterns, and other factors. We endeavor to accurately predict these trends and avoid overstocking or understocking issues. Demand for our Xiaodu smart products, however, can change significantly between the time inventory or components are ordered and the date of sale. We may misjudge customer demand, resulting in inventory buildup and possible significant inventory write-down. It may

also make it more difficult for us to inspect and control quality and ensure proper handling, storage and delivery. We may experience higher return rates on new products, receive more customer complaints about them and face costly product liability claims as a result of selling them, which would harm our brand and reputation as well as our financial performance.

Our Smart Living Group (SLG), which runs the DuerOS and Xiaodu operations, completed its first and second rounds of funding from 2020 to 2022, and has historically experienced an operating loss. If SLG is unable to satisfy its cashflow needs by generating sufficient cash from its operations in the near future, it may need to rely on subsequent round(s) of financing. If SLG's operating cashflow does not improve and if SLG fails to conduct financing on reasonable terms, it may not be able to continue its business operations, which may adversely impact our results of operations and financial performance.

Du Xiaoman's financial services business may subject us to operational and reputational risks, which may have a material adverse effect on our business, results of operations and financial condition.

In August 2018, we completed the divestiture of a majority equity stake in our financial services business unit, which has been rebranded as Du Xiaoman Financial, or Du Xiaoman. After the divestiture, we hold a non-controlling equity interest in Du Xiaoman and have since then deconsolidated the financial results of Du Xiaoman from our consolidated financial statements in accordance with U.S. GAAP. Du Xiaoman runs a one-stop platform which offers financial services across small business owner and consumer credit enablement, supply chain financing technology, wealth management, digital payment and fintech solutions, connecting end users' needs with financial institution partners. We are still the largest shareholder of Du Xiaoman and would be exposed to losses from Du Xiaoman.

The laws and regulations of mainland China concerning the internet finance industry, particularly those governing wealth management and credit lending, are evolving. Although to our knowledge Du Xiaoman has taken careful measures to comply with the laws and regulations that are applicable to its financial services, the PRC government authorities may promulgate new policies, rules and regulations regulating the internet finance industry. For example, the Supreme Court of the PRC has issued a judicial interpretation in August 2020 and revised it in December 2020, which has capped the interest rate of loan contract at four times the one-year Loan Prime Rate then effective when such loan contract is executed. In addition, the People's Bank of China, or the PBOC, issued the Announcement of the People's Bank of China [2021] No. 3, or No. 3 Announcement, on March 12, 2021. In accordance with the No. 3 Announcement, when credit business institutions market loan products through websites, mobile applications, posters or similar channels, they must explicitly indicate the applicable annualized loan interest rate to the borrower in a conspicuous manner, and specify such annualized interest rate in the loan contract. It is allowed to indicate the daily interest rate or the monthly interest rate at the same time only if they are not displayed in a manner more conspicuous than the annualized interest rate. Under the No. 3 Announcement, "credit business institutions" include, among others, deposit financial institutions, consumer financing companies, micro-loan companies and online platforms providing advertisement and displaying services to credit business operators.

On December 31, 2021, the PBOC and other six PRC government authorities issued a draft of Administration Measures for Online Marketing of Financial Products, or the Draft Administration Measures, for public comments. Pursuant to the Draft Administration Measures, third-party platform operators who are entrusted by financial institutions to promote financial products on the Internet are governed by this Draft Administration Measures. The Draft Administration Measures prohibited institutions and individuals from providing online marketing services for any illegal financial activities, such as illegal fundraising, unauthorized issuance of securities or lending, and virtual currency transactions. In addition, third-party platform operators must market the financial products in conformity with the online marketing contents which have been approved by the financial institutions, and should not change the contents arbitrarily. Without the approval from the finance regulators, no third-party platform operator should be involved, whether directly or in any disguised form, in any sale activities of financial products, such as consulting with customers about financial products,

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conducting the appropriateness assessment on financial customers, entering into any sale contract, or transferring any funds. However, since these Draft Administration Measures have not been formally promulgated and become effective as of the date of this annual report, substantial uncertainties still exist with respect to the final content, interpretation and implementation of these measures.

As we hold a non-controlling equity interest in Du Xiaoman and do not control Du Xiaoman's business conduct and operations, we cannot assure you that the practices of Du Xiaoman would not be deemed to violate any applicable laws or regulations, nor can we ensure that all business cooperators on Du Xiaoman's platform meet all the regulatory compliance requirements. If Du Xiaoman were deemed to violate any current or future applicable laws or regulations, such as the exposure draft of the Interim Measures for the Administration of Internet Small Loan Business released in November 2020, we may be exposed to negative publicity as a result of the potential misconception that Du Xiaoman is still part of our consolidated group. For example, on December 15, 2020, officials from PBOC publicly named deposit products provided by internet financial platforms as illegal and should be subject to regulatory supervision. Many internet financial platforms, including Du Xiaoman, has removed deposit products from their platforms. Events like this may expose us to negative publicity as well.

Interruption or failure of our own information technology and communications systems or those of third-party service providers we rely upon could impair our ability to provide products and services, which could damage our reputation and harm our results of operations.

Our ability to provide products and services depends on the continuing operation of our information technology and communications systems. Any damage to or failure of our systems could interrupt our services. Service interruptions could reduce our revenue and profit and damage our brand if our systems are perceived to be unreliable. Our systems are vulnerable to damage or interruption as a result of terrorist attacks, wars, earthquakes, floods, fires, power loss, telecommunications failures, health epidemics, undetected errors or "bugs" in our software, computer viruses, interruptions in access to our platform through the use of "denial of service" or similar attacks, hacking or other attempts to harm our systems, and similar events. Some of our systems are not fully redundant, and our disaster recovery planning does not account for all possible scenarios. We have experienced service disruptions in the past which adversely affected our user experience.

Our servers, which are hosted at third-party or our own internet data centers, are vulnerable to break-ins, sabotage and vandalism. The occurrence of natural disasters or closure of an internet data center by a third-party provider without adequate notice could result in lengthy service interruptions. In addition, our domain names are resolved into internet protocol (IP) addresses by systems of third-party domain name registrars and registries. Any interruptions or failures of those service providers' systems, which are beyond our control, could significantly disrupt our own services. If we experience frequent or persistent system failures on our platform, whether due to interruptions and failures of our own information technology and communications systems or those of third-party service providers that we rely upon, our reputation and brand could be severely harmed. The steps we take to increase the reliability and redundancy of our systems may cause us to incur heavy costs and reduce our operating margin, and may not be successful in reducing the frequency or duration of service interruptions.

We may not be able to manage our expanding operations effectively.

We expect to continue to expand our operations as we grow our user and customer base and explore new opportunities. To manage the further expansion of our business and growth of our operations and personnel, we need to continually improve our operational and financial systems, procedures and controls, and expand, train, manage and maintain good relations with our growing employee base. We have experienced labor disputes in the past and may experience the same in the future. Although these disputes were resolved promptly, we cannot assure you that there will not be any new labor disputes in the future.

We expect our AI-enabled business to become a key revenue driver of Baidu Core, and believe our future growth relies on the success of our AI-enabled business. Our systems and processes were designed in the past to support our mobile ecosystem business operations. For our AI-enabled business operations to be successful, we must be able to attract industry expertise and talents, and adapt to systems and processes suitable for the enterprise and public sector business environment. If we are unable to do so, we may not be competitive in these markets and our AI-enabled business offerings will not be successful. In addition, we must maintain and expand our relationships with other websites, internet companies and other third parties. Our current and future personnel, systems, procedures and controls may not be adequate to support our expanding operations, and consequently our financial condition and operating results may be materially and adversely affected.

We may face intellectual property infringement claims and other related claims, which could be time-consuming and costly to defend and may result in an adverse impact over our operations.

Internet, technology and media companies are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties' rights. The validity, enforceability and scope of protection of intellectual property in internet-related and AI-related industries, particularly in mainland China, are uncertain and still evolving. The evolving laws and regulations on the protection of intellectual property may require us to take more actions to prevent from infringing third-parties' intellectual property. If we cannot take the necessary actions in time, disputes may arise alleging us to infringe certain third-parties' intellectual property. As we face increasing competition and as litigation becomes more common in mainland China in resolving commercial disputes, we face a higher risk of being the subject of intellectual property infringement claims. We may be subject to administrative actions brought by relevant PRC competent government authorities such as the PRC National Copyright Administration and in the most severe scenario, criminal prosecution for alleged copyright infringement, and as a result may be subject to fines and other penalties and be required to discontinue infringing activities. Furthermore, as we expand our operations outside of China, we may be subject to claims brought against us in jurisdictions outside of China.

Our search products and services link to materials in which third parties may claim ownership of trademarks, copyrights or other rights. As we adopt new technologies and roll out new products and services, we face the risk of being subject to intellectual property infringement claims that may arise from our use of new technologies and provision of new products and services. Our products and services including those based on content storage and sharing, such as Baidu Knows, Baidu Wiki, Baidu Wenku, Baidu Post, Baidu Drive, Baijiahao, Haokan, and iQIYI's user-generated content, allow our users to upload, store and share documents, images, audio and videos on our servers, or share, link to or otherwise provide access to contents from other websites, and we also operate distribution platforms whereby developers can upload, share and sell their apps or games to users. Although we have made commercially reasonable efforts to request users or developers to comply with applicable intellectual property laws, we cannot ensure that all of our users or developers have the rights to upload or share these contents or apps. In addition, we have been and may continue to be subject to copyright or trademark infringement and other related claims from time to time, in China and internationally.

We have been making continuous efforts to keep ourselves informed of and to comply with all applicable laws and regulations affecting our business. However, the laws and regulations of mainland China are evolving, and uncertainties still exist with respect to the legal standards as well as the judicial interpretation of the standards for determining liabilities of internet search and other internet service providers for providing links to content on third-party websites that infringe upon others' copyrights or hosting such content, or providing information storage space, file sharing technology or other internet services that are used by internet users to disseminate such content. The Supreme People's Court of the PRC promulgated a judicial interpretation on infringement of the right of dissemination through internet in December 2012, which was further amended on December 29, 2020 and came into effect on January 1, 2021. This judicial interpretation, like certain court rulings and certain other judicial interpretations, provide that the courts will place the burden on internet service providers to remove not only links or contents that have been specifically mentioned in the notices of

infringement from right holders, but also links or contents they “should have known” to contain infringing content. The interpretation further provides that where an internet service provider has directly obtained economic benefits from any content made available by an internet user, it has a higher duty of care with respect to internet users’ infringement of third-party copyrights. A guidance on the trial of audio/video sharing copyright disputes promulgated by the Higher People’s Court of Beijing in December 2012 provides that where an internet service provider has directly obtained economic benefits from any audio/video content made available by an internet user who has no authorization for sharing such content, the internet service provider shall be presumed to be at fault. These interpretations could subject us and other internet service providers to significant administrative burdens and litigation risks. The Civil Code of the PRC, or the Civil Code, promulgated in 2020 has further elaborated the circumstances where internet service providers may be found liable for the infringement of third parties. See “Item 4.B. Information on the Company—Business Overview—Regulations—Regulations on Tort Liability.” The Copyright Law which became effective in June 2021 further provided that the competent copyright authority may require compliance from the relevant parties in the process of investigating the infringing activities.

We conduct our business operations primarily in mainland China. There might be claims that we are subject to U.S. copyright laws, including the legal standards for determining indirect liability for copyright infringement, although we believe such claims are without merit. We cannot assure you that we will not be subject to copyright infringement lawsuits or other proceedings in the U.S. or elsewhere in the future.

Intellectual property litigation is expensive, time-consuming and could divert resources and management attention from the operations of our business. We are currently named as defendant in certain copyright infringement suits in connection with Baidu Feed, P4P, Baidu Post, Baidu Search, iQIYI, Baidu Wenku, Baidu Drive, Baijiahao, Haokan, Xiaodu and certain other products or services. See “Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Legal Proceedings.” There is no guarantee that the courts will accept our defenses and rule in our favor. If there is a successful claim of infringement, we may be required to discontinue the infringing activities, pay substantial fines and damages and/ or enter into royalty or license agreements that may not be available on commercially acceptable terms, if at all. Our failure to obtain a license of the rights on a timely basis could harm our business. Any intellectual property litigation by third parties and/or negative publicity alleging our intellectual property infringement could have an adverse effect on our business, reputation, financial condition or results of operations. To address the risks relating to intellectual property infringement, we may have to substantially modify, limit or terminate some of our search services. Any such change could materially affect user experience and in turn have an adverse impact on our business.

Liability claims against, or any unauthorized control or manipulation of our autonomous driving systems, could result in the loss of confidence in us, our brands and our products, and harm our business.

Our Intelligent Driving platform, contains complex information technology systems. We have designed, implemented and tested security measures intended to prevent unauthorized access to our Intelligent Driving platform, but there can be no assurance that vulnerabilities will not be identified in the future, or that our remediation efforts are or will be successful. Hackers have reportedly attempted, and may attempt in the future, to gain unauthorized access to modify, alter and use our Intelligent Driving platform to gain control of, or to change, functionality, user interface and performance characteristics of vehicles utilizing our Intelligent Driving platform, or to gain access to data stored in or generated by the vehicles. Any unauthorized access to or control of autonomous driving vehicles or their systems or any loss of data could result in death and personal injury, and legal claims or proceedings against us.

Our Intelligent Driving platform may be involved in crashes resulting in property damage, death or personal injury in the future, and such crashes may be the subject of significant public attention. We may face claims related to any misuse or failure of new technologies that we are pioneering, including our Intelligent Driving platform and related solutions, such as smart transportation. A successful product liability claim against us could require us to pay substantial monetary damages.

Moreover, product liability claims or reports of unauthorized access to our Intelligent Driving platform or data, regardless of their veracity, could generate substantial negative publicity about our products and business and could have material adverse impact on our brand, business, prospects and operating results.

Our strategy of investments and acquiring complementary businesses and assets may fail.

As part of our business strategy, we have pursued, and intend to continue to pursue, selective strategic investments and acquisitions of businesses and assets that complement our existing business and help us execute our growth strategies. For example, we invested in Trip.com Group Limited (Trip.com) (formerly known as Ctrip). In November 2020, we entered into definitive agreements with JOYY Inc. and certain of its affiliates to acquire its domestic video-based entertainment live streaming business in China, or YY Live, which includes YY mobile app, YY.com website and PC YY, among others. For more details, see “—We face risks associated with our proposed acquisition of YY Live and its online live streaming business.”

We intend to make other strategic investments and acquisitions in the future if suitable opportunities arise. Investments and acquisitions involve uncertainties and risks, including, but not limited to:

- potential ongoing financial obligations and unforeseen or hidden liabilities, including liability for infringement of third-party copyrights or other intellectual property;
- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities,
- non-occurrence of anticipated or speculative transactions and any resulting negative impact;
- costs and difficulties of integrating acquired businesses and managing a larger business;
- in the case of investments where we do not obtain management and operational control, lack of influence over the controlling partner or shareholder, which may prevent us from achieving our strategic goals in the investments;
- possible unsatisfactory operational or financial performance, including financial loss, or fraudulent activities of a target business;
- possible loss of key employees of a target business;
- potential claims or litigation regarding our board’s exercise of its duty of care and other duties required under applicable law in connection with any of our significant acquisitions or investments approved by the board;
- diversion of resources and management attention;
- regulatory hurdles and compliance risks, including the anti-monopoly and competition laws, rules and regulations of mainland China and other jurisdictions and the enhanced compliance requirement for outbound acquisitions and investment under the laws and regulations of mainland China;
- in the case of acquisitions of businesses or assets outside of China, the need to integrate operations across different business cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries; and
- potential fair value changes, which impact our profits.

Any failure to address these risks successfully may have a material and adverse effect on our financial condition and results of operations. Investments and acquisitions may require a significant amount of capital, which would decrease the amount of cash available for working capital or capital expenditures. In addition, if we use our equity securities to pay for investments and acquisitions, we may dilute the value of our listed securities and the ordinary shares underlying our ADSs. If we borrow funds to finance investments and acquisitions, such debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends. Moreover, acquisitions may also generate significant amortization expenses related to intangible

assets. We are required to test our intangible assets and goodwill for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. We may also incur investment loss or impairment charges to acquired businesses and assets.

Our business is subject to complex and evolving Chinese and international laws and regulations, including those regarding data privacy and cybersecurity. Failure to comply with these laws and regulations would result in claims, penalties, damages to our reputation and brand, or declines in user growth or engagement, or otherwise harm our business.

We are required by privacy and data protection laws in mainland China and other jurisdictions, including, without limitation, the Cyber Security Law of the PRC and the PRC Data Security Law, to ensure the confidentiality, integrity and availability of the information of our users, customers, third-party agents, content providers and Baidu Union partners, and other data, which is also essential to maintaining their confidence in our online products and services. In addition, the Ninth Amendment to the Criminal Law became effective in 2015 and the Civil Code promulgated in 2020 also provides specific provisions regarding the protection of personal information. See “Item 4.B. Information on the Company—Business Overview—Regulations.” However, the interpretation and application of such laws in mainland China and elsewhere are often uncertain and in flux.

Since 2021, the PRC government authorities have increasingly focused on the protection of personal information and are improving the legislative system on information and data security continuously. On June 10, 2021, the Standing Committee promulgated the PRC Data Security Law, which took effect in September 2021. The Data Security Law, among others, provides for a security review procedure for the data activities that may affect national security. Furthermore, Measures for Cybersecurity Review, or the Cybersecurity Review Measures 2020, which became effective on June 1, 2020, set forth the cybersecurity review mechanism for critical information infrastructure operators, and provided that critical information infrastructure operators who intend to purchase internet products and services that affect or may affect national security should be subject to a cybersecurity review. On December 28, 2021, the CAC published the Measures for Cybersecurity Review, or the Cybersecurity Review Measures 2021, which became effective on February 15, 2022 and replaced the Cybersecurity Review Measures 2020. Such Measures further restate and expand the applicable scope of the cybersecurity review. Pursuant to the Cybersecurity Review Measures 2021, critical information infrastructure operators that procure internet products and services, and network platform operators engaging in data processing activities, must be subject to the cybersecurity review if their activities affect or may affect national security. Since the Cybersecurity Review Measures 2021 are relatively new and provide no further explanation or interpretation on the determination of “affecting national security,” there remain uncertainties as to whether our data processing activities may be deemed to affect national security. However, as of the date of this annual report, we have not received any formal notice from any cybersecurity regulator that we should apply for a cybersecurity review. In addition, network platform operators holding over one million users’ personal information must apply with the Cybersecurity Review Office for a cybersecurity review before any public offering in a foreign country. On July 30, 2021, the State Council promulgated the Regulations on Protection of Critical Information Infrastructure, which became effective on September 1, 2021. Pursuant to the Regulations on Protection of Critical Information Infrastructure, critical information infrastructure means any important network facilities or information systems of the important industry or field, which may endanger national security, people’s livelihood and public interest in case of damage, function loss or data leakage. The operators should be informed about the final determination as to whether they are categorized as critical information infrastructure operators. However, the exact scope of “critical information infrastructure operators” under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws. Therefore, we cannot rule out the possibility that we may be deemed as a critical information infrastructure operator under the laws and regulations of mainland China. If we are deemed as a critical information infrastructure operator under the cybersecurity laws and regulations of mainland China, we must fulfill certain obligations as required under such cybersecurity laws and regulations, including, among others, storing personal information and important data collected and produced within the

territory of mainland China during our operations in mainland China, which we have fulfilled in our business, and we may be subject to review when purchasing internet products and services. See “Item 4.B. Information on the Company—Business Overview—Regulations.”

On November 14, 2021, the CAC released the Regulations on the Network Data Security (Draft for Comments), or the Draft Regulations. The Draft Regulations provide that data processors refer to individuals or organizations that autonomously determine the purpose and the manner of processing data. In accordance with the Draft Regulations, data processors must apply for a cybersecurity review for the following activities: (i) merger, reorganization or division of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests to the extent that affects or may affect national security; (ii) listing abroad of data processors which process over one million users’ personal information; (iii) the listing of data processors in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. However, there have been no clarifications from the authorities as of the date of this annual report as to the standards for determining such activities that “affect or may affect national security.” See “Item 4.B. Information on the Company—Business Overview—Regulations.” As of the date of this annual report, the Draft Regulations were released for public comment only, and their respective provisions and the anticipated adoption or effective date may be subject to change with substantial uncertainty. The Draft Regulations remain unclear on whether the relevant requirements will be applicable to companies that have been listed in the United States and Hong Kong, such as us. Similar to the Cybersecurity Review Measures 2021, they are relatively new and may be subject to interpretation of the regulators. We cannot predict the impact of the Cybersecurity Review Measures 2021 and the Draft Regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If the Cybersecurity Review Measures 2021 or the enacted versions of the Draft Regulations mandate clearance of cybersecurity review and other specific actions to be completed by mainland China-based companies listed on a U.S. stock exchange and Hong Kong Exchanges, such as us, we face uncertainties as to whether such clearance can be timely obtained, or at all. As of the date of this annual report, we have not been involved in any formal investigations on cybersecurity review made by the CAC on such basis. However, if we are not able to comply with the cybersecurity and network data security requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from the relevant application stores, among other sanctions, which could materially and adversely affect our business and results of operations. In addition to the cybersecurity review, the Draft Regulations requires that data processors processing “important data” or listed overseas should conduct an annual data security assessment by itself or commission a data security service provider to do so, and submit the assessment report of the preceding year to the municipal cybersecurity department by the end of January each year. If a final version of the Draft Regulations is adopted, we may be subject to review when conducting data processing activities and annual data security assessment and may face challenges in addressing its requirements and make necessary changes to our internal policies and practices in data processing. Based on the foregoing, our PRC legal counsel does not expect that, as of the date of this annual report, the current applicable laws of mainland China on cybersecurity would have a material adverse impact on our business.

On August 20, 2021, the Standing Committee promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. Our mobile apps and websites only collect user personal information that is necessary to provide the corresponding services. We update our privacy policies from time to time to meet the latest regulatory requirements of the CAC and other authorities and adopt technical measures to protect data and ensure cybersecurity in a systematic way. Nonetheless, the Personal Information Protection Law raises the protection requirements for processing personal information, and many specific requirements of the Personal Information Protection Law remain to be clarified by the CAC, other regulatory authorities, and courts in practice. We may be required to make further adjustments to our business practices to comply with the personal information protection laws and regulations. See “Item 4.B. Information on the Company—Business Overview— Regulations.”

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The PRC government authorities also further enhanced the supervision and regulation of cross-border data transmission. On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer, which became effective on September 1, 2022. In accordance with such measures, data processors will be subject to security assessment conducted by the CAC prior to any cross-border transfer of data if the transfer involves (i) important data; (ii) personal information transferred overseas by operators of critical information infrastructure or a data processor that has processed personal data of more than one million persons; (iii) personal information transferred overseas by a data processor which has already provided personal data of 100,000 persons or sensitive personal data of 10,000 persons overseas since January 1 of the preceding year; or (iv) other circumstances as required by the CAC. In addition, any cross-border data transfer activities conducted in violation of the Measures for the Security Assessment of Cross-border Data Transfer before the effectiveness of such measures are required to be rectified within 6 months of the effectiveness date thereof. Since these measures are relatively new, there are still substantial uncertainties with respect to the interpretation and implementation of these measures in practice and how they will affect our business operation.

The Cyber Security Law, the Data Security Law and the Personal Information Protection Law are relatively new and subject to interpretation by the regulators. Although we only gain access to user information that is necessary for, and relevant to, the services provided, the data we obtain and use may include information that is deemed as “personal information,” “network data” or “important data” under the relevant data privacy and protection laws and regulations. As such, we have adopted a series of measures to ensure that we comply with relevant laws and regulations in the collection, use, disclosure, sharing, storage, and security of user information and other data. The Data Security Law also stipulates that the relevant authorities will formulate the catalogs for important data and strengthen the protection of important data, and state core data, i.e., data having a bearing on national security, the lifelines of national economy, people’s key livelihood and major public interests, should be subject to stricter management system. See “Item 4.B. Information on the Company—Business Overview— Regulations.” The exact scopes of important data and state core data remain unclear and may be subject to further interpretation. If any data that we are in possession of constitutes important data or state core data, we may be required to adopt stricter measures for protection and management of such data.

While we take all these measures to comply with all applicable data privacy and protection laws and regulations and although we believe that we have complied with such laws and regulations issued by the CAC in all material aspects, we cannot guarantee the effectiveness of the measures undertaken by us and business partners, and such measures may still be determined as insufficient, improper, or even as user-privacy invasive, by the relevant authorities, which may result in penalties against us. The activities of third parties such as our customers and business partners are beyond our control. If our business partners violate the laws and regulations relating to data privacy and personal information protection, or fail to fully comply with the service agreements with us, or if any of our employees fail to comply with our internal control measures and misuse the information, we may be subject to penalties and other legal liabilities. As part of the efforts by the CAC and other regulators to enhance data protection, a wide number of apps and companies have been reprimanded since the first half of 2021, including certain Baidu apps. We have updated the apps and will be committed to keeping our apps fully compliant with the requirements of the CAC. Nevertheless, due to the rapidly evolving regulatory requirements, we still cannot guarantee you that we will not be subject to more similar rectification requests from the governmental authorities or that we will fully comply with all applicable rules and regulations at all times. In addition, as the PRC regulators and enforcement regime with regard to cybersecurity, data security, data privacy and personal information protection has been evolving and PRC regulators have been increasingly focusing on regulation in these areas, some of our business operations, in particular our cloud services, may be subject to enhanced oversight and scrutiny. As a result, we may be involved with enquiries, claims, complaints or other administrative actions from time to time, which are subject to the uncertainties associated with the evolving legislative activities and varied local enforcement practices. Any failure or perceived failure to comply with all applicable data privacy and protection laws and regulations or to take prompt rectification actions as required by the enforcement authorities, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with our internal control measures, may result in negative publicity and legal proceedings or regulatory actions against us, and could damage our reputation, discourage current and

potential users and customers from using our products or services and subject us to fines, damages and rectification, which could have a material adverse effect on our business and results of operations.

Compliance with the above laws and regulations of mainland China, including the PRC National Security Law, the Cyber Security Law, the Measures for Cybersecurity Review, the Data Security Law and, as well as additional laws and regulations that PRC regulatory bodies may enact in the future, including data security and personal information protection laws and policies, rules and regulations on specific industries such as education and game, may result in decrease in revenue, and additional expenses to us and subject us to negative publicity, which could harm our reputation and business operations. There are also uncertainties with respect to how such laws and regulations will be implemented and interpreted in practice. For example, PRC regulators, including the Ministry of Public Security, the MIIT, the State Administration for Market Regulation, or the SAMR, and the CAC, have been increasingly focused on regulation in the areas of data security and data protection, and are enhancing the protection of privacy and data security by rule-making and enforcement actions at central and local levels.

Besides the evolving regulatory requirements on cybersecurity and data privacy in mainland China, which may be subject to varying interpretations or significant changes and may result in uncertainties about the scope of our responsibilities in that regard, there are also a number of legislative proposals in the European Union and the United States, at both the federal and state level, as well as other jurisdictions that could impose new obligations in areas affecting our business. New laws or regulations concerning data protection, or the interpretation and application of existing consumer and data protection laws or regulations, which are often uncertain and in flux, may be inconsistent with our practices. The introduction of new products or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny. Complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. For example, if the new laws and regulations promulgated in the future impose restrictions on selling demographically targeted advertising, it could increase our cost and the complexity to provide such services such that we may become less attractive to online advertising customers. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services.

Any failure or perceived failure by us to prevent information security breaches or to comply with data security and privacy policies or related legal obligations, or any compromise of security that results in the unauthorized use, release or transfer of personally identifiable information or other data, could cause our users to lose trust in us and could expose us to legal claims or penalties. Any perception by the public that privacy of user information or data security are becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of our products and services generally. We expect that these areas will be subject to greater public scrutiny and attention from regulators and more frequent and rigid investigation or review by regulators, which will increase our compliance costs and subject us to heightened risks and challenges. We may have to spend much more personnel cost and time evaluating and managing these risks and challenges in connection with our products and services in the ordinary course of our business operations, and cooperated and will keep cooperating in the future with the competent regulators in these respects. If we are unable to manage these risks, we could become subject to penalties, including fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

Our business may be adversely affected if we were found to have failed to fulfill the additional obligations under the online advertising rules.

Although the PRC Advertising Law has not specified “paid search results” as a form of advertising, the Interim Administration Measures of Internet Advertising, or the Internet Advertising Measures, which was promulgated by the State Administration for Industry and Commerce (currently known as the SAMR) and became effective on September 1, 2016, characterizes “paid search results” as a form of internet advertising from

the perspective of regulating the online advertising business. Pursuant to the Internet Advertising Measures, we are subject to additional legal obligations to monitor our P4P customers' listings on our website during the course of our provision of P4P services. For example, we must examine, verify and record identity information of our P4P customers, such as the customer's name, address and contact information, and maintain an updated verification of such information on a regular basis. Moreover, we must examine supporting documentation provided by our P4P customers. Where a special government review is required for specific categories of advertisements before posting, we must confirm that the review has been performed and approval has been obtained. If the content of the advertisement is inconsistent with the supporting documentation, or the supporting documentation is incomplete, the advertisement cannot be published. On November 26, 2021, the SAMR promulgated the draft of the Measures for the Administration of Internet Advertisements for public comment. Although the draft measures do not refer to paid search results, it stipulates that the promotion of commodities or services in the form of paid listing on the Internet must be conspicuously identified as an advertisement. The draft measures further require advertisers, operators and publishers of internet advertisements containing links to examine the contents in the next level link. As of the date of this annual report, such draft measures were released for public comment only, and their provisions and the anticipated adoption or effective date may be subject to change with substantial uncertainty. In addition, the PRC government may, from time to time, promulgate new advertising laws and regulations in the future to impose further requirements on online advertising services relating to medical, pharmaceutical, health care, after-school tutoring and other similar businesses. For example, the Circular on the Administration of After-School Tutoring Advertisement jointly issued by the SAMR and seven other authorities on November 3, 2021 prohibits new media, internet platforms and other mainstream media from publishing or broadcasting any advertisement of after-school tutoring services targeted at pre-school children and primary and middle school students. Similarly, the draft of the Measures for the Administration of Internet Advertisements also proposes to ban internet advertisement of such after-school tutoring services. We cannot assure you that we will be in compliance with the requirements under these new laws and regulations. Failure to comply with these obligations may subject us to fines and other administrative penalties. If advertisements shown on our platform are in violation of applicable advertising laws and regulations, or if the supporting documentation and government approvals provided to us by our P4P customers in connection with the advertising content are not complete or accurate, we may be subject to legal liabilities and our reputation could be harmed. Furthermore, we may modify the operation of our online marketing business and curb advertisements of certain restricted sectors in order to meet the evolving compliance requirements on the industry, which may adversely affect our online marketing revenue. See "Item 4.B. Information on the Company—Business Overview—Regulations—Regulations on Advertisements and Online Advertising."

We may be subject to patent infringement claims with respect to our P4P platform.

Our technologies and business methods, including those relating to our P4P platform, may be subject to third-party claims or rights that limit or prevent their use. We applied for certain patents in mainland China for our P4P platform, but some of our applications were rejected on the ground that they are not patentable. Certain U.S.-based companies, including Overture Services Inc., have been granted patents in the United States relating to P4P platforms and similar business methods and related technologies. While we believe that we are not subject to U.S. patent laws since we conduct our business operations primarily in mainland China, we cannot assure you that U.S. patent laws would not be applicable to our business operations, or that holders of patents relating to a P4P platform would not seek to enforce such patents against us in the United States or mainland China.

Many parties are actively developing and seeking protection for internet-related technologies, including patent protection. They may hold patents issued or pending that relate to certain aspects of our technologies, products, business methods or services. Any patent infringement claims, regardless of their merits, could be time-consuming and costly to us. If we were sued for patent infringement claims with respect to our P4P platform and were found to infringe upon the patents and were not able to adopt non-infringing technologies, we may be severely limited in our ability to operate our P4P platform, which would have a material and adverse effect on our results of operations and prospects.

Our business may be adversely affected by third-party software apps or practices that interfere with our receipt of information from, or provision of information to, our users, which may impair our users' experience.

Our business may be adversely affected by third-party malicious or unintentional software apps that make changes to our users' computers and interfere with our products and services. These software apps may change our users' internet experience by hijacking queries to our platform, altering or replacing our search results, or otherwise interfering with our ability to connect with our users. The interference often occurs without disclosure to or consent from users, resulting in a negative experience, which users may associate with our platform. These software apps may be difficult to remove or disable, may reinstall themselves and may circumvent other apps' efforts to block or remove them.

In addition, our business may be adversely affected by the practices of third-party website owners, content providers and developers which interfere with our ability to crawl and index their web pages and contents including apps. The ability to provide a superior user experience is critical to our success. If we are unable to successfully combat malicious third-party software apps that interfere with our products and services, our reputation may be harmed. If a significant number of website owners, content providers and developers prevent us from indexing and including their high-quality web pages and content including apps in our search results, or if we cannot effectively combat web spam from low-quality and irrelevant content websites, the quality of our search results may be impaired, which may damage our reputation and deter our current and potential users from using our products and services.

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

We rely on a combination of copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods to protect our intellectual property rights. The protection of intellectual property rights in mainland China may not be as effective as those in the United States or other jurisdictions. The steps we have taken may be inadequate to prevent the misappropriation of our technology. Reverse engineering, unauthorized copying or other misappropriation of our technologies could enable third parties to benefit from our technologies without paying us. Moreover, unauthorized use of our technology could enable our competitors to offer products and services that compete with ours, which could harm our business and competitive position. We have in the past resorted to litigation to enforce our intellectual property rights, and may have to do so from time to time in the future. There is no guarantee that the competent courts will accept our claims and rule in our favor. Such litigation may result in substantial costs and diversion of resources and management attention.

Our success depends on the continuing and collaborative efforts of our management team and other key personnel, and our business may be disrupted if we lose their services and are not able to find their successors in a timely manner.

Our success depends heavily upon the continuing services of our management team, in particular our chairman and chief executive officer, Robin Yanhong Li. If one or more of our executives or other key personnel are unable or unwilling to continue in their present positions and we are not able to find their successors in a timely manner, our business may be disrupted and our financial condition and results of operations may be adversely affected. Competition for management and key personnel is intense, the pool of qualified candidates is limited, and we may not be able to retain the services of our executives or key personnel, or attract and retain experienced executives or key personnel in the future.

If any of our executives or other key personnel joins a competitor or forms a competing company, we may not be able to successfully retain customers, key agents, know-how and key personnel. Each of our executive officers and key employees has entered into an employment agreement with us, containing confidentiality and non-competition provisions. If any disputes arise between any of our executives or key personnel and us, we cannot assure you the extent to which any of these agreements may be enforced.

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We rely on highly skilled personnel. If we are unable to retain or motivate them or hire additional qualified personnel, we may not be able to grow effectively.

Our performance and future success depend on the talents and efforts of highly skilled individuals. We will need to continue to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization and business operations. Competition for qualified employees in the industries we operate in is intense. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees. As competitions in our industries intensify, it may be more difficult for us to hire, motivate and retain highly skilled personnel. In general, if we do not succeed in attracting additional highly skilled personnel or retaining or motivating our existing personnel, we may be unable to grow effectively. In certain emerging industry, such as autonomous driving, many players with sufficient funds would heavily devote their resources to compete for talents with us. To keep our competitiveness and market position, we would need to, among others, recruit, train and retain our key talents and employees, in particular research and development personnel. If we fail to do so, we may lag behind with respect to the ever-emerging and cutting-edge technologies in the emerging industry, and our prospects in such industry would be ultimately harmed.

We are exposed to significant downward adjustments or impairments in the market values of our investments, which may materially affect our financial results.

As part of our business strategy, we have investments in both private and public companies. Fair values of these investments can be negatively impacted by fluctuations in the share prices of public companies we own, the fair value of private companies we own, liquidity, credit deterioration or losses, financial results, foreign exchange rates, changes in interest rates, or other factors. In addition, after adopting ASC Topic 321, *Investments—Equity Securities* (“ASC 321”), on January 1, 2018, for investments previously accounted for using the cost method, we elected to use the measurement alternative to measure these investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. Equity securities with readily determinable fair values are measured at fair value, and any changes in fair value are recognized in earnings, instead of through other comprehensive income if they were previously designated as available for sale equity securities under legacy GAAP. The change of these equity securities’ fair value could result in significant fluctuation of our financial condition and operating results.

For example, we have recognized impairment charges on our long-term investments from 2020 to 2022 due to the impact of COVID-19, regulatory and competitive environment of the industries, circumstances of our invested companies and other factors. For instance, the market value of KE Holdings Inc. and DiDi Global Inc. declined, and the continuing low market price of its shares caused us to recognize a fair-value loss in 2021 and 2022. We may still suffer significant impairment loss or downward adjustments of our investments in the future, due to the potential worsening global economic conditions and the recent disruptions to, and volatility in, the global financial markets resulting from the ongoing COVID-19 pandemic and tense geopolitical conflicts. The carrying amounts of short-term investments, long-term investments, and long-term time deposits and held-to-maturity investments as of December 31, 2022 were RMB120.8 billion (US\$17.5 billion), RMB55.3 billion (US\$8.0 billion) and RMB23.6 billion (US\$3.4 billion), respectively. The value or liquidity of our investments could decline and result in a material impairment, which could materially adversely affect our financial condition and operating results.

We are subject to risks and uncertainties faced by companies in a rapidly evolving industry.

We operate in the rapidly evolving internet industry, which makes it difficult to predict our future results of operations. Accordingly, you should consider our future prospects in light of the risks and uncertainties experienced by companies in evolving industries. Some of these risks and uncertainties relate to our ability to:

- maintain our leading position in the Chinese-language internet search market;
- offer attractive, useful and innovative products and services to attract and retain a larger user base;

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- procure content from studios and other content providers, as well as distribution channels and other licensors of content;
- attract users' continuing use of internet search services;
- retain existing customers and attract additional customers and increase spending per customer;
- evaluate the credit worthiness and collectability of accounts receivables from an evolving variety of customers, whose failure to pay us in a timely manner may adversely affect our liquidity position;
- retain members and attract new members of iQIYI's membership services;
- upgrade our technology to support increased traffic and expanded product-and-service offerings;
- further enhance our brand;
- respond to competitive market conditions;
- respond to evolving user preferences or industry changes;
- respond to changes in the regulatory environment and manage legal risks, including those associated with intellectual property rights;
- maintain effective control of our costs and expenses;
- execute our strategic investments and acquisitions and post-acquisition integrations effectively;
- attract, retain and motivate qualified personnel and maintain good relations with a young and growing work force; and
- build profitable operations in new markets and other overseas internet markets we have entered into.

If we are unsuccessful in addressing any of these risks and uncertainties, our business may be materially and adversely affected.

Our indebtedness could adversely affect our financial condition and our ability to obtain additional capital on reasonable terms when necessary.

As of December 31, 2022, we had an aggregate of RMB83.7 billion (US\$12.1 billion) of outstanding indebtedness (including loans, convertible senior notes and notes payable), which will mature between 2023 and 2031, which include RMB21.2 billion (US\$3.1 billion) of outstanding indebtedness of iQIYI. On April 2, 2021, we entered into a five-year term and revolving facilities agreement with a group of 22 arrangers, pursuant to which we are entitled to borrow US\$3.0 billion with a term of five years and we have drawn down US\$2.0 billion (RMB13.8 billion) loan under the facility commitment. See "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources." We may incur additional indebtedness in the future. Our current and future debt requires us to dedicate a portion of our cash flow to service interest and principal payments and may limit our ability to engage in other transactions. Our ability to pay interest and repay the principal for our indebtedness is dependent upon our ability to manage our business operations, generate sufficient cash flows, raise additional capital and the other factors discussed in this section. There can be no assurance that we will be able to manage any of these risks successfully.

Certain of our outstanding indebtedness include financial and other covenants. For example, certain of these covenants require iQIYI to maintain minimum liquidity or pertain to iQIYI's solvency or listing status. If we fail to comply with these covenants and are unable to remedy or obtain a waiver or amendment, an event of default would result. If an event of default were to occur, the lenders could, among other things, declare outstanding amounts due and payable. In addition, outstanding notes of Baidu, Inc. contain customary cross default and cross acceleration provisions, which would permit the notes holders to accelerate the repayment of these notes. In particular, for certain of the outstanding notes of Baidu, Inc., an event of default or declaration of acceleration

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under the indebtedness of principal controlled entities, such as iQIYI, could also result in an event of default under such notes of Baidu, Inc., which would permit the notes holders to accelerate the repayment of such notes of Baidu, Inc. For more detailed description of cross default and cross acceleration provisions under these notes, see “Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources.” If the payment of any of our outstanding notes is accelerated, we may be required to renegotiate, repay or refinance these obligations and may not have sufficient funds available to repay it, and our liquidity and financial position would be materially and adversely affected.

We may require additional capital to support our business growth or to respond to business opportunities, challenges or unforeseen circumstances. Our ability to obtain additional capital, if and when required, will depend on our business plans, investor demand, our operating performance, the condition of the capital markets, and other factors, and our indebtedness may limit our ability to borrow additional funds. We may have difficulty incurring new debt on terms that we would consider to be commercially reasonable. In addition, we may also need to refinance a portion or all of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms of our existing debt.

iQIYI has significant working capital requirements, and our controlling interest in iQIYI may be diluted if iQIYI raises additional capital by issuing and selling additional equity in the future.

iQIYI, our controlled subsidiary listed on the Nasdaq Global Select Market, had experienced a working capital deficit as of December 31, 2020, 2021 and 2022. There is no assurance that iQIYI will be able to improve its working capital position and achieve working capital surplus, although iQIYI will take actions to manage its working capital. In March 2022, iQIYI issued ordinary shares for a total cash purchase price of US\$285 million in a private placement transaction. In December 2022, iQIYI issued US\$500 million convertible senior notes due January 2028, or the iQIYI PAG Notes, to PAGAC IV-1 (Cayman) Limited, PAG Pegasus Fund LP and/or their affiliates, collectively referred to as PAG in this annual report. In February 2023, iQIYI issued to PAG an additional US\$50 million principal amount of the iQIYI PAG Notes upon its exercise to subscribe for additional notes in full. In January 2023, iQIYI completed a registered follow-on public offering of iQIYI’s ordinary shares in the form of ADSs and received net proceeds of US\$500 million in aggregate. In March 2023, iQIYI completed an offering of US\$600 million in aggregate principal amount of 6.50% convertible senior notes due March 2028, or the iQIYI 2028 Convertible Notes. Concurrently with and shortly after the offering of the iQIYI 2028 Convertible Notes, iQIYI entered into separate individually and privately negotiated agreements with certain holders of the iQIYI 2026 Convertible Notes to repurchase US\$340 million principal amount of such notes for cash. There can be no assurance that iQIYI will be able to raise additional equity or debt financing on terms that are acceptable to iQIYI in the future. Any failure to do so as and when necessary could materially adversely affect iQIYI’s liquidity, results of operations, financial condition and ability to operate. In addition, when iQIYI obtains additional financing by issuing and selling additional equity or equity-linked securities, such as convertible bonds, our interest in iQIYI will be diluted.

iQIYI operates in a capital intensive industry and requires a significant amount of cash to fund its operations, content acquisitions and technology investments. If iQIYI cannot obtain sufficient capital, its business, financial condition and prospects may be materially and adversely affected.

The operation of an internet video streaming platform requires significant and continuous investment in content and technology. Producing high-quality original content is costly and time-consuming and it will typically take a long period of time to realize returns on investment, if at all. To date, iQIYI has financed its operations primarily with net cash generated from financing activities such as placements of shares, convertible senior notes and asset-based securities, bank loans, and the proceeds from its initial public offering and offering of securities. In order to implement its growth strategies, iQIYI will incur additional capital in the future to cover, among others, costs to produce and license content. iQIYI may need to obtain additional financing, including

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equity offerings or debt financing, to fund the operation and expansion of business. iQIYI's ability to obtain additional financing in the future, however, is subject to a number of uncertainties, including those relating to:

- iQIYI's future business development, financial condition and results of operations;
- general market conditions for financing activities by companies in iQIYI's industry; and
- macro-economic and other conditions in mainland China and elsewhere.

As a public company with a growing business, iQIYI expects to increasingly rely on net cash provided by operating activities, financing through capital markets and commercial banks for its liquidity needs. However, iQIYI cannot assure you that it will be successful in its efforts to further diversify its sources of liquidity and obtain financing. In addition, certain financing may pose additional capital needs on iQIYI, for example, the potential redemption by holders of iQIYI's convertible notes. As of December 31, 2021, there was substantial doubt regarding iQIYI's ability to continue as a going concern as it did not have sufficient funds without securing additional financing to repurchase all or a significant portion of its outstanding 2025 convertible notes if redeemed by noteholders on April 1, 2023. iQIYI has implemented plans and improved its financial position by reducing discretionary capital expenditures and operational expenses and secured additional financing. As a result of the improved operating cash flows, coupled with the plans and funds raised, the substantial doubt regarding iQIYI's ability to continue as a going concern has been resolved. See "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources." Further, inability to maintain liquidity or solvency might result in default under iQIYI's existing indebtedness, which would pose additional repayment needs and negatively impact iQIYI's ability to raise more funds through new financing. Moreover, the potential worsening global economic conditions and the recent disruptions to, and volatility in, the global financial markets resulting from factors such as the ongoing COVID-19 pandemic and tense geopolitical conflicts, may adversely impact iQIYI's ability to secure additional financing. If iQIYI cannot obtain sufficient capital to meet its capital needs, iQIYI may not be able to execute its growth strategies and its business, financial condition and prospects may be materially and adversely affected.

Our results of operations may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectations.

Our results of operations may fluctuate as a result of a number of factors, many of which are beyond our control. For these reasons, comparing our results of operations on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual revenues and costs and expenses as a percentage of our revenues may be significantly different from our historical or projected figures. Our results of operations in future quarters may fall below expectations. We have ceased or downsized certain of our business, such as games and education, in the past year due to the changing business and regulatory environment in China, which had an adverse effect on our financial results. We cannot assure you that similar cessation or downsize of business will not take place in the future, and our financial results may be adversely affected. Any of the foregoing could cause the price of our ADSs to fall. Any of the risk factors listed in this "Risk Factors" section, and in particular the following factors, could cause our results of operations to fluctuate from quarter to quarter:

- general economic conditions in China and economic conditions specific to the internet, internet search and feed, and online marketing industries;
- our ability to continue to attract users to our platform despite the emergence of mobile apps and other services;
- our ability to retain existing customers, attract additional customers and increase spending per customer;
- the announcement or introduction of new or enhanced products and services by us or our competitors;
- the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our businesses, operations and infrastructure;

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- the results of our acquisitions of, or investments in, other businesses or assets;
- Mainland China’s regulations or government actions pertaining to activities on the internet, including various forms of entertainment, online payment and activities otherwise affecting our online marketing customers, and those relating to the products and services we provide;
- unforeseen events, such as negative publicity arising from widespread media coverage and other sources and labor disputes, or unexpected cessation or downsize of existing business; and
- geopolitical events, natural disasters or epidemics.

Because of the rapid growth of our business, our historical results of operations may not be useful to you in predicting our future results of operations. Our user traffic tends to be seasonal. For example, we generally experience less user traffic during public holidays and other special event periods in China. In addition, advertising and other marketing spending in China has historically been cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. As we continue to grow, we expect that the cyclicity and seasonality in our business may cause our results of operations to fluctuate.

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

COVID-19 has had a severe and negative impact on the Chinese and global economy since early 2020. Whether this will lead to a prolonged downturn in the economy is still unknown, especially considering the multiple recent outbreaks in various countries and regions as well as the uncertainties brought by the vaccination programs. Even before the outbreak of COVID-19, the global macroeconomic environment had been facing challenges. The growth of the Chinese economy has gradually slowed down in recent years and the trend may continue. There is considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa. Recently, the Russia-Ukraine war has caused, and continues to intensify, significant geopolitical tensions in Europe and across the global. The resulting sanctions are expected to have significant impacts on the economic conditions of the targeted countries and markets. There have also been concerns on the relationship between China and other countries, including surrounding Asian countries, which may potentially lead to foreign investors closing down their businesses or withdrawing their investments in China and, thus, exiting the China market, and other economic effects. In particular, there are significant uncertainties about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may have a negative impact on our business, results of operations and financial condition, and continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs. Our customers may reduce or delay spending with us, while we may have difficulty expanding our customer base fast enough, or at all, to offset the impact of decreased spending by our existing customers. In addition, to the extent we offer credit to any customer and the customer experiences financial difficulties due to the economic slowdown, we could have difficulty collecting payment from the customer.

Rising international political tensions, including changes in U.S. and international trade policies, particularly with regard to China, may adversely impact our business and operating results.

The U.S. government has made statements and taken certain actions that may lead to changes in U.S. and international trade policies towards China. In January 2020, the “Phase One” agreement was signed between the United States and China on trade matters. However, it remains unclear what additional actions, if any, will be taken by the U.S. or other governments with respect to international trade agreements, the imposition of tariffs on

goods imported into the United States, tax policy related to international commerce, or other trade matters. While cross-border business may not be an area of focus for us, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our products and services, impact the competitive position of our products or prevent us from selling products in certain countries. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government takes retaliatory trade actions due to recent U.S.-China trade tensions, such changes could have an adverse effect on our business, financial condition and results of operations.

In addition, we have been closely monitoring domestic policies in the United States designed to restrict certain Chinese companies from supplying or operating in the U.S. market. These policies include the Clean Network project initiated by the U.S. Department of State in August 2020, new authorities granted to the Department of Commerce to prohibit or restrict the use of information and communications technology and services, or ICTS, and Executive Order on Protecting America’s Sensitive Data from Foreign Adversaries published in June 2021. While a substantial majority of our business is conducted in mainland China, policies like these may deter U.S. users from accessing and/or using our search engine, apps and other products in the United States, which could adversely impact our user experience and reputation. Similarly, India has permanently banned a large number of apps since 2020 out of national security concerns, many of which are China-based apps (including our apps), escalating regional political and trade tensions. From time to time, in connection with perceived security incidents, the U.S. government may impose more stringent control measures or restrictions on the products and services of Chinese companies. The government measures taken and potential subsequent developments are beyond our control, and we could be adversely affected regardless whether or not we were actually involved in the incidents.

Likewise, we are monitoring policies in the United States that are aimed at restricting U.S. persons from investing in or supplying certain Chinese companies. The United States and various foreign governments have imposed controls, license requirements and restrictions on the import or export of technologies and products (or voiced the intention to do so). For instance, in October 2022, the U.S. government imposed a set of export control measures with respect to China (“the October 2022 Export Control Measures”). Among other things, these measures add certain semiconductor manufacturing equipment, advanced chips, and items containing such chips to the Commerce Control List (CCL); expand the number of items made outside the United States that are subject to U.S. export controls in the advanced computing and semiconductor context; and add license requirements for certain items destined for China for use in supercomputers, the development or production of semiconductors or semiconductor manufacturing equipment, or destined for semiconductor fabrication facilities in China that produce certain advanced chips. These measures also restrict the ability of U.S. persons to provide “support” for semiconductor manufacturing and related activities in China and may affect the ability of certain Chinese companies, including us, to purchase or obtain certain semiconductor manufacturing equipment or advanced chips, which may in turn affect the operations and development of AI technologies of such companies.

In addition, the United States is in the process of developing new export controls with respect to “emerging and foundational” technologies, which may include certain AI and semiconductor technologies. The U.S. government also reportedly is considering imposing new restrictions on the ability of U.S. persons to make investments in or engage in transactions with certain Chinese companies. The United States has also restricted U.S. persons from investing in publicly-traded securities of “Chinese Military-Industrial Complex” companies identified by the Treasury Department. Measures such as these could deter suppliers in the United States and/or other countries that impose export controls and other restrictions from providing technologies and products to, making investments in, or otherwise engaging in transactions with Chinese companies.

As a result of these and other measures, Chinese companies may have to identify and secure alternative supplies or sources of financing, which they may not be able to do so in a timely manner and at commercially acceptable terms, or at all. In addition, Chinese companies may have to limit and reduce their research and

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development and other business activities, or cease conducting transactions with parties, in the United States and other countries that impose export controls or other restrictions. Like other Chinese companies, our business, financial condition and results of operations could be adversely affected as a result.

Failure to retain key third-party agents or attract additional third-party agents, or termination of our relationship with third-party agents could materially and adversely affect our business. Moreover, there is no assurance that our direct sales model in some key geographic markets will continue to be successful.

We rely, to a large extent, on a nationwide distribution network of third-party agents for our sales to, and collection of payment from, our customers. The operations and conduct of such third-party agents are beyond our control. They may fail to provide quality services to our customers or otherwise breach their contracts with our customers, or experience operational or financial difficulties or run out of business, or engage in misconduct with respect to our sales and our customers. If any of the foregoing issues arise, we may terminate our relationship with third-party agents, lose customers and our results of operations may be materially and adversely affected. In the past, there had been alleged incidents of certain of our employees and consultants colluding with third-party agents in illegal activities. Although we have zero tolerance towards any illegal activities and have internal policies and procedures against employee misconduct, we cannot assure you that our employees would always comply with such policies and procedures, nor can we control third-party agents' conduct or guarantee that such incidents would not happen again. In addition, since most of third-party agents are not bound by long-term contracts, we cannot assure you that we will continue to maintain favorable relationships with them. If we fail to retain key third-party agents or attract additional ones on terms that are commercially reasonable, our business and results of operations could be materially and adversely affected. We may decide to terminate existing third-party agents and transition to new ones or to our own distribution channel. If we decide and fail to smoothly transition our business to new third-party agents or to our own distribution channel, our business and results of operations could be materially and adversely affected.

We have transitioned to using our direct sales force to serve customers in some key geographic markets, such as Beijing, Shanghai and other cities. There is no assurance that our direct sales model in those markets will continue to be successful. If we fail to maintain an adequate direct sales force, retain existing customers and continue to attract new customers in those markets, our business, results of operations and prospects could be materially and adversely affected.

We may not be able to detect or prevent misconduct committed by our employees or third parties.

Misconduct by our employees, such as unauthorized business transactions, bribery, corruption and breach of our internal policies and procedures, or by consultants or other third parties, such as breach of law, may be difficult to detect or prevent. It could subject us to financial loss and sanctions imposed by governmental authorities while seriously damaging our reputation. This may also impair our ability to effectively attract prospective users, develop customer loyalty, obtain financing on favorable terms and conduct other business activities. Our risk management systems, information technology systems and internal control procedures are designed to monitor our operations and overall compliance. Historically we have identified certain incidents of employee and third-party misconduct. However, there can be no assurance we will be able to identify non-compliance or illegal activities promptly, or at all. Furthermore, it is not always possible to detect and prevent misconduct committed by our employees or third parties, and the precautions we take to prevent and detect such activities may not be effective. This may materially and adversely affect our business, brand, financial condition and results of operations.

We rely on Baidu Union partners for a significant portion of our revenues. If we fail to retain existing Baidu Union partners or attract additional members, our revenue growth and profitability may be adversely affected.

We pay Baidu Union partners a portion of our revenues as we leverage traffic of the Baidu Union partners' internet properties. Some of Baidu Union partners, however, may compete with us in one or more areas of our

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business. Therefore, they may decide in the future to terminate their relationships with us. If Baidu Union partners decide to use a competitor's or their own internet search services, or if our competitors offer more attractive prices to bid for union traffic, our user traffic may decline, which may adversely affect our revenues. If we fail to attract additional Baidu Union partners, our revenue growth may be adversely affected. In addition, if we have to share a larger portion of our revenues to retain existing Baidu Union partners or attract additional partners, our profitability may be adversely affected.

Our overseas operations may not be successful.

We have launched products and services in local languages to internet users in several countries. It is uncertain when the operation will become profitable, if at all. In particular, we rely on local telecommunication operators and service providers to provide us with network services and data center hosting services, and our systems for these international products and services are not redundant across different regions and data centers. Any interruption to the internet infrastructure or any data center may render our products and services in the region unavailable.

We face certain risks inherent in doing business internationally, including:

- difficulties in developing, staffing and simultaneously managing a foreign operation as a result of distance, language and cultural differences;
- challenges in formulating effective local sales and marketing strategies targeting users from various jurisdictions and cultures, who have a diverse range of preferences and demands;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them;
- dependence on local platforms in marketing our international products and services overseas;
- challenges in selecting suitable geographical regions for international business;
- longer customer payment cycles;
- currency exchange rate fluctuations;
- political or social unrest or economic instability;
- compliance with applicable foreign laws and regulations and unexpected changes in laws or regulations;
- exposure to different tax jurisdictions that may subject us to greater fluctuations in our effective tax rate and potentially adverse tax consequences; and
- increased costs associated with doing business in foreign jurisdictions.

One or more of these factors could harm our overseas operations and consequently, could harm our overall results of operations.

If we are unable to adapt or expand our existing technology infrastructure to accommodate greater traffic, content or additional customer requirements, our business may be harmed.

Our Baidu platform regularly serves a large number of users and customers and delivers a large number of daily page views. Our technology infrastructure is highly complex and may not provide satisfactory service in the future, especially as the number of users and customers increases. We may be required to upgrade our technology infrastructure to keep up with the increasing traffic on our Baidu platform, such as increasing the capacity of our servers and the sophistication of our software. If we fail to adapt our technology infrastructure to accommodate greater traffic or customer requirements, our users and customers may become dissatisfied with our services and switch to our competitors' websites, which could harm our business.

If we fail to detect fraudulent click-throughs, our customers' confidence in us could be damaged and our revenues could decline.

We are exposed to the risk of click-through fraud on our paid search results. Click-through fraud occurs when a person clicks paid search results for a reason other than to view the underlying content of search results. Although our anti-spam algorithms and tools can identify and respond to spam web pages quickly and effectively and thus capture and prevent some fraudulent click-throughs, there is no assurance that our anti-spam technology is able to detect and stop all fraudulent click-throughs. If we fail to detect fraudulent clicks or otherwise are unable to prevent this fraudulent activity, the affected customers may experience a reduced return on investments, or ROI, in our online marketing services and lose confidence in the integrity of our systems, and we may have to issue refunds to our customers. If this happens, we may be unable to retain existing customers or attract new customers for our online marketing services, and our online marketing revenues could decline. In addition, affected customers may also file legal actions against us claiming that we have over-charged or failed to refund them. Any such claims or similar claims, regardless of their merits, could be time-consuming and costly for us to defend against and could also adversely affect our brand and our customers' confidence in the integrity of our systems. We experienced a number of incidents involving fraudulent click-throughs in recent years. Although the amount of revenue involved in these incidents was immaterial, such cases of fraudulent click-throughs, if occurring on a large-scale and widespread manner, may damage the reputation of our search ecosystem.

The successful operation of our business depends upon the performance and reliability of the internet infrastructure and fixed telecommunications networks in China.

Our business depends on the performance and reliability of the internet infrastructure in China. Almost all access to the internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. In addition, the national networks in mainland China are connected to the internet through international gateways controlled by the PRC government. These international gateways are the only channels through which a domestic user can connect to the internet. It is unpredictable whether a more sophisticated internet infrastructure will be developed in mainland China. We may not have access to alternative networks in the event of disruptions, failures or other problems with mainland China's internet infrastructure. In addition, the internet infrastructure in mainland China may not support the demands associated with continued growth in internet usage.

We rely heavily on China Telecommunications Corporation, or China Telecom, China United Network Communications Group Company Limited, or China Unicom, and China Mobile Communications Corporation, or China Mobile, to provide us with network services and data center hosting services. We have entered into contracts with various local branches or subsidiaries of China Telecom, China Unicom and China Mobile to obtain data communications capacity. We have limited access to alternative services in the event of disruptions, failures or other problems with the fixed telecommunications networks of these companies, or if these companies otherwise fail to provide the services. Any unscheduled service interruption could damage our reputation and result in a decrease in our revenues. Furthermore, we have no control over the costs of the services provided by these telecommunication companies. If the prices that we pay for telecommunications and internet services rise significantly, our gross margins could be adversely affected. In addition, if internet access fees or other charges to internet users increase, our user traffic may decrease, which in turn may harm our revenues.

Security breaches and improper access to or disclosure of our data or user data, or any system failure or compromise of our security, could harm our reputation and adversely affect our business.

Our business is prone to cyber-attacks seeking unauthorized access to our data or user data or to disrupt our ability to provide services. Any failure to prevent or mitigate security breaches and improper access to or disclosure of our data or user data, such as personal information, including names, accounts, user IDs and passwords, and payment or transaction related information, could result in the loss or misuse of such data, which

could cause a loss or give rise to liabilities to the owners of confidential information, such as our users, customers, third-party agents, content providers and Baidu Union partners, subject us to penalties imposed by administrative authorities, and disrupt our operations. For example, Baidu Drive provides services to many individual users who may upload sensitive personal information and documents of significance to Baidu Drive. In the event of an unauthorized access, such information and documents might be leaked or even further sold through illegal means. In addition, computer malware, viruses, social engineering (predominantly spear phishing attacks), and general hacking have become more prevalent in our industry, have occurred on our systems in the past, and may occur again on our systems in the future. We also regularly encounter attempts to create false or undesirable user accounts, purchase ads, or take other actions on our platform for purposes such as spamming, spreading misinformation, or other objectionable ends. As a result of our prominence, the size of our user base, and the types and volume of personal data on our systems, we believe that we are a particularly attractive target for such breaches and attacks. Such attacks may cause interruptions to the services we provide, degrade the user experience, cause users or customers to lose confidence and trust in our products and services, impair our internal systems, or result in financial harm to us.

We have adopted strict information security policies and deployed advanced measures to implement the policies, including, among others, advanced encryption technologies. However, we may not be able to implement adequate preventative measures or prevent compromises or breaches of our preventative measures due to the evolution of the sophistication of cyber-attacks, advances in technology, an increased level of sophistication and diversity of our products and services, an increased level of expertise of hackers, new discoveries in the field of cryptography or others, software bugs or other technical malfunctions, employee, contractor, or vendor error or malfeasance, government surveillance, or other evolving threats. As a result, we may incur significant costs in protecting against or remediating cyber-attacks.

In addition, some of our developers or other partners, such as those that help us measure the effectiveness of advertisements, may receive or store information provided by us or by our users through mobile or web applications integrated with our products. We provide limited information to such third parties based on the scope of services provided to us. However, if these third parties fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our data or our users' data may be improperly accessed, used, or disclosed.

Affected users or government authorities could initiate legal or regulatory actions against us in connection with any actual or perceived security breaches or improper disclosure of data, which could cause us to incur significant expense and liabilities or result in orders or consent decrees forcing us to modify our business practices. Such incidents or our efforts to remediate such incidents may also result in a decline in our user base or engagement levels. Any of these events could have a material and adverse effect on our business, reputation, or results of operations.

Defects or errors in our products or services could diminish demand for our products or services, harm our business and results of operations and subject us to liability.

Our customers use our products for important aspects of their personal lives or businesses. Any errors, defects or disruptions to our products and any other performance problems with our products could damage our customers' personal lives or businesses and, in turn, hurt our brand and reputation. We provide regular updates to our products, which have in the past contained, and may in the future contain, undetected errors, failures, vulnerabilities and bugs when first introduced or released. Real or perceived errors, failures or bugs in our products could result in negative publicity, loss of or delay in market acceptance of our platform, loss of competitive position, lower customer retention or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem. In addition, we may not carry insurance to compensate us for any losses that may result from claims arising from defects or disruptions in our products. As a result, our reputation and our brand could be harmed, and our business, results of operations and financial condition may be adversely affected.

Concerns and unfavorable media coverage relating to our privacy practices could damage our reputation, deter current and potential users and customers from using our products and services and negatively impact our business.

The internet industry is facing significant challenges with respect to information security and privacy, including the storage, transmission and sharing of confidential information. The general public, our users, customers, third-party agents, content providers and Baidu Union partners are increasingly aware of the vulnerability of confidential and private information. We will continue to experience media or regulatory scrutiny of our actions or decisions regarding user privacy, content or advertising. Furthermore, concerns have been expressed from time to time about whether our products, services or processes could compromise the privacy of users and others.

We transmit and store confidential and private information of our users, customers, third-party agents, content providers and Baidu Union partners, such as personal information, including names, accounts, user IDs and passwords, and payment or transaction related information. Historically there has been negative publicity or media reports making allegations about our practice, and we cannot rule out similar possibilities of such in the future. Although we strive to comply with all privacy related requirements, we cannot guarantee that our products or services are at all times without defect due to the complexity and rapid evolution of technology, etc. Concerns about our practices with regard to the collection, use, disclosure, or security of personal information or other privacy related matters, and any negative publicity on our information safety or privacy protection mechanism and policy, even if unfounded, has in the past, and could adversely affect our business and results of operations and financial condition. Such concerns and negative publicity could damage our reputation and brand, and have an adverse effect on the size, engagement and loyalty of our user base, which could adversely affect our business and results.

If we fail to maintain an effective system of internal control over financial reporting, we may lose investor confidence in the reliability of our financial statements.

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on the company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of its internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company's internal control over financial reporting. We have been subject to these requirements since the fiscal year ended December 31, 2006.

Our management has concluded that our internal control over financial reporting was effective as of December 31, 2022. See "Item 15. Controls and Procedures." Our independent registered public accounting firm has issued an attestation report, which has concluded that our internal control over financial reporting was effective in all material aspects as of December 31, 2022. However, if we fail to maintain an effective system of internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. This could in turn result in loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our Class A ordinary shares and/or ADSs. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements.

Termination or other changes of related party transactions in the ordinary course of business may have an adverse impact on our results of operations and financial performance.

Certain parties with which we transact may be deemed as our related parties by virtual of our equity interests in or significant influence over them. We have entered into transactions with these related parties in the

ordinary course of business such as providing online marketing and/or other services to them. In 2020, 2021 and 2022, we had related party transactions of RMB2.8 billion, RMB4.4 billion and RMB4.4 billion (US\$0.6 billion) in aggregate, respectively, in connection with online marketing and other services provided to related parties in our ordinary course of business. Please refer to “Item 7. Major Shareholders and Related Party Transactions” for more details. However, such related party transactions may discontinue in the future for a variety of reasons, such as the development status of relevant business or our relationship with the relevant parties. For example, a party may cease to be our related party, when we strategically dispose of our equity interests or otherwise cease to have significant influence over it, and such change in relationship may adversely affect our transactions and other business collaboration with the party. In addition, if we later on acquire a controlling stake in a related party or otherwise consolidate its results into our consolidated financial statements, our transactions with such party will no longer be related party transactions, and will not contribute to our financial results on a consolidated basis. Although we do not rely on these related party transactions, such change in relationship and/or transactions with related parties may have an adverse impact on our results of operations and financial performance.

We may have exposure to greater than anticipated tax liabilities.

We are subject to enterprise income tax, or EIT, VAT, and other taxes in many provinces and cities in mainland China and our tax structure is subject to review by various local tax authorities. The determination of our provision for income tax and other tax liabilities requires significant judgment. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. For example, if our P4P service is classified as a form of advertisement distribution service, we may be required to pay a cultural business construction fee. See “Item 5.A. Operating and Financial Review and Prospects—Operating Results—Taxation—Mainland China VAT in Lieu of Business Tax.” In addition, if this classification of P4P services were to be retroactively applied, we might be subject to sanctions, including payment of delinquent fees and fines for the revenues generated from our P4P services prior to the classification. Moreover, under the EIT Law, the PRC tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm’s-length principles. Particularly, pursuant to the Administrative Measures for Special Tax Adjustment and Investigation and Mutual Consultation Procedures issued by the State Administration of Tax in March 2017, if a mainland China enterprise makes an outbound payment to its overseas related party which undertakes no functions, bears no risks or has no substantial operation or activities and such payment is inconsistent with arm’s-length principles, the tax authorities may carry out a special tax adjustment based on the full amount deducted prior to tax. Although we believe all our related party transactions, including all payments by our mainland China subsidiaries and the variable interest entities to our non-mainland China entities, are made on an arm’s-length basis and our estimates are reasonable, the ultimate decisions by the relevant tax authorities may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

Furthermore, due to shifting economic and political conditions, tax policies, laws, or rates in various jurisdictions may be subject to significant changes in ways that could impair our financial results. Various jurisdictions around the world have enacted or are considering enacting digital services taxes, which could lead to inconsistent and potentially overlapping international tax regimes of highly-digitalized businesses. The Organization for Economic Cooperation and Development continues to advance proposals relating to its initiative for modernizing international tax rules including Two-Pillar Solution to address the tax challenges arising from the digitalization of the economy, with the goal of having different countries implement a modernized and aligned international tax framework, but there are uncertainties on the rules and implementations and there is no guarantee that this will not affect our financial results.

In addition, our mainland China subsidiaries and the variable interest entities providing advertising services are exempted from cultural business construction fee for 2020 and 2021 and enjoy a 50% reduction of cultural business construction fee from January 1, 2022 to December 31, 2024. There is no assurance that the 50% reduction will continue after 2024.

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We are subject to changing laws and regulations regarding regulatory matters, corporate governance and public disclosures that have increased both our costs and the risk of non-compliance.

We are subject to rules and regulations by various governing bodies, including, for example, the SEC, which is charged with the protection of investors and the oversight of companies whose securities are publicly traded, and the various regulatory authorities in China and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

We have limited business insurance coverage.

We have purchased insurance to cover certain liabilities, properties, product quality and employees in connection with our intelligent driving business. We only have limited business liability or disruption insurance coverage for our operations in mainland China. Any business disruption may result in our incurring substantial costs and the diversion of our resources.

We face risks related to health epidemics, severe weather conditions and other outbreaks.

In recent years, there have been outbreaks of health epidemics in China and globally, including the outbreak of COVID-19 pandemic. Our results of operations have been and may continue to be adversely and materially affected to the extent COVID-19 or any other epidemic harms the Chinese and global economy in general. Beginning in 2020, COVID-19 has resulted in quarantines, travel restrictions, and temporary closure of businesses and facilities in China and worldwide. For its impact on our financial results, please see “Item 5. Operating and Financial Review and Prospects.” Potential impacts include, but are not limited to, the following:

- temporary closure of offices, travel restrictions or suspension of services of our customers and suppliers have negatively affected, and could continue to negatively affect, the demand for our services;
- our customers in industries that are negatively impacted by COVID-19, including healthcare, travel, offline education, franchising, auto/transportation and real estate/home furnishing sectors, may reduce their budgets on online advertising and marketing, which may materially adversely impact our revenue from online marketing services;
- our customers may require additional time to pay us or fail to pay us at all, which could significantly increase the amount of accounts receivable and require us to record additional allowances for doubtful accounts. We have provided and may continue to provide significant sales incentives to our customers and third-party agents during the pandemic, which may in turn materially adversely affect our financial condition and operating results;
- the business operations of our third-party agents have been and could continue to be negatively impacted by the pandemic, which may negatively impact our distribution channel, or result in loss of customers or disruption of our services, which may in turn materially adversely affect our financial condition and operating results;
- any disruption of our supply chain, logistics providers or customers could adversely impact our business and results of operations, including causing us or our suppliers to cease manufacturing Xiaodu smart devices for a period of time or materially delay delivery to customers, which may also lead to loss of customers, as well as reputational, competitive and business harm to us;

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- many of our customers, third-party agents, suppliers and other partners are small and medium-sized enterprises (SMEs), which may not have strong cash flows or be well capitalized, and may be vulnerable to a pandemic and slowing macroeconomic conditions. If the SMEs that we work with cannot weather COVID-19 and the resulting economic impact, or cannot resume business as usual after a prolonged pandemic, our revenues and business operations may be materially and adversely impacted;
- the global stock markets have experienced, and may continue to experience, significant decline from the COVID-19 pandemic and the private and public companies that we have invested in could be materially adversely affected, which may lead to significant impairment in the fair values of our investments and in turn materially adversely affect our financial condition and operating results; and
- corporate social responsibility initiatives we put forth in response to COVID-19, such as the RMB300 million charitable initiative with the goal of providing awareness education and improving public health in China, and many other efforts to leverage our technology, products and services to help contain the pandemic, may negatively affect our financial condition and operating results.

The potential downturn brought by and the duration of the COVID-19 pandemic may be difficult to assess or predict, and actual effects will depend on many factors beyond our control. During the year ended December 31, 2020, we provided additional allowance for credit losses for accounts receivable and contract assets, recognized impairment charges on our long-term investments and content assets, and recorded loss from equity method investments, due to various factors including the severe impact of COVID-19. During the year ended December 31, 2021, macroeconomy was gradually recovering in China and business activities largely resumed. In 2022, macroeconomy remained challenging due to the resurgence of COVID-19 in several regions in China; surges of cases in many cities in China had a negative impact on our operations.

China began to modify its COVID control policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There remains uncertainty as to the future impact of the virus. The extent to which the COVID-19 pandemic impacts our long-term results will depend on future developments which are highly uncertain, unpredictable and beyond our control, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments, and measures to stimulate the general economy to improve business condition especially for SMEs. As a result, certain of our estimates and assumptions, including the allowance for credit losses, the valuation of certain debt and equity investments, long-term investments, content assets and long-lived assets subject to impairment assessments, require significant judgments and carry a higher degree of variabilities and volatilities that could result in material changes to our current estimates in future periods. Consequently, the COVID-19 pandemic may continue to materially and adversely affect our business, financial condition and results of operations in the current and future years. We are closely monitoring the impacts of COVID-19 pandemic on us.

In general, our business could be adversely affected by the effects of epidemics, including, but not limited to, the COVID-19, avian influenza, severe acute respiratory syndrome (SARS), the influenza A virus, Ebola virus, severe weather conditions such as a snowstorm, flood or hazardous air pollution, or other outbreaks. In response to an epidemic, severe weather conditions, or other outbreaks, government and other organizations may adopt regulations and policies that could lead to severe disruption to our daily operations, including temporary closure of our offices and other facilities. These severe conditions may cause us and/or our partners to make internal adjustments, including, but not limited to, temporarily closing down business, limiting business hours, and setting restrictions on travel and/or visits with clients and partners for a prolonged period of time. Various impact arising from a severe condition may cause business disruption, resulting in material, adverse impact to our financial condition and results of operations.

Risks Related to Our Corporate Structure

Laws and regulations of mainland China governing our businesses and the validity of certain of our contractual arrangements are uncertain. If we are found to be in violation, we could be subject to sanctions. In addition, changes in the laws and regulations of mainland China or changes in interpretations thereof may materially and adversely affect our business.

Current laws and regulations of mainland China place certain restrictions and conditions on foreign ownership of certain areas of businesses. For example, pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider (excluding e-commerce, domestic multiparty communications, store-and-forward and call centers). In addition, foreign investors are prohibited from investing in companies engaged in internet culture businesses (except for music) and radio and television program production businesses.

We and our mainland China subsidiaries are still considered foreign persons or foreign-invested enterprises under the laws related to foreign investment of mainland China. As a result, we and our mainland China subsidiaries are subject to legal restrictions on or conditions for foreign ownership of various industries, including the aforementioned ones. Due to these restrictions and conditions, we operate our platform and conduct business in certain restricted or prohibited industries in mainland China through the variable interest entities. As all the nominee shareholders of the variable interest entities are either citizens of mainland China or domestic enterprises in mainland China, these entities are therefore considered as domestic enterprises under the laws of mainland China. The “nominee shareholders” refer to those shareholders who have entered into exclusive equity purchase and transfer option agreements and equity pledge agreements with us as part of the contractual arrangements. Our contractual arrangements with the variable interest entities and the nominee shareholders allow us to have the power to direct the activities of these entities that most significantly impact their economic performance. These contractual arrangements demonstrate our ability and intention to continue to exercise the ability to absorb losses or receive economic benefits that could potentially be significant to the variable interest entities. In 2020, 2021 and 2022, we derived 43%, 44% and 47% of our external revenues from the variable interest entities, respectively.

However, our company is a Cayman Islands holding company with no equity ownership in the variable interest entities and we conduct our operations in mainland China through (i) our mainland China subsidiaries and (ii) the variable interest entities with which we have maintained contractual arrangements. Investors in our Class A ordinary shares or the ADSs thus are not purchasing equity interest in the variable interest entities in mainland China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government deems that our contractual arrangements with the variable interest entities do not comply with mainland China’s regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Baidu, Inc. may not be able to repay our indebtedness, and our shares may decline in value or become worthless, if we are unable to assert our contractual control rights over the assets of the variable interest entities. Our holding company in the Cayman Islands, the variable interest entities, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the variable interest entities and, consequently, significantly affect the financial performance of the variable interest entities and our company as a group.

There are substantial uncertainties regarding the interpretation and application of the laws and regulations of mainland China, including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our contractual arrangements with the variable interest entities, including but not limited to Baidu Netcom and the nominee shareholders. These laws and regulations may be subject to change, and their official interpretation and enforcement may involve substantial uncertainty. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. Due to the

uncertainty and complexity of the regulatory environment, we cannot assure you that we would always be in full compliance with applicable laws and regulations, the violation of which may have adverse effect on our business and our reputation.

Although we believe we, our mainland China subsidiaries and the variable interest entities comply with current laws and regulations of mainland China, we cannot assure you that the PRC government would agree that our contractual arrangements comply with the licensing, registration or other regulatory requirements of mainland China, with existing policies or with requirements or policies that may be adopted in the future. The PRC government has discretion in determining rectifiable or punitive measures for non-compliance with or violations of the laws and regulations of mainland China. If the PRC government determines that we or the variable interest entities do not comply with applicable law, it could revoke the variable interest entities' business and operating licenses, require the variable interest entities to discontinue or restrict the variable interest entities' operations, restrict the variable interest entities' right to collect revenues, block the variable interest entities' websites, require the variable interest entities to restructure their operations, impose additional conditions or requirements with which the variable interest entities may not be able to comply, impose restrictions on the variable interest entities' business operations or on their customers, or take other regulatory or enforcement actions against the variable interest entities that could be harmful to their business. Any of these or similar occurrences could significantly disrupt our or the variable interest entities' business operations or restrict the variable interest entities from conducting a substantial portion of their business operations, which could materially and adversely affect the variable interest entities' business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of any of the variable interest entities that most significantly impact its economic performance, and/or our failure to receive the economic benefits from any of the variable interest entities, we may not be able to consolidate these entities in our consolidated financial statements in accordance with U.S. GAAP.

Our contractual arrangements with the variable interest entities in mainland China and the individual nominee shareholders may not be as effective in providing control over these entities as direct ownership.

Since the laws of mainland China restrict or impose conditions on foreign equity ownership in, among other areas, the internet content services, value-added telecommunication-based services, internet map services, online audio and video services and mobile application distribution companies in mainland China, we operate our platform and conduct our internet content services, value-added telecommunication-based services, internet map services, online audio and video services and mobile application distribution businesses through the variable interest entities in mainland China. We have no equity interest in any of these entities and must rely on contractual arrangements to control and operate the businesses and assets held by the variable interest entities, including the domain names and trademarks that have been transferred from our subsidiaries to the variable interest entities in accordance with requirements of the laws of mainland China. These contractual arrangements may not be as effective in providing control over these entities as direct ownership. For example, the variable interest entities and the individual nominee shareholders could breach their contractual arrangements with us by, among other things, failing to operate our business, such as using the domain names and trademarks our subsidiaries have transferred to them or maintaining our platform, in an acceptable manner or taking other actions that are detrimental to our interests. If the variable interest entities or the individual nominee shareholders fail to perform their obligations under these contractual arrangements, we may have to incur substantial costs to enforce such arrangements, and rely on legal remedies under the laws of mainland China, including contract remedies, which may not be sufficient or effective. If we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to have the power to direct the activities that most significantly affect the economic performance of the variable interest entities, and we may lose control over the assets owned by the variable interest entities, including our baidu.com domain name and website, and any other domain names and websites we have access to may not attract a large number of users and customers at the same level as baidu.com. As a result, our ability to conduct our business may be materially and adversely affected, and we may not be able to consolidate the

financial results of the relevant variable interest entities into our consolidated financial statements in accordance with U.S. GAAP, which may materially and adversely affect our results of operations and damage our reputation.

Our contractual arrangements with the variable interest entities in mainland China may result in adverse tax consequences to us.

As a result of our corporate structure and the contractual arrangements between our subsidiaries and each of the variable interest entities in mainland China, we would be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between our subsidiaries and these variable interest entities were not on an arm's-length basis and therefore constituted a favorable transfer pricing. Under the PRC Enterprise Income Tax Law, or the EIT Law, an enterprise must submit its annual tax return together with information on related-party transactions to the PRC tax authorities. The PRC tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's-length principles. For example, the PRC tax authorities could request that the variable interest entities adjust their taxable income upward for PRC tax purposes. Such adjustment could adversely affect us by increasing the variable interest entities' tax expenses without reducing our subsidiaries' tax expenses, which could subject the variable interest entities to interest due on late payments and other penalties for under-payment of taxes.

The individual nominee shareholders of the variable interest entities may have potential conflicts of interest with us, which may adversely affect our business. We do not have any arrangements in place to address such potential conflicts.

We have designated individuals who are PRC nationals to be the nominee shareholders of the variable interest entities in mainland China. For example, Robin Yanhong Li, our chairman, chief executive officer and co-founder, is also the principal nominee shareholder of Baidu Netcom, which is the principal variable interest entity.

Although the individual nominee shareholders are contractually obligated to act in good faith and in our best interest, they may still have potential conflicts of interest with us. For example, some individual nominee shareholders of the variable interest entities do not have a significant equity stake in our company other than the share options granted to them. We cannot assure you that when conflicts of interest arise, any or all of these individuals will act in the best interests of our company or such conflicts will be resolved in our favor. In addition, these individuals may breach, cause the variable interest entities to breach or refuse to renew, the existing contractual arrangements with us. Currently, we do not have any arrangements to address potential conflicts of interest between these individuals and our company, except that we could exercise our transfer option under the exclusive equity purchase and transfer option agreement with the relevant individual nominee shareholder to request him/her to transfer all of his/her equity ownership in the relevant variable interest entity to a mainland China entity or individual designated by us. We rely on Mr. Robin Yanhong Li, who is also a director of our company, to abide by the Cayman Islands law, which provides that directors owe a fiduciary duty to the company, and those who are also directors or officers of our mainland China subsidiaries to abide by the laws of mainland China, which provides that directors and officers owe a fiduciary duty to the company. Such fiduciary duty requires directors and/or officers to act in good faith and in the best interests of the company and not to use their positions for personal gains. There are, however, no specific provisions under the Cayman Islands law or the laws of mainland China on how to address potential conflicts of interest. If we cannot resolve any conflict of interest or dispute between us and the individual nominee shareholders of the variable interest entities, we would have to rely on legal proceedings, which could disrupt our business, distract management and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

We may be unable to collect long-term loans to the nominee shareholders of the variable interest entities in mainland China.

As of December 31, 2022, we have made long-term loans in an aggregate principal amount of RMB19.1 billion (US\$2.8 billion) to the nominee shareholders of the variable interest entities. We extended these loans to enable the nominee shareholders to fund the capitalization of these entities. We may in the future provide additional loans to the nominee shareholders of the variable interest entities in mainland China in connection with any increase in their capitalization to the extent necessary and permissible under applicable law. Our ability to ultimately collect these loans will depend on the profitability of these variable interest entities and their operational needs, which are uncertain. As of the date of this annual report, we do not have any repayment schedule with respect to such loans to the nominee shareholders of the variable interest entities.

We are in the process of registering the pledges of equity interests by nominee shareholders of some of the variable interest entities, and we may not be able to enforce the equity pledges against any third parties who acquire the equity interests in good faith in the relevant variable interest entities before the pledges are registered.

Pursuant to equity pledge agreements under the contractual arrangements, the nominee shareholders of each of the variable interest entities should pledge all of their equity interests in the relevant variable interest entities to our subsidiaries. An equity pledge agreement becomes effective among the parties upon execution. However, according to the Civil Code which became effective from January 1, 2021, an equity pledge is not perfected as a security property right unless it is registered with the relevant local administration for market regulation. We are still in the process of registering the pledge relating to certain variable interest entity(ies), relating to recent equity interest transfers and capital increase. Prior to the completion of the registration, we may not be able to successfully enforce the equity pledge against any third parties who have acquired property right interests in good faith in the equity interests in the relevant variable interest entity(ies).

If the chops of our mainland China subsidiaries and the variable interest entities are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.

In mainland China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in mainland China is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our mainland China subsidiaries and the variable interest entities are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so. In addition, if the chops are misused by unauthorized persons, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations.

Risks Related to Doing Business in China

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

Most of our business operations are conducted in mainland China. Accordingly, our business, results of operations, financial condition and prospects are affected by economic, political and social conditions in China generally and by continued economic growth in China as a whole.

China's economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. In recent decades, the PRC government has implemented a series of reform measures, including among others, emphasizing the utilization of market forces for economic reform and the establishment of improved corporate governance in business enterprises. Meanwhile, a considerable portion of productive assets in mainland China is still owned by the government. In addition, the PRC government also plays a significant role in regulating industry development and has extensive influence over China's economic growth through allocating resources, foreign exchange control, and setting monetary and fiscal policy.

Growth of China's economy has been uneven, both geographically and among various sectors of the economy, and the growth of the Chinese economy has slowed down in recent years. Some of the government measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. Some of the stimulus measures designed to boost the Chinese economy may contribute to higher inflation, which could adversely affect our results of operations and financial condition. For example, certain operating costs and expenses, such as employee compensation and office operating expenses, may increase as a result of higher inflation. Additionally, because a substantial portion of our assets consists of cash and cash equivalents, restricted cash and short-term investments, high inflation could significantly reduce the value and purchasing power of these assets.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business primarily through our subsidiaries and the variable interest entities in mainland China. Our operations in mainland China are governed by the laws and regulations of mainland China. Our subsidiaries are generally subject to laws and regulations applicable to foreign investments in mainland China. The legal system of mainland China is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

The laws and regulations of mainland China have significantly enhanced the protections afforded to various forms of foreign investments in mainland China for the past decades. However, because certain recently enacted laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties.

Furthermore, the legal system of mainland China is based in part on government policies, some of which are not published or not on a timely basis. As a result, we may not be aware of our potential violation of these policies and rules. In addition, certain administrative and court proceedings in mainland China may be protracted and result in substantial costs and diversion of resources and management attention.

PRC government has complex regulatory requirements on the conduct of our business and it has recently promulgated certain regulations and rules to exert more oversight over offerings that are conducted overseas and/or foreign investment in mainland China-based issuers. Such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline.

We may be adversely affected by the complexity, uncertainties and changes in the regulations of internet and related business and companies in mainland China.

The PRC government regulates the internet and related industry extensively, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and rapidly evolving, and thus their interpretation and enforcement, and

under certain circumstances, the compliance requirements still involve significant uncertainties. For example, we only have contractual control over our websites. We do not own the websites due to the restriction of foreign investment in businesses providing value-added telecommunications services in mainland China, including online information services.

The licensing requirements relating to the internet business in mainland China are uncertain and evolving. This means that permits, licenses or operations at some of our mainland China subsidiaries and the variable interest entities may be subject to challenge, or we may not be able to obtain or renew certain permits or licenses, including, without limitation, a Value-Added Telecommunication Business Operating License, which is issued by the MIIT, an Internet News License, which is issued by the CAC, a Short Messaging Service Access Code Certificate, which is issued by the MIIT, an Online Audio/Video Program Transmission License, which is issued by the State Administration of Press Publication, Radio, Film and Television, or the SAPPRFT (the corresponding regulatory body currently known as National Radio and Television Administration, or the NRTA), a Radio and Television Program Production License, which is issued by the local bureau of the NRTA, a Surveying and Mapping Qualification Certificate for internet map services, which is issued by the National Administration of Surveying, Mapping and Geo-information, an Internet Culture Business Permit, which is issued by the local bureau of the then Ministry of Culture, or the Ministry of Culture and Tourism which has replaced the Ministry of Culture, a Publication Business Operating License, which is issued by the local bureau of the SAPPRFT or NPPA, a Filing Certificate for Internet Drug and Medical Devices Information Services or the Qualification Certificate for Internet Drug Information Services, which is issued by provincial branch of the State Food and Drug Administration (the corresponding regulatory body currently known as the National Medical Products Administration), a Human Resource Services License, which is issued by the local bureau of the Ministry of Human Resources and Social Security, a Filing Certificate for the Online Transaction Platform, which is issued by Beijing News and Publications Bureau, a Filing Certificate for Business of Category II Medical Devices, which is issued by Haidian Branch of Beijing Administration for Market Regulation, a Registration Certificate for Medical Devices, which is issued by Beijing Medical Products Administration, a Food Business License, which is issued by Zengcheng Branch of Guangzhou Administration for Market Regulation, a Medicine Business License, which is issued by Guangdong Medical Products Administration, a Filing Certificate for the Publication Online Transaction Platform, which is issued by Shanghai News and Publications Bureau, an Internet Domain Name Services License, which is issued by Beijing Communications Administration, a Medical Device Operation License, which is issued by Guangzhou Administration for Market Regulation, a Medical Device Production License, which is issued by Beijing Medical Products Administration, a Filing Certificate for Third-Party Platform Provider of Online Trading Service for Medical Devices, which is issued by Beijing Medical Products Administration, the Practice Licenses of Medical Institutions, which are issued by the local competent government authorities of Yinchuan and Hainan, an Internet Religious Information Service License, which is issued by Beijing Ethnic and Religious Affairs Commission, a Filing Certificate of Artworks Operators, which is issued by Haidian Branch of Beijing Culture and Tourism Bureau, a Filing Information Form of Third Party Platform Providers of Online Food Trading, which is issued by Beijing Medical Products Administration, an Aquatic Wildlife Operation and Utilization License, which is issued by Guangzhou Agriculture and Rural Affairs Bureau, and certain permits for road testing and demonstration application of autonomous driving vehicles, which are issued by the local competent administrations for autonomous driving. Violation of relevant laws and regulations governing these licenses, approvals, filings or qualifications may result in penalties and even suspension or revocation of the licenses, approvals, filings or qualifications. Failure to obtain, maintain or renew these permits and licenses may significantly disrupt our business, or subject us to sanctions, requirements to increase capital or other conditions or enforcement, or compromise enforceability of related contractual arrangements, or have other harmful effects on us.

New laws and regulations may be promulgated to regulate internet activities, including online advertising and internet cultural activities. Other aspects of our online operations may be further regulated in the future. If these new laws and regulations are promulgated, additional licenses may be required for our online operations. If our operations do not comply with these new regulations at the time they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties.

We provide value-added telecommunications services through the variable interest entities, which hold the required licenses. In July 2006, the MIIT issued the Notice of the Ministry of Industry and Information Technology on Intensifying the Administration of Foreign Investment in Value-Added Telecommunications Services. This notice prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunication business in mainland China. According to this notice, either the holder of a Value-Added Telecommunication Business Operating License or its shareholders must directly own the domain names and trademarks used by the license holder in its provision of value-added telecommunications services. The major variable interest entities hold the necessary assets that are material to the operation of our business, including domain names, personnel, facilities and most of our intellectual property rights.

As we enter into new businesses, we may encounter additional regulatory uncertainties. For example, the current legal framework of mainland China on autonomous cars or autonomous driving is relatively new and evolving. Pursuant to the local rules and regulations in various cities including Beijing, Shanghai, Chongqing, Guangzhou, Wuhan and other cities, any entity intending to conduct a road testing and/or demonstration application of autonomous driving vehicles in these cities must file an application for road testing and/or demonstration application with a designated local agency supervising road testing, operation and commercialization of autonomous vehicles in these cities. It also remains uncertain what additional compliance requirements we need to meet in order to undertake a road testing, operation and commercialization of our autonomous driving cars in other locations in mainland China. Baidu has obtained permits to conduct road testing in certain regions or cities such as Beijing, Guangzhou, Yangquan, Shanghai, Tianjin, Shenzhen, Changsha, Wuhan, Hefei, Wuzhen and Chongqing, and obtained the qualification for demonstration application (or commercial trial operation) of autonomous driving vehicles in certain regions and cities such as Beijing, Shenzhen, Chongqing, Wuhan, Changsha, Hefei, Wuzhen and Yangquan. In particular, Baidu has obtained the permits to charge fees for driverless ride-hailing services (with safety officers in the vehicles, but not behind the steering wheel) on public roads in Beijing in July 2022, and obtained the permits for fully driverless ride-hailing services on open roads in Chongqing and Wuhan in August 2022. There is no guarantee that the road testing and demonstration application of our autonomous driving cars in other locations fully complies with local laws and regulations. If our road testing and demonstration application are deemed by local enforcement authority as a violation of the applicable traffic and transportation laws, in addition to being warned or fined according to the laws and regulations on road traffic safety, we may also have to suspend the testing and the demonstration application, which may result in that the progress of our research and development of autonomous cars will be adversely affected and our revenue from driverless ride-hailing services will decline. We also engage in generative AI business which is a new business area in mainland China. The regulatory and legal framework on generative AI is evolving rapidly and may not sufficiently cover all aspects of the research, development and application of generative AI in mainland China. Before the year of 2022, the regulations related to generative AI were also provided in other regulations and rules of Internet information services dispersedly. However, PRC government authorities have gradually accelerated the pace of legislation for generative AI related technologies including algorithm recommendation and deep synthesis recently. Since the end of 2021, PRC government authorities released the Administrative Provisions on Algorithmic Recommendation of Internet Information Services and the Administrative Provisions on Deep Synthesis of Internet Information Services successively. See “Item 4.B. Information on the Company—Business Overview—Regulations—Regulations on Artificial Intelligence—Regulations on Generative AI.” However, since these laws and regulations are still relatively new and significant uncertainties exist with respect to the interpretation and implementation of such laws and regulations, we cannot assure whether we will be able to comply with the requirements of such laws and regulations in a timely manner or at all. If we are unable to obtain the necessary approvals or if we have any dispute with any third party relating to intellectual property or data security, our business operation may be adversely affected.

The interpretation and application of existing laws, regulations and policies and possible new laws, regulations or policies of mainland China relating to the internet industry have created substantial uncertainties

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regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in mainland China, including our business.

Failure to meet the PRC government's complex regulatory requirements on our business operation could have a material adverse effect on our operations and the value of our securities.

We conduct our business primarily through the variable interest entities and the variable interest entities' subsidiaries in mainland China. The PRC government has significant oversight over the conduct of our business according to the laws and regulations of mainland China. However, since the PRC legal system continues to rapidly evolve and many laws and regulations are relatively new, the interpretation and enforcement of these laws, regulations and rules involve uncertainties. Any failure to meet the PRC government's complex regulatory requirements due to such uncertainties could have a material adverse effect on our operation and/or the value of our ADSs. Also, the PRC government has recently promulgated certain regulations and rules to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. For example, on July 6, 2021, the relevant PRC government authorities made public the Opinions on Strictly Scrutinizing Illegal Securities Activities in Accordance with the Law, or the Opinions. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by mainland China-based companies. On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, or collectively, the Filing Rules, which will come into effect on March 31, 2023. Pursuant to the Filing Rules, domestic companies that seek to offer or list their securities in an overseas market, whether directly or indirectly, are required to fulfill relevant filing procedure and report relevant information to the CSRC. On December 28, 2021, the CAC issued the Cybersecurity Review Measures 2021, which required that, among others, network platform operators holding over one million users' personal information are required to apply with the Cybersecurity Review Office for a cybersecurity review before any public offering in a foreign country. On November 14, 2021, the CAC released the Regulations on the Network Data Security, or the Draft Regulations, for public comments, which stipulates, among others, that a prior cybersecurity review is required for listing abroad of data processors which process over one million users' personal information, and the listing of data processors in Hong Kong which affects or may affect national security. Since the Draft Regulations are in the process of being formulated, and the Opinions, the Filing Rules and the Cybersecurity Review Measures 2021 are relevantly new and remain unclear on how they will be interpreted, amended and implemented by the relevant PRC government authorities, it remains uncertain whether we can obtain the specific regulatory approvals from, and complete the required filings with the CSRC, CAC or any other PRC government authorities for our future securities offering in a timely basis or at all. If we are unable to obtain such approvals or complete such filings, or such approvals or filings are rescinded even if obtained, our ability to continue to offer securities to investors will be significantly limited or completely hindered and the value of such securities may be significantly declined. In addition, implementation of industry-wide regulations directly targeting our operations could result in adverse effect on the value of our securities. Therefore, investors of our company and our business face potential uncertainty from any of our failure to meet the PRC government's regulatory requirements on our operation.

Any failure or perceived failure by us to comply with the enacted Anti-Monopoly Guidelines for Internet Platforms and other anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.

The PRC anti-monopoly enforcement agencies have in recent years strengthened enforcement under the PRC Anti-monopoly Law. In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the Ministry of Commerce, or the MOFCOM, the NDRC and the State Administration for Industry and Commerce (now the SAMR), respectively. Since its inception, the SAMR has continued to strengthen anti-monopoly enforcement. In November 2021, the National Anti-monopoly Bureau was inaugurated by the State Council, which aims to

further implement the fair competition policies, and strengthen anti-monopoly supervision in mainland China, especially to strengthen oversight and law enforcement in areas involving platform economy, innovation, science and technology, information security and people's livelihood.

In September 2020, the SAMR issued Anti-monopoly Compliance Guideline for Operators, which encourages, under the PRC Anti-monopoly Law, operators to establish anti-monopoly compliance management systems to prevent anti-monopoly compliance risks. In particular, on February 7, 2021, the Anti-monopoly Commission of the State Council officially promulgated Guidelines to Anti-Monopoly in the Field of Internet Platforms, or the Anti-Monopoly Guidelines for Internet Platforms. Pursuant to an official interpretation from the Anti-monopoly Commission of the State Council, the Anti-Monopoly Guidelines for Internet Platforms mainly covers five aspects, including general provisions, monopoly agreements, abuse of market dominance, concentration of undertakings, and abuse of administrative powers that eliminate or restrict competition. The Anti-Monopoly Guidelines for Internet Platforms prohibits certain monopolistic acts of internet platforms so as to protect market competition and safeguard interests of consumers and undertakings participating in internet platform economy, including without limitation, prohibiting companies with dominant position from abusing their market dominance (such as discriminating customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements through entering into written or oral agreements or using technologies to block competitors' interface or reduce positions in search results of goods displays, using bundle services to sell different services or products, compulsory collection of unnecessary user data). In addition, the Anti-Monopoly Guidelines for Internet Platforms also reinforces anti-monopoly merger review for internet platform related transactions to safeguard market competition. In practice, the PRC government authority also strengthens the supervision of monopoly and other unfair competition acts, and requests to establish a new order of the platform economy. In April 2021, the SAMR, together with certain other PRC government authorities convened an administrative guidance meeting, focusing on the problem of requiring the operators on the platform to choose "one out of two" competitive platforms and other prominent problems, requesting major internet companies to conduct self-inspection and rectification on the activities which may violate anti-monopoly, anti-unfair competition, tax and other related laws and regulations, to comply with relevant laws and regulations strictly and to be subject to public supervision. In addition, many internet companies, including the over 30 companies which attended such administrative guidance meeting, are required to conduct a comprehensive self-inspection and make necessary rectification accordingly. The SAMR has stated it will organize and conduct inspections on the companies' rectification results. If the companies are found to conduct illegal activities, more severe penalties are expected to be imposed on them in accordance with the laws. As of the date of this annual report, we have completed such self-inspection and have not received any further inquiry from the relevant governmental authorities. As the Anti-Monopoly Guidelines for Internet Platforms was newly promulgated, we are unable to estimate its specific impact on our business, financial condition, results of operations and prospects. We cannot assure you that our business operations comply with such regulations and authorities' requirements in all respects. If any non-compliance is raised by relevant authorities and determined against us, we may be subject to fines and other penalties.

The Provisions of the State Council on the Threshold for the Filing of Concentration of Undertakings (Revised Draft for Comments) released on June 27, 2022, propose to raise the filing threshold of revenue, and provide that certain transactions should also be reported to the anti-monopoly authority even if the revenue threshold is not met. See "Item 4.B. Information on the Company—Business Overview—Regulations—Regulations on Anti-Monopoly Matters related to Internet Platform Companies." If these provisions become effective as their current form, certain acquisition or investment transactions between one party with large revenue, like us, and small-scale enterprises, may be also subject to the filing of concentration of undertakings. As of the date of this annual report, these provisions have not been promulgated in their final form, therefore, substantial uncertainties still exist with respect to the final content, interpretation and implementation of such provisions. In addition, the PRC Anti-monopoly Law, which was amended and became effective on August 1, 2022, raises the maximum fines for failure to file for concentration of undertakings, and introduces a "stop-clock mechanism" which may prolong the length of period for concentration review. See "Item 4.B. Information on the

Company—Business Overview—Regulations—Regulations on Anti-Monopoly Matters related to Internet Platform Companies.”

To our knowledge, there had been few precedents where internet companies with a VIE structure were investigated for being involved in the concentrations of undertaking before year of 2020. It had been long debated whether transactions involving internet companies with a VIE structure are subject to prior filing of notification requirements, since filing of notification of concentration of undertaking made by some internet companies were not accepted in the past. Due to such regulatory history in the industry and as a matter of common industry practice in the past, we did not file prior notification of concentrations of undertaking. However, since 2020, the SAMR has indicated a change of its regulatory practice in this regard by publishing cases of concentration of undertaking involving a VIE structure, explicit inclusion for the first time of the filing requirement for concentrations involving a VIE structure in the anti-monopoly regulations and rules and penalizing certain internet companies with a VIE structure for failure to file prior notifications of implementing concentrations. Hence, starting from 2020, the SAMR has been reviewing historical cases of concentrations of undertaking of internet companies with a VIE structure, and past failure to file prior notification of concentrations of undertaking may be investigated and penalized.

We have received enquiries from the SAMR related to failure to file prior notification of concentrations of undertaking, and with respect to certain past transactions for which we failed to file the prior notification, we have been fined with an amount of RMB500,000 for each case. There can be no assurance that we will not be subject to more enquiries or penalties in the future. If the anti-monopoly authority determines we, in the past or in the future, have failed to file other concentrations which are subject to the prior notification, we may be subject to penalty, and in extreme case being ordered to terminate the contemplated concentration, to dispose of our equity or asset within a prescribed period, to transfer our business within a prescribed time or to take any other necessary measures to restore to the pre-concentration status.

Due to the enhanced enforcement of and tightened regulatory requirements under the amended Anti-Monopoly Law, we may receive greater scrutiny and attention from regulators and more frequent and stringent investigation or review by regulators, which will increase our compliance costs and subject us to heightened risks and challenges. In addition, there are significant uncertainties on the evolving legislative activities and varied local implementation practices of anti-monopoly and competition laws and regulations in mainland China. We may have to spend much more personnel cost and time evaluating and managing these risks and challenges in connection with our products and services as well as our investments in our ordinary business course to avoid any failure to comply with these regulations. Any failure or perceived failure by us to comply with the enacted Anti-Monopoly Guidelines for Internet Platforms and other anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, lawsuits or claims against us and could have an adverse effect on our business, financial condition and results of operations.

We are subject to various economic sanction and export control laws.

We are subject to various economic and trade sanctions laws in different jurisdictions. For example, U.S. economic sanctions prohibit the provision of products and services to countries, governments, and persons targeted by U.S. sanctions, including specific license requirements for the export, re-export and/or transfer of specified items. United Kingdom financial sanctions and European Union sanctions also have similar regime to prohibit the provision of products and services to countries, governments and persons on their respective target list.

In August 2020, MOFCOM and the Ministry of Technology jointly promulgated a notice to adjust and pronounce the Catalog of Technologies Prohibited or Restricted from Export of the PRC, which has provided that certain technologies on interactive interface of AI (including voice recognition, microphone array, voice wake-up and interactive understanding) could be restricted for export from mainland China without approval. According to the Administrative Measures on the Import and Export of Technologies of the PRC, which was recently

revised by the State Council in November 2020, if we would like to conduct any type of cross-border technology service or cooperation involving certain AI technologies which are or may be (subject to determination by the relevant governmental authority) restricted from export, we would be required to apply for approval from the provincial competent commercial department before entering into any substantial stage of negotiation or execution of any technology export contract. If and after such contract is executed, we must apply for an export certificate and such contract would only come into effect after the competent commercial department has granted us the permit. Such process may be time consuming and there is no guarantee that such permit would always be granted, which could negatively affect our potential cross-border technology service or cooperation.

While we believe that we have been, and that we continue to be, in compliance with applicable economic sanction and export control laws, our failure to employ appropriate safeguards with respect to users located in countries that are targets of economic sanctions or export control may result in a violation of such laws and regulations. Non-compliance with applicable governmental economic sanctions or export control laws could subject us to adverse media coverage, investigations, severe administrative, civil and possibly criminal sanctions, and expenses related to remedial measures and legal expenses, which could materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

There are uncertainties associated with the laws and regulations of mainland China on virtual assets, and therefore it is not clear what liabilities, if any, we may have relating to the loss of virtual assets by our users.

While participating on our platform, our users may acquire, purchase and accumulate certain virtual assets, such as gifts or certain statuses and privileges. Such virtual assets can be important to users and have monetary value and, in some cases, can be cashed to actual money. However, virtual assets may become lost for various reasons, often through unauthorized use of the account of one user by other users and occasionally through data loss caused by delays in network service, network crashes or hacking activities. Currently, there are uncertainties associated with the laws and regulations of mainland China on virtual assets. As a result, uncertainties still exist as to who the legal owner of virtual assets is, whether and how the ownership of virtual assets is protected by law, and whether an operator of a platform would have any liability, whether in contract, tort or otherwise, to users or other interested parties, for loss of such virtual assets. Some recent judgments of the courts of mainland China ordered certain online platform operators liable for losses of virtual assets by platform users, and have ordered online platform operators to restore the lost virtual items to users or pay damages and losses. In case of a loss of virtual assets, we may be sued by our users and held liable for losses, which may negatively affect our reputation, business, financial condition, results of operations and prospects. We have been involved in virtual items related lawsuits in the past, and we cannot assure you that such lawsuits will not be brought against us again in the future.

Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and its Implementation Regulations and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On January 1, 2020, the PRC Foreign Investment Law, or the Foreign Investment Law, and the Regulations for Implementation of the Foreign Investment Law of the PRC, or the Implementation Regulations, came into effect and replaced the trio of prior laws regulating foreign investment in mainland China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law and the Implementation Regulations embody an expected regulatory trend of mainland China to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since they are relatively new, uncertainties still exist in relation to their interpretation and implementation. For instance, under the Foreign Investment Law, “foreign investment” refers to the investment activities directly or indirectly conducted in mainland China by foreign individuals, enterprises or other entities. Though it does not

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explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the laws and regulations of mainland China. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all.

If any of the variable interest entities would be deemed as foreign invested enterprise under any such future laws, administrative regulations or provisions and any of our business would be included in any negative list or other form of restrictions on foreign investment, we may need to take further actions to comply with such future laws, administrative regulations or provisions. Such actions may have a material and adverse impact on our business, financial condition, result of operations and prospects. If we or any of the variable interest entities is found to be in violation of any existing or future laws, administrative regulations or provisions of mainland China, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take corresponding action regarding such violations or failures to such entities, such as:

- order to immediately terminate prohibited investment activities and to take certain measures to return to the pre-investment status;
- order to rectify within prescribed period and to take necessary measures to comply with such laws, administrative regulations or provisions;
- revocation of such entities' business licenses and/or operating licenses;
- shutting down of our website, or discontinuance or restriction on any transactions between certain of our mainland China subsidiaries with them;
- fines, confiscation of the income from our mainland China subsidiaries or the variable interest entities, or other requirements with which we or the variable interest entities may not be able to comply;
- order to restructure our ownership structure, corporate governance and business operations, including terminating the contractual arrangements with the variable interest entities and deregistering the equity pledges of the variable interest entities, which in turn would affect our ability to consolidate, derive economic interests from, or impose control over the variable interest entities; or
- restriction or prohibition on our use of the proceeds of any financing outside mainland China to finance our business operations in mainland China, and other regulatory or enforcement actions that could be harmful to our business.

Any of the above penalties may result in a material and adverse effect on our business operation. In addition, if the PRC regulatory authorities were to find our legal structure and contractual arrangements to be in violation of any laws, administrative regulations or provisions of mainland China, we are uncertain what impact of above PRC regulatory authorities' actions would have on us and our ability to consolidate the variable interest entities in the consolidated financial statement. If any of these regulatory actions result in us losing our right to direct the activities of the variable interest entities or to receive substantially all the economic benefits and residual returns from the variable interest entities and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of the variable interest entities in the consolidated financial statements. Any of the above results, or any other

significant unfavorable actions that might be imposed on us in this event, would have an adverse effect on our business, financial condition, results of operations and prospects. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

It may be difficult for overseas regulators to conduct investigation or collect evidence within mainland China.

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in mainland China. For example, in mainland China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside mainland China. Although the authorities in mainland China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of mainland China. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within mainland China may further increase difficulties faced by you in protecting your interests. See also “—Risks Related to Our ADSs and Class A Ordinary Shares—Certain judgments obtained against us by our shareholders may not be enforceable.” for risks associated with investing in us as a Cayman Islands company.

We may be subject to liability for information displayed on or linked to our websites, mobile apps, Smart Mini Program or Managed Page and negative publicity in international media, and our business may be adversely affected as a result.

The PRC government has adopted regulations governing internet access and distribution of news and other information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates the laws and regulations of mainland China, impairs the national dignity of China, contains terrorism or extremism content, or is reactionary, obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements may result in the revocation of licenses to provide internet content and other licenses and the closure of the concerned websites. In the past, failure to comply with these requirements has resulted in the closure of certain websites. The website operator may also be held liable for the information displayed on or linked to the website or the mobile apps.

In particular, the MIIT, has published regulations that subject website operators to potential liability for content displayed on their websites or mobile apps and the actions of users and others using their systems, including liability for violations of the laws and regulations of mainland China prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any local internet service provider to block any internet website at its sole discretion. From time to time, the Ministry of Public Security has stopped the dissemination over the internet of information which it believes to be socially destabilizing. The State Secrecy Bureau is also authorized to block any website it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the dissemination of online information. Furthermore, we are required to report any suspicious content to relevant governmental authorities, and to undergo computer security inspections. If we fail to implement the relevant safeguards against security breaches, our websites may be shut down and our business and ICP licenses may be revoked. In addition, the CAC has, from time to time, also issued rules enhancing the internet service provider’s obligations to monitor information displayed on its information platform and prevent dissemination of illegal contents. See “Item 4.B. Information on the Company—Business Overview—Regulations—Regulations on Value-Added Telecommunications Services and Internet Content Services—Regulations on Content.”

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The Anti-Terrorism Law, which took effect on January 1, 2016 and was amended on April 27, 2018, further requires internet service providers to verify the identity of their users, and to not provide services to anyone whose identity is unclear or who declines verification. Although the identity verification requirements are already embodied in some internet related regulations, the Anti-Terrorism Law extends these requirements to all types of internet services. The internet service providers are also required to provide technical interfaces, decryption and other technical support and assistance for the competent departments to prevent and investigate terrorist activities. See “Item 4.B. Information on the Company—Business Overview—Regulations—Regulations on Information Security” for more details.

Although we attempt to monitor the content in our search results, mobile apps, online communities such as Baidu Post, Smart Mini Programs and Managed Page, we are not able to control or restrict the content of other internet content providers linked to or accessible through our websites, mobile apps, or content generated or placed on our Baidu Post message boards, mini programs, Managed Page, or our other online communities by our users. To the extent that PRC regulatory authorities find any content displayed on our websites or mobile apps illegal, they may require us to limit or eliminate the dissemination of such information on our websites or mobile apps. To the extent that PRC regulatory authorities find any content displayed on our websites or mobile apps objectionable, they may suggest that we limit or eliminate the dissemination of such information on our websites or mobile apps. If third-party websites linked to or accessible through our websites or mini programs accessible through our mobile apps conduct unlawful activities such as online gambling, PRC regulatory authorities may require us to report such unlawful activities to relevant authorities and to remove the links to such websites or mobile apps, or they may suspend or shut down the operation of these third-party websites. PRC regulatory authorities may also temporarily block access to certain websites or mobile apps for a period of time for reasons beyond our control. Any of these actions may reduce our user traffic and adversely affect our business. In addition, we have been and may be subject to penalties in the future for violations of those regulations arising from information displayed on or linked to our websites or mobile apps, including a suspension or shutdown of our online operations. For example, in April 2020, we were approached and inquired by the CAC with respect to the display and dissemination of vulgar contents and insufficient content monitoring on the public accounts on Baidu App. As a consequence, our Baidu App was ordered to suspend any updates for over two weeks before updates resumed to normal. Although we will make our best efforts to closely monitor and filter the contents displayed and disseminated on our Baidu App and other products, we cannot assure you that incidents of similar type would not take place in the future. Moreover, our compliance with mainland China’s regulations governing internet access and distribution of news and other information over the internet may subject us to negative publicity or even legal actions outside of mainland China.

Discontinuation of any of the preferential income tax treatments currently available to us in mainland China could have a material and adverse effect on our result of operations and financial condition.

Pursuant to the EIT Law, as further clarified by subsequent tax regulations implementing the EIT Law, foreign-invested enterprises and domestic enterprises are subject to EIT at a uniform rate of 25%. Certain enterprises may benefit from a preferential tax rate of 15% under the EIT Law if they qualify as “High and New Technology Enterprises strongly supported by the state,” subject to certain general factors described in the EIT Law and the related regulations. Furthermore, an enterprise can claim a 150% super deduction for eligible research and development expenses (a 175% super deduction from January 1, 2018 to December 31, 2023).

A number of our mainland China subsidiaries and the variable interest entities are entitled to enjoy a preferential tax rate of 15% due to their qualification as “High and New Technology Enterprise,” which are subject to renewal every three years. If any or some of these mainland China subsidiaries and variable interest entities fail to maintain the “High and New Technology Enterprise” qualification, their applicable EIT rate will increase to 25%. Certain of our mainland China subsidiaries and the variable interest entities enjoy a 175% super deduction for eligible research and development expenses. However, there is no assurance that the 175% super deduction preferential policy will continue after 2023.

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Discontinuation of any of the above-mentioned preferential income tax treatments currently available to us in mainland China could have a material and adverse effect on our result of operations and financial condition. We cannot assure you that we will be able to maintain our current effective tax rate in the future.

If our mainland China subsidiaries declare and distribute dividends to their respective offshore parent companies, we will be required to pay more taxes, which could have a material and adverse effect on our result of operations.

Under the EIT Law and related regulations, dividends, interests, rent or royalties payable by a foreign-invested enterprise, such as our mainland China subsidiaries, to any of its foreign non-resident enterprise investors, and proceeds from any such foreign enterprise investor's disposition of assets (after deducting the net value of such assets) are subject to a 10% withholding tax, unless the foreign enterprise investor's jurisdiction of incorporation has a tax treaty with mainland China that provides for a reduced rate of withholding tax. Undistributed profits earned by foreign-invested enterprises prior to January 1, 2008 are exempted from any withholding tax. The British Virgin Islands, where Baidu Holdings Limited, which wholly owns our mainland China subsidiaries, Baidu Online and Beijing Duyou Information Technology Co., Ltd., is incorporated, does not have such a tax treaty with mainland China. Hong Kong has a tax arrangement with mainland China that provides for a 5% withholding tax on dividends subject to certain conditions and requirements, such as the requirement that the Hong Kong resident enterprise owns at least 25% of the mainland China enterprise distributing the dividend at all times within the 12-month period immediately preceding the distribution of dividends and be a "beneficial owner" of the dividends. For example, Baidu (Hong Kong) Limited, which directly owns our mainland China subsidiaries Baidu China and Baidu Times, is incorporated in Hong Kong.

However, if Baidu (Hong Kong) Limited is not considered to be a Hong Kong tax resident enterprise or the beneficial owner of dividends paid or to be paid to it by Baidu China and Baidu Times under the tax circulars promulgated in February 2009 and 2018, such dividends would be subject to withholding tax at a rate of 10%. See "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Taxation—Mainland China Enterprise Income Tax." If our mainland China subsidiaries further declare and distribute profits earned after January 1, 2008 to us in the future, such payments will be subject to withholding tax, which will further increase our tax liability and reduce the amount of cash available to our company.

We may be deemed a mainland China resident enterprise under the EIT Law, which could subject us to mainland China's taxation on our global income, and which may have a material and adverse effect on our results of operations.

Under the EIT Law and related regulations, an enterprise established outside of mainland China with "de facto management body" within mainland China is considered a mainland China resident enterprise and is subject to the EIT at the rate of 25% on its worldwide income as well as PRC EIT reporting obligations. The related regulations define the term "de facto management body" as "the establishment that exercises substantial and overall management and control over the production, business, personnel, accounts and properties of an enterprise." The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the basis of de facto management bodies, issued on April 22, 2009 and further amended on December 29, 2017, or the SAT Circular 82 in April 2009, which provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled overseas-incorporated enterprise is located in mainland China. The State Administration of Taxation issued additional rules to provide more guidance on the implementation of SAT Circular 82 in July 2011, and issued an amendment to SAT Circular 82 delegating the authority to its provincial branches to determine whether a Chinese-controlled overseas-incorporated enterprise should be considered a mainland China resident enterprise, in January 2014. See "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Taxation—Mainland China Enterprise Income Tax." Although the SAT Circular 82, the additional guidance and amendment apply only to overseas registered enterprises controlled by mainland China enterprises, not to those controlled by mainland China individuals or foreigners, the criteria set forth in

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SAT Circular 82 may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by enterprises or individuals of mainland China. If we are deemed a mainland China resident enterprise, we may be subject to the EIT at 25% on our global income, except that the dividends we receive from our mainland China subsidiaries may be exempt from the EIT to the extent such dividends are deemed as "dividends among qualified mainland China resident enterprises." If we are deemed a mainland China resident enterprise and earn income other than dividends from our mainland China subsidiaries, a 25% EIT on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

Under the tax laws of mainland China, dividends payable by us and gains on the disposition of our shares or ADSs may be subject to mainland China taxation.

If we are considered a mainland China resident enterprise under the EIT Law, our shareholders and ADS holders who are deemed non-resident enterprises may be subject to the EIT at the rate of 10% upon the dividends payable by us or upon any gains realized from the transfer of our shares or ADSs, if such income is deemed derived from mainland China; *provided* that (i) such foreign enterprise investor has no establishment or premises in mainland China, or (ii) it has establishment or premises in mainland China but its income derived from mainland China has no real connection with such establishment or premises. If we are required under the EIT Law to withhold mainland China income tax on our dividends payable to our non-mainland China resident enterprise shareholders and ADS holders, or if any gains realized from the transfer of our shares or ADSs by our non-mainland China resident enterprise shareholders and ADS holders are subject to the EIT, your investment in our shares or ADSs could be materially and adversely affected.

Furthermore, if we are considered a mainland China resident enterprise and relevant PRC tax authorities consider dividends we pay with respect to our shares or ADSs and the gains realized from the transfer of our shares or ADSs to be income derived from sources within mainland China, it is possible that such dividends and gains earned by non-resident individuals may be subject to mainland China individual income tax at a rate of 20%. If we are required under the tax laws of mainland China to withhold mainland China income tax on dividends payable to our non-mainland China investors that are non-resident individuals or if you are required to pay mainland China income tax on the transfer of our shares or ADSs, the value of your investment in our shares or ADSs may be materially and adversely affected.

Our subsidiaries and the variable interest entities in mainland China are subject to restrictions on paying dividends and making other payments to our holding company.

Baidu, Inc. is our holding company incorporated in the Cayman Islands. As a result of the holding company structure, it currently relies on dividend payments from our subsidiaries in mainland China. However, the regulations of mainland China currently permit payment of dividends only out of accumulated profits, as determined in accordance with PRC accounting standards and regulations. Our subsidiaries and the variable interest entities in mainland China are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds. The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of foreign currencies out of mainland China. We may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency. See "—Governmental control of currency conversion may affect the value of your investment." Furthermore, if our subsidiaries or the variable interest entities in mainland China incur debt on their own in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments. If our subsidiaries and the variable interest entities in mainland China are unable to pay dividends or make other payments to us, we may be unable to pay dividends on our ordinary shares and ADSs.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of foreign currency out of mainland China. We receive most of our revenues in RMB. Under our current structure, our income at the Cayman Islands holding company level will primarily be derived from dividend payments from our mainland China subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our mainland subsidiaries and the variable interest entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing foreign exchange regulations of mainland China, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of mainland China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders or ADS holders.

Mainland China's regulation of loans to and direct investment in entities in mainland China by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans to our mainland China subsidiaries, the variable interest entities and certain related parties, or making additional capital contributions to our mainland China subsidiaries, which could adversely affect our ability to fund and expand our business.

Baidu, Inc. is our offshore holding company conducting operations in mainland China through our mainland China subsidiaries and the variable interest entities. We may make loans to our mainland China subsidiaries and the variable interest entities, or we may make additional capital contributions to our mainland China subsidiaries. Loans by Baidu, Inc. or any of our offshore subsidiaries to our mainland China subsidiaries, which are treated as foreign-invested enterprises under the laws of mainland China, or to the variable interest entities are subject to the regulations and foreign exchange loan registrations of mainland China. Such loans to any of our mainland China subsidiaries and the variable interest entities to finance their activities cannot exceed a statutory upper limit and must be filed with SAFE through the online filing system of SAFE pursuant to the applicable regulations of mainland China. We may also decide to finance our mainland China subsidiaries by means of capital contributions, in which case the mainland China subsidiary is required to register the details of the capital contribution with the local branch of SAMR and submit a report on the capital contribution via the online enterprise registration system to the Ministry of Commerce. Meanwhile, we are not likely to finance the activities of the variable interest entities by means of capital contributions given the mainland China's legal restrictions on foreign ownership of internet content services, value-added telecommunication-based services, internet map services, online audio and video services and mobile application distribution businesses. We have also entered into several loan agreements with Du Xiaoman, our related party. Please refer to "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Loan transactions with Du Xiaoman."

In May 2014, SAFE promulgated the Provisions on the Foreign Exchange Administration Rules on Cross-border Guarantee, which, along with the PRC Foreign Currency Administration Rules, provides that failure to register a cross-border guarantee may subject the violator to order to rectify, warning and a fine no more than RMB300,000. In June 2016, SAFE promulgated SAFE Circular No. 16, which removed certain restrictions previously provided under several SAFE circulars, including SAFE Circular No. 19, in respect of conversion by a foreign-invested enterprise of foreign currency registered capital into RMB and use of such RMB capital. However, SAFE Circular No. 16 continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, and providing loans to non-affiliated enterprises except as permitted in the business scope. On October 23, 2019, the SAFE issued the Circular on Further Promoting Cross-border Trade and Investment Facilitation, or SAFE

Circular 28. Among others, SAFE Circular 28 relaxes prior restrictions and allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as the investments are real and in compliance with the foreign investment-related laws and regulations.

In light of the various requirements imposed by the regulations of mainland China on loans to and direct investment in entities in mainland China by offshore holding companies, including SAFE Rules and Circulars referred to above, we cannot assure you that we will be able to complete the necessary government registrations or filings on a timely basis, if at all, with respect to existing and future loans by us to our mainland China subsidiaries, the variable interest entities and certain related parties or additional capital contributions by us to our mainland China subsidiaries, and conversion of such loans or capital contributions into RMB. If we fail to complete such registrations or filings, our ability to capitalize or otherwise fund our operations in mainland China may be negatively affected, which could adversely affect our ability to fund and expand our business.

Mainland China's regulations relating to the establishment of offshore special purpose companies by domestic residents may limit our ability to inject capital into our mainland China subsidiaries, limit our subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

The Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or SAFE Circular No. 75, and a series of implementation rules and guidance issued by SAFE, including the circular relating to operating procedures that came into effect in July 2011, require domestic residents and domestic corporate entities of mainland China to register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle, or SPV, for the purposes of overseas equity financing activities, and to update such registration in the event of any significant changes with respect to that offshore company. SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular No. 37, on July 4, 2014, which replaced the SAFE Circular No. 75. SAFE Circular No. 37 requires domestic residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such domestic residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular No. 37 as a "special purpose vehicle." The term "control" under SAFE Circular No. 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the domestic residents in the offshore special purpose vehicles or domestic companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular No. 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a domestic resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by domestic individuals, share transfer or exchange, merger, division or other material event. If the shareholders of the offshore holding company who are mainland China domestic residents do not complete their registration with the local SAFE branches, the mainland China subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its mainland China subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under the laws of mainland China for evasion of applicable foreign exchange restrictions. On February 28, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. In accordance with SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under the SAFE Circular No. 37, with qualified banks, instead of SAFE. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

In addition, our shareholders who are entities in mainland China must complete their overseas direct investment filings according to applicable laws and regulations regarding the overseas direct investment by such entities, including certificates, filings or registrations with the MOFCOM and the NDRC, or the local branch of the MOFCOM and NDRC based on the investment amount, invested industry or other factors thereof, and should also update or apply for amendment in respect to the certificates, filings or registrations in the event of any significant changes with respect to the offshore investment.

We have notified holders of ordinary shares of our company whom we know are domestic residents of mainland China to register with the local SAFE branch and update their registrations as required under the SAFE regulations described above. We are aware that Mr. Robin Yanhong Li, our chairman, chief executive officer and principal shareholder, who is a domestic resident of mainland China, has registered, and updated registration when required, with the relevant local SAFE branch. We, however, cannot provide any assurances that all of our shareholders or ADS holders who are domestic residents will file all applicable registrations or update previously filed registrations as required by these SAFE regulations. The failure or inability of our domestic resident shareholders to comply with the registration procedures or other applicable regulations of mainland China may subject the domestic resident shareholders to fines and legal sanctions, restrict our cross-border investment activities, or limit our mainland China subsidiaries' ability to distribute dividends to or obtain foreign exchange-dominated loans from our company.

As it is uncertain how the SAFE regulations described above and any future regulation concerning offshore or cross-border transactions will be interpreted, amended or implemented, we cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a domestic company, we cannot assure you that we or the owners of such company will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the SAFE regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Failure to comply with mainland China's regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the plan participants in mainland China or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, or the Stock Option Rule, replacing the earlier rules promulgated in March 2007. Under the Stock Option Rule, domestic residents of mainland China who are granted stock options by an overseas publicly listed company are required, through a domestic agent or domestic subsidiary in mainland China of such overseas publicly listed company, to register with SAFE and complete certain other procedures. We and our domestic resident employees who have been granted stock options are subject to these regulations. We have designated our mainland China subsidiary Baidu Online to handle the registration and other procedures required by the Stock Option Rule. However, if we or our domestic optionees fail to comply with these regulations on a timely basis, we or our domestic optionees and their local employers may be subject to fines and legal sanctions.

Mainland China's regulations establish complex procedures for some acquisitions conducted by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in mainland China.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, adopted by six PRC regulatory agencies in August 2006 and amended in June 2009, among other things, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. In addition, the Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises, or the Rules Concerning Security Review on M&A,

issued by the Ministry of Commerce in August 2011, specify that mergers and acquisitions by foreign investors involved in “an industry related to national security” are subject to strict review by the Ministry of Commerce, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement. We believe that our business is not in an industry related to national security, but we cannot preclude the possibility that the competent PRC government authorities may publish explanations contrary to our understanding or broaden the scope of such security reviews in the future, in which case our future acquisitions and investment in mainland China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Moreover, according to the Anti-Monopoly Law, as amended, the SMAR should be notified in advance of any concentration of undertaking if certain filing thresholds are triggered. We may grow our business in part by directly acquiring complementary businesses in mainland China. Complying with the requirements of the laws and regulations mentioned above and other regulations of mainland China to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the SMAR, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

In December 2020, the NDRC and the Ministry of Commerce promulgated the Measures for the Security Review of Foreign Investment, which came into effect on January 18, 2021. See “Item 4.B. Information on the Company—Business Overview—Regulations—Regulations on Foreign Investment.” for more details. As these measures are recently promulgated, official guidance has not been issued by the designated office in charge of such security review yet. At this stage, the interpretation of those measures remains unclear in many aspects, such as what would constitute “important information technology and internet services and products” and whether these measures may apply to foreign investment that is implemented or completed before the enactment of these new measures. As our business may be deemed to constitute the foregoing circumstances, we cannot assure you that our current business operations will remain fully compliant, or we can adapt our business operations to new regulatory requirements on a timely basis, or at all.

The approval of and/or filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under the laws of mainland China, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, requires an overseas special purpose vehicle formed for listing purposes through acquisitions of domestic companies in mainland China and controlled by Domestic persons or entities of mainland China to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and our offshore offerings may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for any of our offshore offerings, or a rescission of such approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in mainland China, restrictions or limitations on our ability to pay dividends outside of mainland China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by mainland China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by mainland China-based overseas-listed companies. As a follow-up, on February 17, 2023, the CSRC, as approved by the State Council, released the Trial Administrative

Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, or, collectively, the Filing Rules, which will take effect on March 31, 2023. The Filing Rules establish a new filing-based regime to regulate overseas offerings of stocks, depository receipts, convertible corporate bond, or other equity securities, and overseas listing of these securities for trading, by domestic companies. According to the Filing Rules, domestic companies that directly or indirectly offer or list their securities in an overseas market should file with the CSRC. Specifically, the examination and determination of an indirect offering and listing will be conducted on a substance-over-form basis, and an offering and listing should be considered as an indirect overseas offering and listing by a domestic company if the issuer meets both of the following conditions: (i) any of the revenue, profits, total assets or net assets of such domestic company in the most recent financial year account for more than 50% of the corresponding data in the issuer's audited consolidated financial statements for the same period; and (ii) the majority of its business operations are conducted in mainland China or its principal place of business is located in the mainland China, or the majority of senior management in charge of business operations are Chinese citizens or have domicile in the mainland China. According to the Filing Rules, the issuer or its affiliated domestic company, as the case may be, must file with the CSRC for its initial public offering, follow-on offering and other equivalent offering activities. Particularly, a listed company like us is required to submit the filing with respect to its follow-on offerings, issuance of convertible corporate bonds and exchangeable bonds, and other equivalent offering activities, within a specific time frame. Failure to comply with the filing requirements may result in an order of rectification, a warning and fines to the relevant domestic companies, and a warning and fines on the controlling shareholder, the actual controller and other responsible persons. The Filing Rules also sets forth certain regulatory red lines for overseas offerings and listings by domestic enterprises and additional reporting obligations for listed companies in the case of material changes. For more details of the Filing Rules, please refer to "Item 4.B. Information on the Company—Business Overview—Regulation—Regulations on Overseas Offering and Listing."

In a Q&A released on the CSRC's official website, the respondent CSRC official stated that the domestic companies which have listed their securities in the overseas market as of March 31, 2023 will be regarded as the existing overseas listed companies, which will not be required to file with the CSRC until they conduct any new offerings subject to the filing requirements under Filing Rules. The Q&A also addressed the contractual arrangements and pointed out that, as for companies with contractual arrangements seeking overseas offering, the CSRC will solicit opinions from relevant regulatory authorities and complete the filing procedures for companies with contractual arrangements complying with relevant laws and regulations. If we fail to file with the CSRC in a timely manner or at all, for any future offering (including, among others, follow-on offerings, issuance of convertible corporate bonds and exchangeable bonds, and other equivalent offering activities) pursuant to the Filing Rules due to our contractual arrangements, our ability to raise or utilize funds could be materially and adversely affected, and we may even need to unwind our contractual arrangements or restructure our business operations to rectify the failure to complete the filings. However, as the Filing Rules were recently promulgated, there remain substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing.

On February 24, 2023, the CSRC, jointly with other relevant governmental authorities, promulgated the revised Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and Listing by Domestic Enterprises, or the Confidentiality and Archives Management Provisions, which will take effect on March 31, 2023. According to the Confidentiality and Archives Management Provisions, domestic companies, whether offering and listing securities overseas directly or indirectly, must strictly abide the applicable laws and regulations when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities services providers such as securities companies and accounting firms or overseas regulators in the process of their overseas offering and listing. If such documents or materials contain any state secrets or government authorities work secrets, domestic companies must obtain the approval from competent governmental authorities according to the applicable laws, and file with the secrecy administrative department at the same level with the approving governmental authority. Furthermore, the Confidentiality and Archives Management Provisions also provides that securities companies and securities service providers shall also fulfill the applicable legal procedures when providing overseas regulatory institutions

and other relevant institutions and individuals with documents or materials containing any state secrets or government authorities work secrets or other documents or materials that, if divulged, will jeopardize national security or public interest. See “Item 4.B. Information on the Company—Business Overview—Regulations—Regulations on Overseas Offering and Listing.” Since the Confidentiality and Archives Management Provisions was promulgated recently, substantial uncertainties still exist with respect to the interpretation and implementation of such provisions and how they will affect us.

In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that any additional approval and filing from the CSRC or other regulatory authorities or other procedures, including the cybersecurity review under the Measures for Cybersecurity Review and the draft of Regulations on the Network Data Security, are required for our offshore offerings, it is uncertain whether we can or how long it will take us to obtain such approval or complete such filing procedures and any such approval or filing could be rescinded or rejected. Any failure to obtain or delay in obtaining such approval or completing such filing procedures for our offshore offerings, or a rescission of any such approval or filing if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or filing or other government authorization for our offshore offerings. These regulatory authorities may impose fines and penalties on our operations in mainland China, limit our ability to pay dividends outside of mainland China, limit our operating privileges in mainland China, delay or restrict the repatriation of the proceeds from our offshore offerings into mainland China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our listed securities. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if any regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our listed securities.

The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. The auditor is located in mainland China, a jurisdiction where the PCAOB was historically unable to conduct inspections and investigations completely before 2022. As a result, we and investors in the ADSs were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China in the past has made it more difficult to evaluate the effectiveness of our independent registered public accounting firm’s audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong, and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we and investors in our ADSs would be deprived of the benefits of such PCAOB inspections again, which could cause investors and potential investors in the ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting or prohibition of trading of the ADSs, or the threat of their being delisted or prohibited from trading, may materially and adversely affect the value of your investment.

Pursuant to the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, and our auditor was subject to that determination. In April 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 20-F for the fiscal year ended December 31, 2022.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. In accordance with the HFCAA, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. Although our Class A ordinary shares have been listed on the Hong Kong Stock Exchange and the ADSs and Class A ordinary shares are fully fungible, we cannot assure you that an active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange will be sustained or that the ADSs can be converted and traded with sufficient market recognition and liquidity, if our shares and ADSs are prohibited from trading in the United States. A prohibition of being able to trade in the United States would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

Proceedings instituted by the SEC against certain PRC-based accounting firms, including the auditor of our consolidated financial statements included in this annual report, could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, including the auditor of our consolidated financial statements included in this annual report, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. The decision is neither final nor legally effective unless and until reviewed and approved by the SEC. On February 12, 2014, four of these PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. If the firms fail to meet specified criteria, during a period of four years starting from the settlement

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date, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Additional remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of additional proceedings against a firm, or in extreme cases the resumption of the current proceeding against all four firms.

The audit committee is aware of the policy restriction and regularly communicated with our independent auditor to ensure compliance. If additional remedial measures are imposed on the China-based "big four" accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act. The settlement did not require the firms to admit to any violation of law and preserves the firms' legal defenses in the event the administrative proceeding is restarted.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ADSs may be adversely affected.

If the auditor of our consolidated financial statements included in this annual report were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to our delisting from the Nasdaq Global Select Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Fluctuation in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

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

Our revenues and costs are mostly denominated in RMB. Any significant revaluation of RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, repaying our U.S. dollar denominated notes or other payment obligations or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. In addition, appreciation or depreciation in the value of the RMB relative to U.S. dollars would affect our financial results reported, regardless of any underlying change in our business or results of operations, as RMB is our reporting currency. For example, an appreciation of RMB against the U.S. dollar would result in foreign currency translation losses for financial reporting purposes when we translate our U.S. dollar denominated financial assets into RMB, our reporting currency, and foreign exchange losses reported in earnings for certain RMB denominated loans that overseas entities borrowed from our entities in mainland China. Conversely, a

depreciation of RMB against the U.S. dollar would result in foreign currency translation losses for financial reporting purposes when we translate our U.S. dollar denominated notes and other indebtedness into RMB. Moreover, a significant depreciation of the RMB against the U.S. dollar may significantly reduce our earnings translated in the U.S. dollars, which in turn could adversely affect the price of our ADSs.

Very limited hedging options are available in mainland China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by the exchange control regulations of mainland China that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

We face uncertainties with respect to indirect transfers of equity interests in mainland China resident enterprises by their non-mainland China holding companies. Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

In February 2015, the State Administration of Tax issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or Public Notice 7. Public Notice 7 extends its tax jurisdiction to not only indirect transfers but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. Public Notice 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the entity in mainland China which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the mainland China tax resident enterprise and other properties in mainland China. As a result, gains derived from such indirect transfer may be subject to mainland China enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a mainland China resident enterprise. However, Public Notice 7 provides safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. On October 17, 2017, the State Administration of Taxation, or the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017. SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax. Pursuant to Public Notice 7 and SAT Bulletin 37, both the transferor and the transferee may be subject to penalties under the tax laws of mainland China if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-mainland China resident enterprises, or sale or purchase of shares in other non-mainland China resident companies or other taxable assets by us. Our company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises in our group are transferees in such transactions, under Public Notice 7 and SAT Bulletin 37. For the transfer of shares in our company by investors that are non-mainland China resident enterprises, our mainland China subsidiaries may be requested to assist in the filing under Public Notice 7 and SAT Bulletin 37. As a result, we may be required to expend valuable resources to comply with Public Notice 7 and SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company and other non-resident enterprises in our group should not be taxed under these

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circulars. The PRC tax authorities have the discretion under Public Notice 7 and SAT Bulletin 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Public Notice 7 and SAT Bulletin 37, our income tax costs associated with such transactions will be increased, which may have an adverse effect on our financial condition and results of operations. We have made acquisitions in the past and may conduct additional acquisitions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions we were involved in. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

Risks Related to Our ADSs and Class A Ordinary Shares

The trading price of our ADSs and/or our Class A ordinary shares has been and is likely to continue to be volatile regardless of our operating performance.

The trading price of our ADSs has been and is likely to continue to be volatile, and could fluctuate widely in response to a variety of factors, many of which are beyond our control. Likewise, the trading price of our Class A ordinary shares can be volatile for similar or different reasons. Factors impacting the price and trading volume of our listed securities include, but are not limited to, the following:

- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results, as well as our margins and profitability;
- changes in financial estimates by securities research analysts;
- conditions in internet search and online marketing markets;
- changes in the operating performance or market valuations of other internet search or internet companies;
- announcements by us or our competitors or other internet companies of new product-and-service offerings, acquisitions, strategic partnerships, joint ventures, capital raisings or capital commitments;
- success or failure of our new business initiatives or the development or growth of the new markets we enter into;
- addition to or departure of key personnel;
- public perception or negative news about our products or services or potential investments or acquisitions;
- our share repurchase program;
- fluctuations of exchange rates between RMB and the U.S. dollar;
- litigation, government investigation or other legal or regulatory proceeding; and
- general economic or political conditions in China or elsewhere in the world.

In addition, the stock market in general, and the performance and fluctuation of the market prices for internet-related companies and other companies with operations mainly in China in particular, may affect the volatility in the prices of and trading volumes for our listed securities. The securities of some China-based companies that have listed their securities in Hong Kong and/or the United States have experienced significant volatility that often has been unrelated to the operating performance of such companies, including, in some cases, substantial declines in the trading prices of their securities. The trading performances of these companies' securities may affect the attitudes of investors towards Chinese companies listed in Hong Kong and/or the United States in general, which consequently may impact the trading performance of our listed securities, regardless of

our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have engaged in any inappropriate activities. In particular, the global financial crisis, the ensuing economic recessions and deterioration in the credit market in many countries have contributed and may continue to contribute to extreme volatility in the global stock markets. These broad market and industry fluctuations may adversely affect the market price of our listed securities. Volatility or a lack of positive performance in the price of our listed securities may also adversely affect our ability to retain key employees, most of whom have been granted options or other equity incentives.

We adopt different practices as to certain matters as compared with many other companies primarily listed on the Hong Kong Stock Exchange.

We completed our public offering in Hong Kong in March 2021 and the trading of our Class A ordinary shares on the Hong Kong Stock Exchange commenced on March 23, 2021 under the stock code “9888.” As a company listed on the Hong Kong Stock Exchange pursuant to Chapter 19C of the Hong Kong Listing Rules, we are not subject to certain provisions of the Hong Kong Listing Rules pursuant to Rule 19C.11, 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 of our Class A ordinary shares on the Hong Kong Stock Exchange, we have applied for a number of waivers and/or exemptions from strict compliance with the Hong Kong Listing Rules, the SFO and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and have applied for a ruling under the Takeovers Codes. As a result, we will adopt different practices as to those matters as compared with other companies primarily listed on the Hong Kong Stock Exchange that do not enjoy those exemptions or waivers.

Furthermore, if 55% or more of the total worldwide trading volume, by dollar value, of our Class A ordinary shares and ADSs over our most recent fiscal year takes place on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange will regard us as having a dual primary listing in Hong Kong and we will no longer enjoy certain exemptions or waivers from strict compliance with the requirements under the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Takeovers Codes and the SFO, which could result in us having to amend our corporate structure and articles of association and our incurring of incremental compliance costs. Notwithstanding the foregoing, in the event that the Hong Kong Stock Exchange deemed us as having a dual primary listing in Hong Kong, we will be permitted to retain our existing weighted voting rights structure and our variable interest entity structure.

Substantial future sales or perceived potential sales of our Class A ordinary shares and/or ADSs in the public market could cause the price of our Class A ordinary shares and/or ADSs to decline.

Sales of our Class A ordinary shares and/or ADSs in the public market, or the perception that these sales could occur, could cause the market price of our Class A ordinary shares and/or ADSs to decline. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. If any existing shareholder or shareholders sell a substantial amount of our Class A ordinary shares and/or ADSs, the prevailing market price for our Class A ordinary shares and/or ADSs could be adversely affected. In addition, if we pay for our future acquisitions in whole or in part with additionally issued ordinary shares, your ownership interests in our company would be diluted and this, in turn, could have a material and adverse effect on the price of our Class A ordinary shares and/or ADSs.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our Class A ordinary shares and/or ADSs and trading volume could decline.

The trading market for our Class A ordinary shares and/or ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not maintain

adequate research coverage or if one or more of the analysts who covers us downgrades our Class A ordinary shares and/or ADSs or publishes inaccurate or unfavorable research about our business, the market price for our Class A ordinary shares and/or ADSs would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price of or trading volume for our Class A ordinary shares and/or ADSs to decline.

Techniques employed by short sellers may drive down the market price of our listed securities.

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

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

iQIYI is currently and may in the future be subject to unfavorable allegations made by short sellers. See "Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Legal Proceedings." Separately, in November 2020, after our announcement that we had entered into definitive agreements with JOYY Inc. (JOYY) and certain of its affiliates to acquire YY Live, Muddy Waters published a short selling report containing certain allegations against JOYY, including the YY Live Business. On February 8, 2021, JOYY publicly disclosed that its audit committee conducted an independent review of the allegations raised in the report related to the YY Live business, with the assistance of independent counsel, working with a team of experienced forensic auditors and data analytics experts, and that the review concluded that the allegations raised and conclusions reached in the report about the YY Live business were not substantiated. Further, JOYY Inc. and certain of its current and former officers and directors were named as defendants in a federal putative securities class action filed in November 2020 in the district court for the Central District of California, alleging that they made material misstatements and omissions in documents filed with the SEC regarding certain of the allegations contained in the Muddy Waters short seller report. In March 2022, the court granted defendants' motion to dismiss in its entirety with prejudice. On April 8, 2022, the co-lead plaintiffs filed a notice of appeal. JOYY cannot reasonably estimate a potential future loss at this stage. See "—We face risks associated with our proposed acquisition of YY Live and its online live streaming business." We may also become the subject of other short seller attacks from time to time in the future and class actions or regulatory enforcement actions derivative of such short seller attacks or actions of a similar nature. Any such allegations may be followed by periods of instability in the market price of our Class A ordinary shares and/or ADSs and negative publicity. If and when we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we may have to expend a significant amount of resources to investigate such allegations and/or defend ourselves, including in connection with class actions or regulatory enforcement actions derivative of such allegations. While we believe we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short sellers by principles of freedom of speech, applicable state law or issues of commercial confidentiality. Such a situation could be costly and time-consuming, and could divert management's attention from the day-to-day our operations. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact the market price of our securities and our business operations.

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We cannot guarantee that any share repurchase program will be fully consummated or that any share repurchase program will enhance long-term shareholder value, and share repurchases could increase the volatility of the price of our Class A ordinary shares and/or ADSs and could diminish our cash reserves.

Our board of director have authorized a few share repurchase programs in recent years, some of which had not been fully consummated:

- On June 26, 2018, our board of directors authorized a share repurchase program, under which we may repurchase up to US\$1.0 billion of our ADSs or ordinary shares over 12 months from June 27, 2018 through June 26, 2019.
- On May 16, 2019, our board of directors authorized a new share repurchase program, under which we may repurchase up to US\$1.0 billion of our ADSs or ordinary shares, effective until July 1, 2020.
- On May 13, 2020, our board of directors authorized a share repurchase program, under which we may repurchase up to US\$1.0 billion of our ADSs or shares, effective until July 1, 2021. On August 6, 2020, our board of directors approved a change to the 2020 share repurchase program, increasing the repurchase authorization from US\$1 billion to US\$3 billion and extending the effective time through December 31, 2022. On December 8, 2020, our board of directors approved a further increase in the repurchase authorization from US\$3 billion to US\$4.5 billion.
- In February 2023, our board of directors authorized a new share repurchase program, under which we may repurchase up to US\$5.0 billion of our ADSs or shares, effective until December 31, 2025.

Our board of directors also has the discretion to authorize additional share repurchase programs in the future. The share repurchase programs do not obligate us to repurchase any specific dollar amount or to acquire any specific number of ADSs and/or shares. We cannot guarantee that any share repurchase program will enhance long-term shareholder value. The share repurchase programs could affect the price of our listed securities and increase volatility and may be suspended or terminated at any time, which may result in a decrease in the trading price of our Class A ordinary shares and/or ADSs. Furthermore, share repurchases could increase the volatility of the price of our Class A ordinary shares and/or ADSs and could diminish our cash reserves.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our Class A ordinary shares and/or ADSs for return on your investment.

We currently do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Class A ordinary shares and/or ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. In either case, the declaration of dividend will be subject to our memorandum and articles of association and certain restrictions under Cayman Islands law. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our Class A ordinary shares and/or ADSs will likely depend entirely upon any future price appreciation of our Class A ordinary shares and/or ADSs. There is no guarantee that our Class A ordinary shares and/or ADSs will appreciate in value or even maintain the price at which you purchased the Class A ordinary shares and/or ADSs. You may not realize a return on your investment in our Class A ordinary shares and/or ADSs and you may even lose your entire investment in our Class A ordinary shares and/or ADSs.

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Holders of our ADSs may not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.

Except as described in this annual report and in the deposit agreement, holders of our ADSs will not be able to exercise voting rights attached to the shares evidenced by our ADSs on an individual basis. Holders of our ADSs will appoint the depository or its nominee as their representative to exercise the voting rights attached to the shares represented by the ADSs. Holders of our ADSs may not receive voting materials in time to instruct the depository to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. Upon our written request, the depository will mail to holders of our ADSs a shareholder meeting notice which contains, among other things, a statement as to the manner in which their voting instructions may be given, including an express indication that such instructions may be given or deemed given to the depository to give a discretionary proxy to a person designated by us if no instructions are received by the depository from ADS holders on or before the response date established by the depository. However, no voting instruction will be deemed given and no such discretionary proxy will be given with respect to any matter as to which we inform the depository that (i) we do not wish such proxy given, (ii) substantial opposition exists, or (iii) such matter materially and adversely affects the rights of shareholders.

Holders of our ADSs may not be able to participate in rights offerings and may experience dilution of their holdings as a result.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the depository will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act of 1933, or exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

Holders of our ADSs may not receive cash dividends, if any, if the depository decides it is impractical to make them available to ADS holders.

The depository will pay cash dividends on the ADSs only to the extent that we decide to distribute dividends on our Class A ordinary shares or other deposited securities, and we do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. To the extent that there is a distribution, the depository of our ADSs has agreed to pay to ADS holders the cash dividends or other distributions it or the custodian receives on our Class A ordinary shares or other deposited securities after deducting its fees and expenses. ADS holders will receive these distributions in proportion to the number of Class A ordinary shares that their ADSs represent. However, the depository may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. In these cases, the depository may decide not to distribute such property to holders of our ADSs.

Holders of our ADSs may be subject to limitations on transfer of your ADSs.

The ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

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

We are incorporated in the Cayman Islands, and conduct most of our operations in mainland China through our subsidiaries and the variable interest entities in mainland China. All of our executive officers and a majority of our directors do not reside in the United States or Hong Kong and some or all of the assets of these persons are not located in the United States or Hong Kong. As a result, it may not be possible to effect service of process within the United States, Hong Kong or elsewhere outside of mainland China upon our executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws, Hong Kong laws or otherwise.

It may also be difficult or impossible for you to bring an action against us or against our directors and executive officers in the Cayman Islands or in mainland China in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of mainland China may render you unable to enforce a judgment against our assets or the assets of our directors and executive officers.

Although there is no statutory enforcement in the Cayman Islands of judgments obtained in Hong Kong courts or federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), the courts of the Cayman Islands will, at common law, recognize and enforce a foreign monetary judgment of a foreign court of competent jurisdiction without any re-examination of the merits of the underlying dispute based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the liquidated sum for which such judgment has been given, provided such judgment (i) is given by a foreign court of competent jurisdiction, (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (iii) is final, (iv) is not in respect of taxes, a fine or a penalty, and (v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the U.S. courts or Hong Kong courts under civil liability provisions of the U.S. federal securities law or Hong Kong law if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. Because such a determination has not yet been made by a court of the Cayman Islands, it is uncertain whether such civil liability judgments from U.S. or Hong Kong would be enforceable in the Cayman Islands.

Our corporate affairs are governed by our memorandum and articles of association and by the Cayman Islands Companies Act (As Revised) and common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States, and provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. The courts of mainland China may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between mainland China and the country where the judgment is made or on principles of reciprocity between jurisdictions. Mainland China does not have any treaties or other forms of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the courts of mainland China will not enforce a foreign judgment against us or our director and officers if they decide that the

judgment violates the basic principles of the laws of mainland China or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a court of mainland China would enforce a judgment rendered by a court in the United States.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States or in Hong Kong.

Since our company is a Cayman Islands exempted company, the rights of our shareholders may be more limited than those of shareholders of a company organized in the United States or Hong Kong.

Under the laws of some jurisdictions in the United States, majority and controlling shareholders generally have certain fiduciary responsibilities to the minority shareholders. Shareholder action must be taken in good faith, and actions by controlling shareholders which are obviously unreasonable may be declared null and void. Cayman Islands law protecting the interests of minority shareholders may not be as protective in all circumstances as the law protecting minority shareholders in some U.S. jurisdictions. In addition, the circumstances in which a shareholder of a Cayman Islands company may sue the company derivatively, and the procedures and defenses that may be available to the company, may result in the rights of shareholders of a Cayman Islands company being more limited than those of shareholders of a company organized in the United States.

Furthermore, our directors have the power to take certain actions without shareholder approval which would require shareholder approval under Hong Kong law and the laws of most U.S. jurisdictions. The directors of a Cayman Islands company, without shareholder approval, may implement a sale of any assets, property, part of the business, or securities of the company. Our ability to create and issue new classes or series of shares without shareholders' approval could have the effect of delaying, deterring or preventing a change in control without any further action by our shareholders, including a tender offer to purchase our ordinary shares at a premium over then current market prices.

Furthermore, our articles of association are specific to us and include certain provisions that may be different from common practices in Hong Kong, such as the absence of requirements that the appointment, removal and remuneration of auditors must be approved by a majority of our shareholders.

Our dual-class ordinary share structure with different voting rights could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. We issued Class A ordinary shares represented by our ADSs in our initial public offering. Our co-founder, chairman and chief executive officer, Robin Yanhong Li, who acquired our shares prior to our initial public offering, holds our Class B ordinary shares. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate (as defined in our memorandum and articles of association) of such holder, such Class B ordinary shares will be automatically and immediately converted into the equal number of Class A ordinary shares. In addition, if at any time Robin Yanhong Li and his affiliates (as defined in our memorandum and articles of association) collectively own less than 5% of the total number of the issued and outstanding Class B ordinary shares, each issued and outstanding Class B ordinary share will be automatically and immediately converted into one Class A ordinary share, and we should not issue any Class B ordinary shares thereafter.

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Due to the disparate voting powers attached to these two classes, certain shareholders have significant voting power over matters requiring shareholder approval, including election of directors and significant corporate transactions, such as a merger or sale of our company or our assets. This concentrated control could discourage or prevent others from pursuing any potential merger, takeover or other change of control transactions with our company, which could deprive our shareholders and ADS holders of an opportunity to receive a premium for their shares or ADSs as part of a sale of our company and might reduce the price of our Class A ordinary shares and/or ADSs.

Our articles of association contain anti-takeover provisions that could adversely affect the rights of holders of our ordinary shares and/or ADSs.

Our articles of association include certain provisions that could limit the ability of others to acquire control of our company, and therefore may deprive the holders of our ordinary shares and ADSs of the opportunity to sell their ordinary shares or ADSs at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions. These provisions include the following:

- A dual-class ordinary share structure.
- Our board of directors has the authority, without approval by the shareholders, to issue up to a total of 800,000,000 preferred shares in one or more series. Our board of directors may establish the number of shares to be included in each such series and may fix the designations, preferences, powers and other rights of the shares of a series of preferred shares.
- Our board of directors has the right to elect directors to fill a vacancy created by the increase of the board of directors or the resignation, death or removal of a director, which prevents shareholders from having the sole right to fill vacancies on our board of directors.

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

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

- the rules under the U.S. Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the U.S. Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the U.S. Exchange Act;
- the sections of the U.S. Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

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

As a Cayman Islands exempted company listed on Nasdaq, we are subject to Nasdaq corporate governance listing standards. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate

governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from Nasdaq corporate governance listing standards. For example, neither the Companies Act (As Revised) of the Cayman Islands nor our Memorandum and Articles requires a majority of our directors to be independent and we could include non-independent directors as members of our compensation committee and nominating committee, and our independent directors would not necessarily hold regularly scheduled meetings at which only independent directors are present. We have convened an extraordinary general meeting on December 7, 2021 to revise our memorandum and articles of association, so that we are required to convene an annual general meeting each year. Accordingly, we held an annual general meeting in June 2022. This resolution has been passed and our memorandum and articles of association was amended and restated accordingly. If we choose to follow other home country practice in the future, our shareholders may be afforded less protection than they otherwise would under Nasdaq corporate governance listing standards applicable to U.S. domestic issuers.

We may be classified as a passive foreign investment company, or PFIC, which could result in adverse U.S. federal income tax consequence to U.S. Holders of our ADSs or ordinary shares.

A non-U.S. corporation, such as our own, will be considered a PFIC for any taxable year if either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the value of its assets (generally determined on a quarterly basis) is attributable to assets that produce or are held for the production of passive income. The value of our assets is generally determined by reference to the market price of the ADSs and ordinary shares, which may fluctuate considerably. In addition, because PFIC status is a fact-intensive determination made on an annual basis, no assurance may be given with respect to our PFIC status for the current or any future taxable year.

Based on the market price of our ADSs and ordinary shares, the value of our assets, and the composition of our assets and income, we believe that we were not a PFIC for our taxable year ended December 31, 2022. No assurance can be given that we will not become a PFIC in the current taxable year or foreseeable taxable years, because the determination of whether we will be or become a PFIC is a factual determination made annually that will depend, in part, upon the composition of our income and assets. Fluctuations in the market price of our ordinary shares and/or ADSs may cause us to become a PFIC for the current or future taxable years because the value of our assets for purposes of the asset test, including the value of our goodwill and other unbooked intangibles, may be determined by reference to the market price of our ordinary shares and/or ADSs from time to time (which may be volatile). In addition, based on the nature of our business and activities, it is possible that the IRS may challenge our classification of certain income and assets as non-passive, which may result in our company being or becoming a PFIC in the current taxable year. If our market capitalization subsequently declines, we may be or become classified as a PFIC for the current taxable year or future taxable years.

If we were treated as a PFIC for any taxable year during which a U.S. Holder (defined below) held an ADS or an ordinary share, certain adverse U.S. federal income tax consequences could apply to the U.S. Holder. See “Item 10.E. Additional Information—Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company.”

The different characteristics of the capital markets in Hong Kong and the U.S. may negatively affect the trading prices of our Class A ordinary shares and/or ADSs.

We are subject to Hong Kong and Nasdaq listing and regulatory requirements concurrently. The Hong Kong Stock Exchange and Nasdaq have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our Class A ordinary shares and our ADSs may not be the same, even allowing for currency differences. Fluctuations in the price of our ADSs due to circumstances peculiar to the U.S. capital markets could materially and adversely affect the price of our Class A ordinary shares, or vice versa. Certain events having significant negative impact specifically on the U.S. capital markets may result in a decline in the trading price of our Class A ordinary shares notwithstanding that such

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event may not impact the trading prices of securities listed in Hong Kong generally or to the same extent, or vice versa. Because of the different characteristics of the U.S. and Hong Kong capital markets, the historical market prices of our ADSs may not be indicative of the trading performance of our Class A ordinary shares.

Exchange between our Class A ordinary shares and our ADSs may adversely affect the liquidity and/or trading price of each other.

Subject to compliance with U.S. securities law and the terms of the deposit agreement, holders of our Class A ordinary shares may deposit Class A ordinary shares with the depositary in exchange for the issuance of our ADSs. Any holder of ADSs may also surrender ADSs and withdraw the underlying Class A ordinary shares represented by the ADSs pursuant to the terms of the deposit agreement for trading on the Hong Kong Stock Exchange. In the event that a substantial number of Class A ordinary shares are deposited with the depositary in exchange for ADSs or vice versa, the liquidity and trading price of our Class A ordinary shares on the Hong Kong Stock Exchange and our ADSs on Nasdaq may be adversely affected.

The time required for the exchange between Class A ordinary shares and ADSs might be longer than expected and investors might not be able to settle or effect any sale of their securities during this period, and the exchange of Class A ordinary shares into ADSs involves costs.

There is no direct trading or settlement between Nasdaq and the Hong Kong Stock Exchange on which our ADSs and our Class A ordinary shares are respectively traded. In addition, the time differences between Hong Kong and New York and unforeseen market circumstances or other factors may delay the deposit of Class A ordinary shares in exchange of ADSs or the withdrawal of Class A ordinary shares represented by the ADSs. Investors will be prevented from settling or effecting the sale of their securities during such periods of delay. In addition, there is no assurance that any exchange of Class A ordinary shares into ADSs (and vice versa) will be completed in accordance with the timelines investors may anticipate.

Furthermore, the depositary for the ADSs is entitled to charge holders fees for various services including for the issuance of ADSs upon deposit of Class A ordinary shares, cancellation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs and annual service fees. As a result, shareholders who exchange Class A ordinary shares into ADSs, and vice versa, may not achieve the level of economic return the shareholders may anticipate.

We are exposed to risks associated with any potential spin-off of one or more of our businesses.

We are exposed to risks associated with any potential spin-off of one or more of our businesses. The Hong Kong Stock Exchange has granted us 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 after the listing of our Class A ordinary shares on the Hong Kong Stock Exchange. 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 annual report, we continue to explore the ongoing financing requirements for our various businesses and may consider a spin-off listing on the Hong Kong Stock Exchange for one or more of those businesses within the three year period after the listing of our Class A ordinary shares on the Hong Kong Stock Exchange. As of the date of this annual report, we have not identified any target for a potential spin-off, as a result we do not have any information relating to the identity of any spin-off target or any other details of any spin off and accordingly, there is no material omission of any information relating to any possible spin-off in this document. 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 the Company, excluding the businesses to be spun off, incapable of fulfilling either 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 or entities to be spun-off at the time of our company's Listing (calculated

cumulatively if more than one entity is spun-off). We cannot assure you that any spin-off will ultimately be consummated, whether within the three-year period after the listing of our Class A ordinary shares on the Hong Kong Stock Exchange or otherwise, and any such spin-off will be subject to market conditions at the time and approval by the listing committee of the Hong Kong Stock Exchange. In the event that we proceed with a spin-off, our company's interest in the entity to be spun-off (and its corresponding contribution to the financial results of our company) will be reduced accordingly.

Item 4. Information on the Company

A. History and Development of the Company

Our company was incorporated in the Cayman Islands in January 2000. In December 2008, our shareholders approved the name change of our company from Baidu.com, Inc. to Baidu, Inc. In December 2021, our shareholders approved the name change of our company from Baidu, Inc. to Baidu, Inc. 百度集團股份有限公司 by adopting the dual foreign name “百度集團股份有限公司.”

Since our inception, we have conducted our operations in mainland China principally through Baidu Online, our wholly owned subsidiary in Beijing, China. Since June 2001, we also have conducted part of our operations in mainland China through Baidu Netcom, a variable interest entity in Beijing, China, which holds the licenses and approvals necessary to operate our platform and provide internet content services, value-added telecommunication-based services, internet map services, online audio and video services and mobile application distribution businesses. In subsequent years, we have established additional subsidiaries inside and outside of mainland China and assisted in establishing additional variable interest entities in mainland China to conduct part of our operations.

On August 5, 2005, we listed our ADSs on The NASDAQ National Market (later renamed The Nasdaq Global Market) under the symbol “BIDU,” with each ADS representing one Class A ordinary share at the time. Our ADSs are currently traded on The Nasdaq Global Select Market.

On May 12, 2010, we effected a change of the ADS to Class A ordinary share ratio from 1 ADS representing 1 Class A ordinary share to 10 ADSs representing 1 Class A ordinary share. The ratio change had the same effect as a 10-for-1 ADS split.

In November 2012, we obtained the controlling interest in iQIYI, Inc., or iQIYI, a prior equity method investee, and have since then consolidated its financial results into our consolidated financial statements. In May 2013, we acquired the online video business of PPStream Inc., or PPS, merged it with iQIYI and have since then consolidated its financial results into our consolidated financial statements. iQIYI completed its initial public offering in March 2018 and iQIYI's American Depositary Shares trade on the Nasdaq Global Select Market under the symbol “IQ.” We continue to control iQIYI and consolidate its financial results into our own in accordance with U.S. GAAP.

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, which provides consumer credit, wealth management and other financial services and has been renamed as Du Xiaoman. The divestiture was completed in August 2018, following which we held a minority equity interest in Du Xiaoman, 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.

We closed Series A financing of our smart living business, or Smart Living Group (SLG), at a post-money valuation of approximately RMB20 billion (US\$2.9 billion) in November 2020, and two rounds of Series B financing at a US\$5.1 billion post-money valuation, in August 2021 and September 2022, respectively. SLG operates DuerOS voice assistant and DuerOS-powered smart devices. We continued to consolidate the financial results of SLG into our own in accordance with U.S. GAAP as a majority shareholder.

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We entered into definitive agreements with JOYY in November 2020 and made certain amendments in February 2021 to acquire YY Live, which includes YY mobile app, YY.com website and PC YY, among others, for an aggregate purchase price of approximately US\$3.6 billion in cash, subject to certain adjustments. The closing of this acquisition is subject to certain conditions, including, among others, obtaining necessary regulatory approvals from governmental authorities. We and JOYY have agreed to extend the long stop date, which is the closing deadline of the proposed transaction, indefinitely until the extension is terminated by either party. See “Item 3.D. Key Information—Risk Factors—Risks Related to Our Business and Industry—We face risks associated with our proposed acquisition of YY Live and its online live streaming business.”

On March 1, 2021, our shareholders approved and effected a change to our authorized share capital by 1-to-80 subdivision of shares. Concurrently, we effected a proportionate change in ADS to Class A ordinary share ratio from 10 ADSs representing 1 Class A ordinary share to each ADS representing 8 Class A ordinary shares.

On March 23, 2021, our Class A ordinary shares commenced trading on the Main Board of the Hong Kong Stock Exchange under the stock code “9888.” We raised from our global offering in connection with the listing in Hong Kong approximately US\$3.1 billion in net proceeds after deducting underwriting commissions, share issuance costs and the offering expenses.

We moved to our current corporate headquarters, which we name as Baidu Campus, in November 2009. Our principal executive offices are located at Baidu Campus, No. 10 Shangdi 10th Street, Haidian District, Beijing 100085, the People’s Republic of China. Our telephone number at this address is +86 (10) 5992-8888.

B. Business Overview

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

We are a leading AI company with strong Internet foundation. We have been consistently investing in AI since 2010 to solidify our technology advancement, improve search capabilities and boost overall monetization. Baidu Brain, our core AI technology engine, has enabled us to develop new AI businesses. The breadth and depth of our AI capabilities provide the differentiating foundational technologies that power all of our businesses.

We are one of the very few companies in the world that offers a full AI stack of four layers, including cloud infrastructure, self-developed deep learning framework, large language models and applications. Our technological innovation in AI has been well recognized by the global community. For instance, ERNIE, our knowledge-enhanced 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. PaddlePaddle, an industrial open-source deep learning platform, was rated No. 1 in terms of usage in China, according to IDC in June 2022. 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 have begun to offer fully driverless ride-hailing services on open roads in Wuhan and Chongqing since August 2022.

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, understanding and intelligently processing all forms of content on the Internet—text, images

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and videos—with AI has helped us develop Baidu Brain, 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. PaddlePaddle developer community has grown to 5.35 million and has served 200,000 businesses, as of the end of 2022. Developers have created 670,000 models on PaddlePaddle by the end of 2022. The more developers and businesses use our AI models, tool kits and services, the better our AI capabilities become, which in turn further increases 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 businesses span 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 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 both 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 total 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 and new monetization opportunities. Powered by AI, Baidu Core, which excludes iQIYI and contributed over 70% of our total revenues during 2020, 2021 and 2022, 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: including (i) enterprise and public sector cloud service, which offers a full suite of cloud services and solutions, including IaaS (infrastructure as a service), PaaS (platform as a service) and SaaS (software as a service) and is uniquely differentiated by our AI solutions and (ii) personal cloud service; and
- Intelligent Driving & Other Growth Initiatives (OGI): consisting of (i) intelligent driving, including Baidu Apollo's auto solutions (Apollo Self-Driving Solutions and DuerOS for Auto), autonomous ride-hailing services and intelligent electric vehicles under a joint venture, Jidu Auto, that we established with Zhejiang Geely Holding Group (Geely), (ii) Xiaodu smart devices powered by DuerOS smart assistant, and (iii) AI chips.

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 648 million and over 80% daily log in ratio in December 2022. Unlike most mobile apps, which

direct traffic to a closed 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 continues to grow our huge offering of third-party content and services, by leveraging our network partners of Baijiahao (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 Baidu App, 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 more than 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 in 2020, 2021 and 2022. We have made extensive use of AI technologies to develop innovative marketing services, such as dynamic ads, which recommend 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 Baidu Health.

Our AI Cloud includes two parts: (i) enterprise and public sector cloud, and (ii) personal cloud. Our enterprise and public sector cloud offer a full suite of cloud services and solutions, including IaaS, PaaS, and SaaS, and is differentiated by 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, a no-code toolkit on PaddlePaddle that helps users without programming skills build customized machine learning models with a drag-and-drop interface, and BML Baidu machine learning, a full-featured AI development platform for AI algorithm developers based on PaddlePaddle, 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 transportation, manufacturing, the public sector, energy and utilities, financial services, and Internet/media.

Our Intelligent Driving & OGI consists 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. Apollo Go, which provides autonomous ride-hailing service, is now open to the public in more than 10 cities in mainland China. In 2022, Apollo Go provided more than 1.5 million rides. The accumulated rides provided to the public by Apollo Go exceeded 2 million by the end of January 2023. In Beijing, Apollo Go has begun to charge fees for the autonomous ride-hailing services on open roads since November 25, 2021, and was granted the permits to charge fees for the driverless ride-hailing services on public roads on July 20, 2022, with no safety officer behind the steering wheel. On December 30, 2022, Apollo Go received Beijing's first license to test vehicles with no driver or safety operator in the car, taking Baidu one step closer to providing fully driverless ride-hailing service on public roads in the capital city. In Chongqing, Apollo Go has begun to charge fees for the autonomous ride-hailing services on open roads since February 18, 2022, and started offering fully driverless ride-hailing services on open roads and started charging passengers for fully driverless ride-hailing services on open roads on August

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8, 2022. In Wuhan, Apollo Go started offering fully driverless ride-hailing services on open roads and received the permits to collect fees from the passengers on August 8, 2022.

Our strong brand and market leadership in autonomous driving has been carried over to intelligent driving. Apollo is a well-recognized brand among automakers. We have partnered with many domestic and global automakers to power their passenger vehicles with Baidu Apollo's auto solutions. Xiaodu ranked No.1 in smart display shipments and smart speaker shipments in China for the first nine months of 2022, according to IDC, Strategy Analytics, and Canalys. Our self-developed AI chips are customized for Baidu Brain and specific AI usages to improve performance and reduce 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 video content, in a variety of formats.

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 sensing capability and DuerOS speech recognition capabilities.

Our operations are primarily conducted in mainland China. For the year ended December 31, 2022, more than 97% of our group's total revenues were generated from mainland China, and as of December 31, 2022, more than 76% of our group's total assets were based in mainland China.

Baidu Core

Baidu Core—Mobile Ecosystem

Baidu Mobile Ecosystem provides a platform for people to discover and consume information through search and feed and facilitate interaction and engagement among users, creators, service providers, and merchants, alike. In particular, our ecosystem allows merchants, creators, publishers and service providers to acquire users, interact with users by provide information, content, products and services, and transact with users. This marketing funnel approach from user acquisition to user engagement to monetization demonstrates our value to merchants, allowing them to build a life-time relationship of users. In addition, this platform-centric approach has enabled our Mobile Ecosystem to start diversifying commercialization beyond online marketing into other services.

Products and Services for Users

Baidu App. Our flagship app enables users to access our search, feed, content and other services through mobile devices. Baidu App offers twin-engine search and feed functions that leverage our AI-powered algorithms and deep user insight to offer users a compelling experience. Through the building blocks of BJH accounts, Smart Mini Program and Managed Page, Baidu App provides users with single log-on, native-app-like experience to a wide range of information and services dispersed across isolated mobile apps and HTML5 websites, as well as merchants a full suite of marketing cloud services. Baidu App's spanning mobile ecosystem has resulted in more users logging in. In December 2022, MAUs of Baidu App reached 648 million and daily logged in users surpassed 80%.

- ***Baidu Search.*** Users can access our search and other services through Baidu's properties and Baidu Union partners' properties. In addition to text inputs, users can conduct AI-powered voice search and visual search. Voice search integrates speech recognition and search technologies to enhance the user experience by providing a more natural and convenient input modality. Visual search enables the use of smart phone cameras to capture images and retrieve related content and services on the Internet. For

example, users can take a photo of a plant or a pet, to identify the species. We also endeavor to improve the search experience, through other AI-powered products, such as Top 1, to satisfy user queries with the first displayed search result, which we believe will be an important capability with the adoption of smart devices with smaller screens. In addition, we offer vertical search, such as video search and online literature search to our users.

- *Baidu Feed.* Baidu Feed provides users with personalized timeline based on their demographics and interests. Baidu Feed complements our core search product, leverages Baidu AI recommendation algorithms and monetization platform, and contributes to user engagement and retention, including content sharing, likes, and comments. Baidu Feed provides text-to-speech function to help users consume Internet content hands free, as well as leverages its large traffic to distribute video content from Baijiahao, Haokan, iQIYI and third parties.
- *Baidu Health.* Baidu Health helps users find the doctor and hospital that best suit their different healthcare needs through our AI building blocks. By doing so, Baidu Health provides doctors and hospitals more efficient online presence through Baidu Healthcare Wiki short-term videos, live streaming seminars and telemedicine, as well as providing them with hosted management tools to remain in contact with their patients efficiently, such as messaging, appointment, re-scheduling and monitoring of treatment plans.

Haokan. Haokan offers a wide variety of user generated and professionally produced short videos, usually several minutes long, in coordination with MCNs (multiple channel network). Haokan allows users to upload, view, search, rate, share, favorite, comment, and follow. Video creators and curators can distribute their content to build a fan base and receive revenue share for their content contribution.

Internally Developed Knowledge-and-Information-Centric Products. Our content and services ecosystem also includes a comprehensive portfolio of knowledge and information products developed internally, in partnership with professionals, reputable organizations and other users. For example, we provided live streaming content from healthcare industry experts in 2020, to help users better understand and cope with the COVID-19 pandemic.

- *Baidu Wiki.* A leading wiki in China compiled by experts in specialized fields featuring high-quality columns and videos, such as *Encyclopedia of Intangible Cultural Heritage*, *Digital Museum* and *Recorder of History*.
- *Baidu Knows.* An online community where users can pose questions to other users, such as individuals, professionals, and enterprises. Baidu Knows leverages Baidu's search capabilities to help users find answers to their questions on the Internet fast and efficiently, while at the same time allow various partners of Baidu Knows to engage with their targeted users.
- *Baidu Experience.* An online platform where users share daily knowledge and experience, providing practical tips and interesting perspectives in areas, such as software, lifestyle, and games, etc.
- *Baidu Post.* A social media built on topical online communities. Users can post text, image, audio and video content and reply to original curation, forming valuable discussion groups. Baidu Post draws new users through close integration with search and user generated content, and has been a popular platform for celebrity fans, online game players, and online novel readers to share topical discussions, especially about current trends.

Products and Services for Partners

We attract numerous partners to our platform through our AI building blocks and Baidu Union, which help create opportunities for us to work with our partners in research and development and other business cooperation and establish long term business relationships.

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AI Building Blocks. The number of smartphones sold in China is on a decline and app installation costs have been rising, causing app developers to take interest in offering their content and services on Baidu App with native-like app experience. Similarly, website owners are experiencing the challenge to grow their business while open in-app search queries are outgrowing browser search queries. To help app developers and website owners grow their business and leverage their traffic more efficiently with AI-powered tools and capabilities, we offer Smart Mini Program and Managed Page to our partners, respectively. We also offer BJH accounts to enable content providers to place their content on our publisher network and make their content searchable.

- *Baijiahao (BJH Accounts).* Our publisher network aggregates articles, photos, short videos, live videos, and augmented reality clips from MCNs, media outlets, and other professional sources, for distribution through search, feed, and short video products.
- *Smart Mini Program (SMP).* App developers may share their content and services in Baidu App with native-app like experience through increasingly popular applets, known as Smart Mini Program. Users can now search for and access content and services that historically were only available in standalone apps within Baidu App, without having to download and maintain so many apps on their phones.
- *Managed Page.* Managed Page is a hosted mobile alternative for website owners. Site owners may open an account on our platform, use our tools and services powered by AI and engage with users without having to maintain their own site and pay for server, software and bandwidth costs. Managed Page comes with industry-specific templates and is designed to provide users with more reliable and secure information. Managed Page reached 45% of Baidu Core 2022 online marketing revenue.

Baidu Union. We match the promotional links of our online marketing services customers to the online properties of Baidu Union partners, which consists of a large number of partners, such as third-party websites, wap sites and mobile apps. Some Baidu Union partners, such as online portal websites and Internet cafes, also embed our products and services, such as Baidu Search or a search function powered by Baidu Search, onto their online properties, which allows Baidu Union partners to provide high-quality, relevant search results to their users without incurring the cost of development and maintenance for advanced search capabilities and monetize their traffic through revenue sharing arrangements with us. Baidu Union partners may use our content recommendation system to provide feed content and ads to their users. We typically pay our Baidu Union partners a portion of the online marketing revenues based on pre-arranged agreements.

In addition, we also enter into arrangements with Baidu Union partners to provide our search engine in their browsers. We typically pay such Baidu Union partners a fee based on prearranged agreements.

Products and Services for Customers

We, through our network of third-party agents and our direct sales team, deliver online marketing services to a diverse customer base consisting of SMEs across industries, including healthcare, retail, e-commerce, entertainment and media, online games, business services, life services, and transportation. In 2022, we served more than half a million enterprise customers, who are customers of our online marketing services.

Our online marketing services enable the delivery of comprehensive, rich, and diversified marketing offerings to fulfill customer needs. Our online marketing services include P4P (pay for performance) services and others. We generate revenues primarily from the sale of P4P online marketing services and other marketing services to our customers, which accounts for a majority of our total revenue for the years ended December 31, 2020, 2021 and 2022.

P4P. Our auction-based P4P services allow customers to bid for priority placement of paid sponsored links and reach users who search for information related to their products or services. We charge our customers on a cost-per-click basis. Customers may choose to purchase search, feed and other online marketing services and have the option to set daily allowances targeting users by geography in China and specify the time period for their campaign. As our partners adopt Smart Mini Programs and Managed Page, some of them have begun to use these properties as their landing page, in lieu of their own mobile apps and websites.

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Search marketing services are mainly provided to customers through our proprietary online marketing system which drives monetization efficiency by improving relevance in paid search and optimizing value for our customers.

Feed marketing services usually comprise image-based or video-based advertising, appearing between the feed headlines or within the feed content. It is powered by Baidu AI in order to better match goods and services providers with their targeted audience while optimizing user experience.

Others. Our other marketing services comprise display-based marketing services and other online marketing services based on performance criteria other than CPC (cost-per-click). Customers can choose different mix of our service offerings to optimize their return on investment. BrandZone allows customers to display integrated text, logo, image, and video in a structured and uniform manner on a prominent position of the search result page or in vertical search products, such as Baidu Knows. Programmatic marketing platform supports the placement of advertisement using standard, intelligent, or customized creativity, different purchasing methods (guaranteed delivery or real time bidding), and multiple payment methods.

Marketing cloud platform. Our marketing cloud platform integrates one-stop-shop media purchase with CRM (client relationship management) functionalities, to allow our customers to purchase brand and performance-based marketing services, build audience and user engagement, generate leads and maintain relationships with users, leveraging tools and services powered by Baidu AI. Our marketing cloud platform helps us better understand our customers' needs and enable our customers to leverage Baidu's AI to simplify their marketing process and improve the effectiveness of their marketing efforts.

Our Mobile Ecosystem, built upon Baidu App as well as a dozen other apps, offers a wide range of third-party content and services to hundreds of millions of users, typically free of charge. Our AI building blocks and other products and services for partners have attracted millions of partners to become participants in our Mobile Ecosystem and generate content and services onto our platform and to tap into our over-half-a-billion user base. The more partners we bring into our Mobile Ecosystem, the better we become at providing users with a more comprehensive reach and cover content and services in more diversified formats than competing products, which in turn attracts more users and partners to our Mobile Ecosystem. For our Mobile Ecosystem business, we generate a substantial majority of our revenues from the provision of online marketing services to our customers through both direct sales and third-party agents. We charge our customers periodically based on usage while requiring certain customers to pay a deposit. We also offer certain customers credit terms. In addition to offering ads on our platform, we serve promotional ads from our customers on the apps or website properties of Baidu Union partners. We also power the search engines of Baidu Union partners.

Baidu Core—AI Cloud

Our AI Cloud includes two parts: (i) enterprise and public sector cloud solutions, and (ii) personal cloud service. Our enterprise and public sector cloud solutions offers a comprehensive set of cloud services and solutions, including IaaS, PaaS and SaaS, based on our unique AI capabilities. Combined with our effective marketing capabilities, we have been able to demonstrate the ability to cross-sell and up-sell additional products and services to existing customers, which in turn enables us to more efficiently grow our cloud business. Baidu was once again ranked the No. 1 AI Cloud provider, according to IDC's first half of 2022 report on China's public cloud market for the fourth consecutive year.

Our AI Cloud includes two parts: (i) enterprise and public sector cloud solutions, and (ii) personal cloud service.

For enterprises and public sector, we offer IaaS, PaaS and SaaS, profited from our unique AI capabilities, to various customers. Enterprises and the public sector have been the growth engine for the cloud revenue, consistently outgrowing the overall AI Cloud business.

Our IaaS provides our customers the flexibility to quickly scale or cut back on their cloud computing needs without having to provide huge capital layout upfront. Our IaaS business benefited from multi-cloud strategies adopted by many of our customers.

We also provide enterprise customers with cloud solutions, usually consisting of PaaS and SaaS, that leverage the unique AI capabilities from Baidu Brain. For example, we enabled a client in the manufacturing sector to automate quality assurance checkpoints on its production line by leveraging our computer vision capabilities. This solution helped our client reduce labor cost and improve their operational efficiency.

In the transportation industry, we are a pioneer and industry leader in developing V2X (vehicle-to-everything) solutions, the infrastructure backbone to smart transportation, to cities in China to help them improve municipal traffic condition, air pollution and road safety, using Baidu AI technology. As of December 31, 2022, Baidu ACE smart transportation has been adopted by 69 cities, increased from 35 cities as of the end of 2021, based on contract amount over RMB10 million. Our goal is to offer a comprehensive set of products, services, and tools to enable enterprises and public sector to improve productivity and operational efficiency through the use of Baidu AI and cloud infrastructure.

The industry know-how from our existing businesses, such as our Mobile Ecosystem and iQIYI, also provides valuable insights on how to tailor AI Cloud solutions to customers in the technology and media industries.

For the personal cloud service, we offer Baidu Drive, which allows users to store and retrieve photos, videos, and other files on AI Cloud, along with other capabilities, such as group share and data transfer. Personal cloud service contributed a small portion of total cloud revenues, and has been growing more slowly than the overall cloud revenues.

For AI Cloud, we generate revenue by providing cloud services and solutions to enterprise clients, consumers and the public sector directly or through solution integrators for a lump-sum fee or on a subscription basis. We also generate revenue from Baidu Drive from membership services provided to individual customers. Baidu Core's cloud services revenue reached RMB17.7 billion (US\$2.6 billion) in 2022, increasing by 18% from 2021.

Baidu Core—Intelligent Driving & OGI

Intelligent Driving & OGI include developments with large total addressable markets and earlier-stage commercialization with a growing customer base, including Apollo intelligent driving and DuerOS smart assistant.

Intelligent Driving

Intelligent driving, including Baidu Apollo auto solutions (Apollo Self-Driving Services and DuerOS for Auto), robotaxi fleets (autonomous ride-hailing service) and intelligent EVs, leverage AI and other technologies to make a vehicle, or fleet of vehicles, more intelligent, all with the ultimate goal to be autonomous.

We are the market leader in autonomous driving in China in terms of number of rides Apollo Go completed. The industry definition for L4 autonomous driving is that the vehicles are capable to drive themselves without human interactions but will be restricted to known use cases, or in most environments and road conditions. Apollo Go has already received permits for providing driverless ride-hailing services on open roads and received the permits to collect fees from the passengers in Chongqing and Wuhan. A well-known research firm, names Apollo as one of the four global leaders in autonomous driving, recognizing us as the top-tier autonomous driving company from China.

In addition, the services and solutions of intelligent driving are compatible with our smart transportation solutions, which leverage each other to gain a better understanding of traffic and road conditions, as well as to improve cost efficiency. Our leadership in autonomous driving, industry know-how, operating experience, transportation ecosystem understanding (from our smart transportation projects and maps), and cost advantage give us strong competitive advantages in leading the development of the intelligent driving industry.

Baidu Apollo's auto solutions (Apollo Self-Driving Services and DuerOS for Auto). We have been investing in autonomous driving technology to provide automakers with self-driving services. Under Apollo Self-Driving, we offer HD Map, AVP (automated valet parking) and ANP (Apollo navigation pilot). We introduced AVP (our automated valet parking) services in 2018, which allow a driver to get out of the car upon arrival at his or her destination and our solution would enable the vehicle to autopark, and to direct the vehicle to automatically drive to driver's location out of the parking lot. In December 2020, we introduced ANP (Apollo navigation pilot) services, which leverage our autonomous driving capabilities. In the past years, Baidu Apollo's auto solutions continued to gain traction among leading automakers. These products are in the early stage of monetization and their revenue contribution is insignificant.

Apollo Go, our robotaxi. Robotaxi fleet operation represents a massive opportunity. Apollo Go is now available in more than 10 cities, including all the tier-1 cities (Beijing, Shanghai, Guangzhou, Shenzhen) and other major cities. *Luobokuaipao*, the mobile application of Apollo Go, is available for download for free from all the major app stores in China. In 2022, Apollo Go provided more than 1.5 million rides. The accumulated rides provided to the public by Apollo Go exceeded 2 million by the end of January 2023.

In Beijing, Apollo Go has begun to charge fees for the autonomous ride-hailing services (with safety officers behind the steering wheel) on open roads since November 25, 2021 and Apollo Go was granted the permits to charge fees for the driverless ride-hailing services (with safety officers in the vehicles, but not behind the steering wheel) on public roads on July 20, 2022. In Wuhan and Chongqing, Apollo Go started offering fully driverless ride-hailing services on open roads and received the permits to collect fees from the passengers on August 8, 2022. Apollo Go received Beijing's first license to test vehicles with no driver or safety operator in the car on December 30, 2022, taking Baidu one step closer to providing fully driverless ride-hailing service on public roads in the capital city.

In June 2021, we introduced Apollo Moon, 5th generation Apollo robotaxi vehicles. In July 2022, we unveiled our 6th generation robotaxi vehicle Apollo RT6. RT6 is the first steering wheel-free, all electric model designed for fully driverless autonomous driving. Apollo RT6 is distinct from the previous generations that had otherwise been retrofitted on conventional vehicles.

Baidu Maps. A voice-enabled mobile app providing users with travel-related services, including POI (point of interest) search, route planning, precise navigation, taxi-hailing service and real-time traffic condition information. Baidu Maps also provides professional and stable map services to business partners across different sectors. In 2022, we integrated Baidu Map into our Intelligent Driving Group to create synergies between the Baidu Map app and the map solutions for the auto and transportation industries.

Intelligent EVs. We formed a new EV as a joint venture, Jidu Auto, that we established with Geely. We entered into a strategic partnership with Geely in January 2021. We will provide intelligent driving capabilities to power the passenger vehicles, and Geely, which holds the distinction of best-selling Chinese automobile brand in past years under the Volvo and Geely brands, will contribute its expertise in automobile engineering and manufacturing. In June 2022, Jidu Auto launched its first car model, Robo one (Robo-01). At the Guangzhou Auto Show in December 2022, Jidu Auto showcased the mass-produced edition of Robo one (Robo-01). Robo one is equipped with Baidu's most advanced autonomous driving solutions in the market, such as Baidu's ANP, AVP, as well as its advanced infotainment system. In addition, Jidu Auto also introduced its second car model at the Guangzhou Auto Show in December 2022.

As of the date of this annual report, we have no control of Jidu Auto and accounted for the investment as an equity method investment.

OGI

DuerOS Smart Assistant. DuerOS is a leading smart assistant for the Chinese language, which powers first-party Xiaodu home smart devices and smart earphones, as well as third-party smart phones, children smart watches and story machines. DuerOS is differentiated by its multi-round conversation AI capabilities, leveraging internally designed Baidu Honghu AI chip, as well as by DuerOS skills store, which offers thousands of skills in wide ranging genres, including short and long videos, online games, education services, video conferencing and other visually oriented activities. In August 2021 and September 2022, Xiaodu completed two rounds of Series B financing at a valuation of US\$5.1 billion with us retaining super-majority shareholding. While we generate revenue primarily from the sale of our smart assistant devices to our customers directly and through our distribution network, Xiaodu services revenue, such as membership and advertising, already surpassed 12% of Xiaodu revenues. Xiaodu ranked No.1 in smart display shipments and smart speaker shipments in China for the first nine months of 2022, according to IDC, Strategy Analytics, and Canalys.

iQIYI

iQIYI is a leading provider of online entertainment video services in China. iQIYI's platform features a variety of premium video content, in particular iQIYI original dramas and shows. iQIYI also expands its premium content offering through licenses and collaboration with third-party partners, which supplement its original content.

Since the beginning, iQIYI has always put content and users at the center, orienting each of its business strategies around delivering superior content quality and user-friendliness. Artistically crafted and imbued with industry expertise distilled from over a decade of operational experience, many iQIYI original titles have secured their places among the most successful IP franchises in the history of Chinese popular entertainment. Designed and refined by its engineers with a deep understanding of the evolving user preferences, iQIYI's products continue to offer superior entertainment experience for users. With in-house studios spearheading its original content production, iQIYI is home to many acclaimed original drama series and variety show franchises, and has successfully serialized iQIYI's original content into blockbuster sequels to accumulate and amplify IP value overtime. iQIYI also expands its premium content offering through licenses and partnerships, which supplement its original content.

Professionally Produced Content (PPC) iQIYI's PPC mainly includes original content and licensed content. As of December 31, 2022, iQIYI had over 40,000 PPC titles in iQIYI's comprehensive and diversified video content library, comprised of drama series, variety shows, films and others.

(i) *Original content.*

iQIYI's original content includes content produced in-house and content produced in collaboration with quality third-party partners. iQIYI's original content titles include popular drama series, such as Love Between Fairy and Devil (苍兰诀), Chasing the Undercurrent (罚罪), New Life Begins (卿卿日常), and Wild Bloom (风吹半夏), all of which were launched in 2022 and broke the landmark 10,000 iQIYI popularity index score; popular variety shows, such as The Big Band (乐队的夏天), Qipa Talk (奇葩说), The Rap of China (中国说唱巅峰对决) and Super Sketch Show (一年一度喜剧大赛); high-quality movies, such as Mirrors and Feathers (北方一片苍茫), Tough Out (棒!少年), Break Through the Darkness (扫黑·决战) and Northeastern Bro (东北恋哥); and popular animations, such as Deer Squad (无敌鹿战队), The World of Fantasy (灵域) and Love Between Fairy and Devil (苍兰诀). iQIYI obtains the IP through production, adaptation or purchase from third parties, while the partners, typically established entertainment production companies, are responsible for content development and

production. iQIYI maintains a high degree of control during the content development and production process.

iQIYI also adapts high-quality video IP into multiple entertainment products, such as online games, animations, online literature, and derivative merchandise.

(ii) *Licensed content.*

In addition to original content, iQIYI also provides users with a curated selection of high-quality PPC from third parties. Leveraging iQIYI's expertise in content selection, iQIYI has successfully debuted well-received titles such as drama series iPartment (爱情公寓), In the Name of People (人民的名义), Go Go Squid (亲爱的,热爱的), My Heroic Husband (赘婿), A Lifelong Journey (人世间) and variety show Keep Running (奔跑吧). iQIYI's licensed content library also features a rich collection of movies, animations, documentaries and other content.

iQIYI licensed video content is typically produced at fixed rates for a specified term. The average term of licenses varies depending on the type of content, with films and drama series having an average term of nine years and thirteen years, respectively. Payments of licensing fees are generally made in installments upon signing of the contacts and during the license period. iQIYI also exchanges rights to distribute licensed content with other online video streaming services to enrich our content library. In certain cases, iQIYI has the right of first refusal to purchase new content produced by the licensor.

iQIYI leverages its content procurement team's insights and its AI-based big data analytics capabilities to optimize content procurement. iQIYI has established strong partnerships with content providers to ensure access to high-quality content. These partners include leading domestic drama series production companies, film production companies and TV stations, "Big Six" Hollywood production studios, top TV networks in the U.S., etc.

Other Video Content. iQIYI offers a broad base of other video content with all kinds of genres, formats, and lengths of duration, such as internet movies and dramas, mini variety shows and animations, vertical or horizontal videos, as well as grassroots or influencer uploaded videos, edited video clips, and video blogs, or Vlogs, among others. iQIYI's other video content expands its library and allows it to capture a broader user base, drive user engagement and enhance user stickiness.

iQIYI has developed a diversified monetization model. iQIYI generates revenues through membership services, online advertising services and a suite of other monetization methods. iQIYI's monetization model fosters an environment for high-quality content production and effective content distribution on its platform, which in turn expands its user base and increases user engagement, creating a virtuous cycle.

Membership Services. iQIYI's membership services generally provide subscribing members with superior entertainment experience that is embodied in various membership privileges. iQIYI's membership program is composed of multiple packages, each offered at a different price and provides subscribing members with access to a large collection of VIP-only content comprised of drama series, movies, animations, cartoons and online literature, earlier access to certain content aired on iQIYI platform and a bundle of viewing functions and features. For example, the members-first model of The Lost Tomb (盗墓笔记) enabled members to gain instant access to the entire season while non-paying users could only follow weekly updates for new episodes; and certain auxiliary content of Folk 2022 (我们民谣2022) was accessible exclusively to iQIYI's members. iQIYI's members primarily include subscribing members and, to a lesser extent, users who gain access to our premium content library through paid video-on-demand service. The average daily number of subscribing members in 2022 was 103.1 million, as compared to 101.6 million in 2021. The average daily number of subscribing members excluding individuals with trial memberships was 102.4 million in 2022, as compared to 100.7 million in 2021.

Online Advertising. The prices of iQIYI's advertising services depend upon various factors, including form and size of the advertising, level of sponsorship, popularity of the content or event in which the advertisements

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will be placed, and specific targeting requirements. Prices for the brand advertising service purchased by each advertiser or advertising agency are generally fixed under sales contracts.

Content Distribution. iQIYI sub-licenses content within its authorized scope to TV stations and other internet video streaming services. iQIYI also enters into barter agreements to exchange internet broadcasting rights of licensed content with other internet video streaming services. The barter agreement provides the licensee with the right to broadcast the licensed content, and the licensor retains the right to continue broadcasting and/or sub-licensing the exchanged content. We distribute our selected content not only to third-party platforms in mainland China but also to regions outside of China.

Others. Other monetization models include online games, IP licensing, talent agency, online literature, other licensing and others.

Technology

We focus on technology and innovation. To stay at the forefront of the internet industry and to achieve long-term growth and success, we invest heavily in research and development. We have established several research labs in China and the United States, to enhance our research and development capabilities, including AI, quantum computing and other areas.

Baidu AI

We have been investing in AI since 2010, and have developed “Baidu Brain,” our core AI technology engine, which has become a powerful technology platform that powers all of our business. We have opened up our AI platform to a large community of developers, which helps improve our AI capabilities and accelerate large-scale implementation of our AI. Request on Baidu Brain has peaked over 1 trillion hits per day in 2022. By doing so, we are turning the world’s most advanced AI capabilities into platforms for customers, developers and partners.

Our AI capabilities encapsulated on Baidu Brain consist of four layers and one module, as follows:

- a foundation layer, consisting of PaddlePaddle, our open source deep learning framework and platform, as software, Kunlun AI chips as hardware and databases as fuel;
- a perception layer, aggregating internally developed algorithms for speech recognition and synthesis, computer vision and augmented reality & virtual reality;
- a cognition layer, consisting of algorithms for natural language processing and knowledge graph;
- a platform layer, opening our technologies to partners and developers to develop a strong AI ecosystem; and
- an AI security module that ensures Baidu Brain’s security, safety and privacy.

AI Capabilities. Baidu Brain enables integrated innovation and expands the usage of AI solutions in a wider range of industries. Baidu Brain first launched as a platform in 2016, and we launched Baidu Brain 7.0, the latest version of Baidu’s open AI platform, in August 2021. Baidu Brain 7.0 demonstrates our expertise in AI technologies and industrial practice, and our efforts to make AI technology more accessible.

Baidu released ERNIE 3.0 Titan, a pre-training language model with 260 billion parameters. ERNIE 3.0 Titan is trained on a vast knowledge graph and massive unstructured data. ERNIE 3.0 Titan has achieved SOTA outcomes in over 60 NLP tasks, including machine reading comprehension, text categorization, and semantic similarity, among others. The model also performs well in 30 few-shot and zero-shot benchmarks. This shows that it can generalize across various downstream tasks with a small quantity of labeled data and decrease the

threshold of recognition. Under ERNIE, Baidu released 11 industry large language models in collaborations with multiple companies and organizations by the end of 2022. Industry large models allow us to solve industry-specific pain points effectively and efficiently, expanding AI's impact to in traditional industry, including manufacturing, utilities, and finance. ERNIE 3.0 Titan improves the performance of Baidu Brain, allowing Baidu Brain to better understand and address the real-world problems by building industrial applications.

By integrating different AI technologies such as natural language processing, speech and vision recognition, Baidu Brain is able to quickly and efficiently perceive and understand the real natural language processing framework like human beings.

Baidu Brain powers AI applications in various industries and are fully integrated with different scenarios for innovation. Powered by Baidu Brain, our AI Cloud business has made various AI applications for the utility, public service, manufacturing and other traditional industries to help our customers improve efficiency through technology innovation.

In terms of software and hardware integration, Baidu independently developed AI chip, Baidu Kunlun, optimized for voice, natural language processing, image and other AI technologies, is capable of supporting deep learning frameworks such as PaddlePaddle, and flexibly supports training and prediction, making AI models more efficient in computing and within the application. In addition, the Baidu Honghu chip was developed for far-field voice interaction, making voice interaction between people and cars, smart homes and other devices easier and more fluent. Separately, Baidu also works with partners to build hardware ecology. As of December 31, 2022, PaddlePaddle has been equipped with more than 30 chips.

PaddlePaddle. PaddlePaddle is Baidu's self-developed deep learning framework, which we open-sourced in 2016. PaddlePaddle aims to solve a real problem for the public service sector and traditional industries, and enables developers to implement AI technologies efficiently. PaddlePaddle provides: (i) a deep learning framework based on programming logic enabling both development flexibility and stability; (ii) the ultra-large-scale training capacity for real-time updates of trillion-level parameters of deep learning models; (iii) end-to-end deployment of high-performance inference engines designed for diverse platforms and devices; and (iv) open-source industry-grade models covering a wide range of applications. PaddlePaddle has boosted the diversification and scaling of AI applications. As of the end of 2022, PaddlePaddle developer community grew to 5.35 million and serves over 200,000 businesses. Developers, academic institutes, enterprises, government administrations and hardware OEMs works together on PaddlePaddle, allowing PaddlePaddle to cultivate various industry models. As a result, PaddlePaddle is well capable to run through the entire AI industry chain, from hardware adaptation to model training, inference deployment and application, consolidating the foundation of industrial intelligence and accelerating the pace of intelligent upgrading. In addition, Baidu has partnered with academics and industry to develop AI talents. EasyDL and BML (a full-featured AI development platform) are PaddlePaddle's enterprise versions.

AI Chips. Baidu AI Chip, which was introduced in 2018, is a cloud-to-edge AI chip specifically designed for Baidu's computing environment. As of December 31, 2022, both Baidu AI Chip I and Baidu AI Chip II have been in mass production. Baidu AI chips have been used for our search engine, cloud, and Xiaodu's business needs, while powering our deep learning computing needs. For example, the Baidu AI Chip II optimizes our AI technologies such as voice, natural language processing and images and support deep learning frameworks such as Baidu's open source deep learning platform, PaddlePaddle. The diverse range of uses enables Baidu AI Chip II to power different AI applications, such as Internet core algorithms, smart cities and smart industry. Furthermore, Baidu AI Chip optimizes our AI capabilities on AI Cloud servers while improving cost efficiency. Baidu AI Chip completed its first-round of funding at a post-money valuation of US\$2 billion in April 2021. In addition, we have also developed Baidu Honghu to power DuerOS smart devices and in-vehicle infotainment to improve speech recognition performance and provide a cost advantage in our AI offerings.

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We have also developed a proprietary technological infrastructure which consists of technologies for search, marketing services, and large-scale systems. Our established infrastructure serves as the backbone for AI, mobile and PC platforms.

Mobile Ecosystem Technologies

Search Technologies.

Our search is powered by a set of industry-leading technologies, including the following, among others:

Ranking. We compare search queries with the content on web pages to help determine relevance. We have significantly improved the relevancy, freshness and authority of ranking using our machine learning modules to analyze the rich content on the Internet and user intent, to prioritize the search results. We began using machine learning in 2010, to better understand the semantics beyond simple text of the search keywords, and in 2013, we began to apply deep learning in our search ranking system, which is playing an increasingly important role. In 2019, we began to develop Top 1 (satisfying user with the first search result) by significantly enhancing the results of question parsing and analysis, answer matching, extraction, page content understanding and other aspects of our search engine, which has greatly improved user satisfaction with our search products.

Multi-modal search. We have greatly improved the accuracy of speech recognition in scenarios, such as long sentences, mixed Chinese and English, and strong accent, and thus significantly improve user satisfaction of our speech search. We have built a terminal visual interaction engine v1.0 for visual search and facilitated the implementation of convolutional neural network models, reducing the training costs through unsupervised or semi-supervised models.

Marketing Services Technologies. Our marketing services platform serves billions of relevant, targeted sponsored links each day based on search terms users enter or content they view on web pages or in our apps. Our key marketing services technologies include Phoenix Nest, a web-based auction system to enable customers to bid for keywords and automatically deliver relevant, targeted promotional links on Baidu's properties and Baidu Union partners' properties. Designed to generate more relevant results, Phoenix Nest helps customers to identify popular keywords and provides them with tools for budget management and marketing effectiveness measurement.


Large-Scale Systems and Technologies. Our large scale and massive amounts of user traffic require our systems to efficiently and effectively allocate resources among the products and services in our large product portfolio. Our key large-scale systems and technologies include our internally developed automated management platform for large size clusters, which enables us to intelligently manage and allocate resources and automatically debug and relocate services, thereby, allowing the huge volume of requests on Baidu search platform to function stably across multiple internet data centers and a large network of servers.

Research and Development

We have a team of experienced engineers who are based mostly in Beijing, Shanghai and Shenzhen, China. We also have development centers in Sunnyvale, California and Seattle, Washington. We compete aggressively for engineering and recruit most of our engineers locally and have established various recruiting and training programs with leading universities in China. We have also recruited experienced engineers globally.

In the years ended December 31, 2020, 2021 and 2022, our research and development expenditures were RMB19.5 billion, RMB24.9 billion and RMB23.3 billion (US\$3.4 billion), representing 18%, 20% and 19% of our total revenues, respectively. Our research and development expenses primarily consist of salaries and benefits for research and development personnel. We expense research and development costs as they are incurred, except for capitalized software development costs that fulfill the capitalization criteria.

Intellectual Property

We rely on a combination of patent, trademark, copyright and trade secret protection laws in mainland China and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our intellectual property and our brand. We have over 13,693 issued patents in mainland China covering invention, utility model and design, and intend to apply for more patents to protect our core technologies and intellectual property. We also enter into confidentiality, non-compete and invention assignment agreements with our employees and consultants, and nondisclosure agreements with selected third parties. “百度,” our company’s name “Baidu” in Chinese, has been recognized as a well-known trademark in China by the Trademark Office of National Intellectual Property Administration. In addition to owning “ ” and the related logos, we have applied for registration of various other trademarks. We also have registered certain trademarks in the United States, Australia, Brazil, Canada, Hong Kong, India, Indonesia, Japan, Malaysia, Mexico, New Zealand, Russia, Singapore, South Africa, South Korea, Thailand, the European Union and several other jurisdictions. In addition, we have registered our domain name *baidu.com* and certain other domain names with authorized registrars of ICANN (Internet Corporation for Assigned Names and Numbers). We have also successfully become designated Registry Operator for *.baidu* top-level domain names by ICANN.

Internet, technology and media companies are frequently involved in litigation based on allegations of infringement or other violations of intellectual property rights. Furthermore, the application of laws governing intellectual property rights in mainland China and abroad is uncertain and evolving and could involve substantial risks to us. See “Item 3.D. Key Information—Risk Factors—Risks Related to Our Business Industry—We may face intellectual property infringement claims and other related claims, which could be time-consuming and costly to defend and may result in an adverse impact over our operations” and “—We may be subject to patent infringement claims with respect to our P4P platform.”

Sales and Distribution

We offer products and services for Baidu Mobile Ecosystem through our network of third-party agents and our direct sales team. We typically enter into framework sales agreements with third-party agents, where third-party agents will sell online marketing services to customers such as SMEs, domestic businesses and multinational companies on our behalf. The sales agreements typically limit the industry focus of the third-party agents. The third-party agents provide our online marketing customers with numerous services, including identifying customers, collecting payments, assisting customers in setting up accounts with us, suggesting keywords to maximize ROI and engaging in other marketing and educational services aimed at acquiring customers. We have direct sales presence in Beijing, Shanghai, Guangzhou, Shenzhen, and other cities, covering the major regional markets for our online marketing services and other services. We cover our key accounts through direct sales team and enter into agreements with such key accounts directly.

For AI Cloud, we sell our cloud solutions including IaaS, PaaS and SaaS to our enterprise clients directly or through solution integrators. We offer smart transportation solutions directly to provide tailored solutions to meet the specific needs of our clients.

For Intelligent Driving and OGI, we sell our products and services to our clients directly and through our third-party agents.

iQIYT’s brand advertising is sold through third-party advertising agencies, including members of American Association of Advertising Agencies, or 4As, and leading Chinese advertising agencies, as well as through a direct sales force. Feed advertising services is sold primarily through third-party advertising agencies, whose existing long-term relationships and network resources we strategically leverage, to increase our sales and expand our advertiser base.

Marketing

We focus on continually improving the quality of our products and services, as we believe satisfied users and customers are more likely to recommend our products and services to others. Through these efforts and the increased use of internet in China, we have built our brand with modest marketing expenditures.

We have implemented a number of marketing initiatives designed to promote our brand awareness among potential users, customers and Baidu Union partners. In addition to our brand positioning in the market, we have also initiated a series of marketing activities to promote our products and technologies among existing and potential users and customers, including, but not limited to, Baidu World Conference.

Competition

For Baidu Core business, our primary competitors are mainly internet companies and online marketing platforms in China. We compete with these entities for both users and customers on the basis of user traffic, cyber security, quality (relevance) of search (and other marketing and advertising) results, availability and user experience of products and services, distribution channels and the number of associated third-party websites. We also face competition from U.S.-based internet search providers providing Chinese language services and online marketing platforms, as well as traditional advertising media.

Online Marketing Platforms, Internet, Cloud and Smart Device Companies in China. Chinese internet companies, such as Alibaba, Tencent, ByteDance and Xiaomi offer a broad range of online services, including search, feed, cloud services and smart devices. These companies have widely recognized brand names in China and significant financial resources. Furthermore, some of these companies are private and are able to expend significant resources without consideration for near-term return on investment. We compete with these companies primarily for user traffic, user time, content, advertising budget, marketing resources and enterprise customers, in particular in the traditional industries and the public service sector. We leverage our AI technology, user traffic, product design and various marketing to enhance users' reliance on and customers' stickiness on our platforms and services.

U.S.-based Internet Search Providers and Online Marketing Platforms. U.S.-based internet search providers and online marketing platforms, such as Microsoft, Google and Facebook, have a strong global presence, well established brand names, more users and customers and significantly greater financial resources than we do. We may also continue to face competition from other existing competitors and new entrants in the markets of Chinese language search and online marketing.

Other Advertising Media. Other advertising media, such as newspapers, yellow pages, magazines, billboards, other forms of outdoor media, television, radio and mobile apps compete for a share of our customers' marketing budgets.

AI Cloud. We compete with Huawei and Kingsoft cloud for our cloud offerings. In addition, we have observed that telecom providers have been growing their cloud business, which has resulted in some changes in China's cloud industry.

Intelligent Driving. In the field of self-driving services, we compete with self-driving system providers and automakers, which are working on their in-house self-driving solutions. In the field of robotaxi services, we compete with other autonomous ride-hailing service providers. Our Apollo Go remains the largest autonomous ride-hailing service provider measured by the number of rides we competed.

iQIYI competes with Tencent Video, Youku, Mango TV and Bilibili for both users and advertising customers. iQIYI also competes with other internet media and entertainment services, such as internet and social platforms and short-form video platforms, as well as major television stations. iQIYI competes with these market players primarily on the basis of obtaining IP rights to popular content, conducting brand promotions and other marketing activities, and making investments in and acquisitions of business partners.

Our user traffic tends to be seasonal. For example, we generally experience less user traffic during public holidays and other special event periods in China. In addition, advertising and other marketing spending in China has historically been cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. Our results of operations may fluctuate due to the cyclical and seasonality in our business.

Our Environmental, Social and Governance (ESG) Initiatives

We are committed to corporate social responsibility and meeting society's changing needs despite the challenging economic environment. We have established an internal environmental, social and governance communications and management mechanism to comprehensively improve our corporate governance and benefit society.

Following the UN's 17 Sustainable Development Goals (SDGs), we have continuously improved our corporate social responsibility initiatives under the guidance of our ESG framework. We appreciate the oversight, guidance and feedback from different parties and are committed to collaborating closely with domestic and international organizations to support broader industry-wide ESG practices, to explore multi-dimensional use cases for our technology, to empower traditional industries with our capabilities and to promote a healthier lifestyle and the long-term sustainability of our society. In June 2021, we announced our goal to become carbon neutral by 2030. In May 2022, we released our annual ESG report, which details our ESG policies and sustainability initiatives. In August 2022, Forbes China placed us on its 2022 China ESG 50 list.

Environmentally Sustainable Mindset

We are a strong supporter of the Ten Principles of the United Nations Global Compact and the UN's 17 Sustainable Development Goals (SDGs). We are committed to the goal of achieving carbon neutrality by 2030 at the group operational level. To this end, we continue to pursue our emission reduction pathways in data centers, office buildings, carbon offsets, intelligent transportation, AI cloud and supply chain. Starting from 2020, we have taken measurements for all Scope 1, Scope 2, and Scope 3 emissions, inviting third-party professional institutions to verify and certify the results. These results are disclosed in our ESG report accordingly. We are committed to accelerating the transition to electric transportation, and are committed to making Baidu a low-carbon, energy-efficient and eco-friendly company through concrete actions. For example, to improve energy efficiency, we implemented various power supply solutions including HVDC offline and BBU (Battery Back-up Unit) in our data centers. Furthermore, our data centers are equipped with large-scale water cooling systems with a free cooling module and OCU (Overhead Cooling Unit) supplemented by fine-tuning operation optimization. As a result of these measures, we optimized the power usage effectiveness (PUE) of our data centers and further reduced our carbon emissions. Baidu Yangquan Data Center was awarded the Carbon Neutral Data Center Leader (5A) certification in 2021, making it the first data center with the highest low-carbon level in China. We have also adopted various water and photovoltaic power generation technologies that increase the use of renewable energy in office buildings, as well as energy conservation measures, such as recycling heat energy and introducing electric commuter shuttle busses on our campus to make our offices more environmentally friendly.

While we rigorously implement environmentally sustainable policies and initiatives, we are also committed to presenting our users with green products and services, fulfilling our social responsibilities and diligently promoting our green ideas to the general public. For example, we have participated in the Climate Group's EV100 campaign, a global initiative bringing together forward-looking companies committed to accelerating the transition to electric transportation, and have built our intelligent and green transportation ecosystem, relying on intelligent connected vehicle technology to comprehensively upgrade vehicles, roads and modes of travel. Baidu's V2X deployed in Beijing and smart signal control system adopted by Baoding help reduce carbon emissions by about 51,000 tons and 42 tons annually respectively. We provide enterprises with AI Cloud solutions, promoting the sustainable development in energy and textile industry. Baidu Maps provide users with low-carbon services, helping users to optimize their low-carbon routes, offering users with Navigation Services

for New Energy Vehicles (NEVs), and launching the functionality of visualizing carbon footprints. Our efforts promote the spread of green consumption among users. We have received various awards in recognition of our ESG efforts. In 2022, Baidu received the “Environmental Leap Forward Award” from the Carbon Disclosure Project (CDP), as well as “Bloomberg Green Environmental Pioneers.” Our program regarding Intelligent Transportation carbon reduction was incorporated into the COP 27 “Global Business Cases for Sustainability” with respect to green and low-carbon cases.

Building Social Trust and Developing Talent

Cybersecurity and Privacy Protection. As a reputable hi-tech company serving a large community of users, we put data privacy protection and data security as our top priorities. In October 2021, we established a data management committee to consolidate the existing committees on data management, data privacy & protection and data security, to further improve our policies and oversight over data management. Revolving around the dimensions of security, safety, and privacy, we built a research team filled with top-notch security experts. Focusing on our full stack of AI products and ecosystem, the team concentrates on cutting-edge technology, including vulnerability defense, AI security, security testing, privacy computing, etc., and developed and deployed multi-layer defense system. With their efforts, Baidu created a leading security technology system oriented for the AI-native cloud. We communicate with our users in an easy-to-understand manner to help them understand their rights under applicable laws and regulations. Through our data privacy and data security policies, users can learn about and control how their data is used and provide consent for data collection when necessary. We have put in place a comprehensive auditing mechanism across our business to keep track of the data privacy and data security actions taken throughout the lifecycle of our products and services. We utilize a complete set of data privacy and data security management systems that allow us to continuously review and improve our processes. Guided by the principles of legal compliance, hierarchical protection, consistency of rights and responsibilities and continuous optimization, we have set up the mechanism for data security across the entire life cycle of products. This mechanism is designed to protect user privacy, validate the protection and legitimacy of data, and continuously maintain a secure state of operations. We have designed the General Privacy Policies and have drawn up specific privacy policies for individual products and services. We have also built an independent one-stop privacy protection platform, from which users can learn about our data privacy policies and provide feedback. We believe that we can make a complex world simpler through AI, but such vision can only be realized if AI is used properly.

In 2022, we inspected and cleared more than 69.524 million pieces of harmful information through all means. Through machine big data mining, it cracked down on more than 58.49 billion pieces of harmful information. The core data of content moderation were disclosed on the Comprehensive Governance of Information Security Report on a quarterly basis.

Outlook on Talent and Organizational Development. Our employees are our most important asset. To promote work-life balance for our employees, we have adopted flexible working arrangements and a system of paid leave and compensatory leave, in addition to statutory annual leave. Since 2019, we have been working with an insurance company to introduce commercial healthcare coverage for both our employees and their parents. We are an early adopter among Chinese internet companies to offer such customized coverage. Moreover, we provide a multitude of benefits to our employees and their family members, including pregnant and nursing employees. We cater for female employees via return-to-work celebrations after childbirth, a maternity room to give breastfeeding mothers privacy, gift bags on Women’s Day, and a women’s club that encourages communication and the organization of activities.

To better understand employees’ level of satisfaction, assist employees in addressing work challenges and improve our overall work environment, we conduct annual human capital assessment surveys with all of our employees. We also provide a variety of channels for employees to provide feedback and file complaints. We fully respect and value our employees’ suggestions and feedback.

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We value the training and development of our employees. Our Online Baidu School learning platform provides convenient production tools for employees. In 2022, we expanded the platform's offerings with the addition of 4,557 new courses. Furthermore, 28% online courses were offered by our employees, and 1,992 live training sessions were held throughout the year. We have witnessed continued improvement in our employees' training hours. Particularly, female employees' training hours reached 65.4 hours, reflecting a significant increase from 2021.

As a signatory to the United Nations Global Compact, Baidu observes international treaties such as the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work, and has formulated the Baidu Human Rights Policy. In the Human Rights Policy, we state we are committed to and guarantee a respectful and dignified work environment for all employees. We provide equal opportunities for everyone in recruiting, hiring, training, promotion, and compensation and benefits, and strictly prohibit discrimination on the basis of gender, race, ethnicity, color, age, nationality, religion, physical disability, marital status, or other characteristics protected by law. We have zero-tolerance policies for any form of harassment, abuse, and coercion in the workplace and in any work-related environment outside the company. We protect all employees, especially women, from unfair treatment and retaliation.

Innovation and Practice in Social Responsibility

We care about the society that we live in, and we encourage our employees across different product lines to leverage Baidu AI technologies to make our community a better place for everyone. Baidu has made outstanding achievements in protecting vulnerable groups, including the elderly, deaf and hard-of-hearing (DHH) and minors. In March 2022, AI Cloud's digital avatar platform XiLing launched an AI sign language platform, breaking down communication barriers for the deaf and hard-of-hearing with our automated sign language translation in place. Additionally, our Baidu App (Big Character Version) features a simpler and clearer interface and functions, designed to reduce accessibility barriers for the elderly. Furthermore, we continued to attach great importance to the protection of minors. We launched a program to protect minors in 2022, in which we detected and handled 5,439 pieces of information containing harmful information involving minors, banned 62 Baidu accounts, and closed 6 Tieba accounts.

We have been committed to addressing social problems with honors social responsibility as a corporate citizen. To support epidemic prevention in Beijing, we donated 60,000 doses of antigenic reagents and 5,000 sets of prevention-related technology materials in 2022. Additionally, we continued to commit to our ongoing "Hello World" public welfare project, donating 16,478 books to 30 primary and secondary schools in southwest and northwest China.

Building on our close communication and collaboration with all stakeholders, we will continue to benefit our society. As part of our efforts to create value for our society, we attach great importance to communication and engagement with our users, partners, social organizations and third-party agencies.

Regulations

We operate our business in an increasingly complex legal and regulatory environment. This section summarizes the principal laws and regulations of mainland China relating to our business.

In the opinion of Han Kun Law Offices, our PRC legal counsel, (i) the ownership structure relating to the variable interest entities complies with current laws and regulations of mainland China; (ii) subject to the disclosure and risks disclosed under "Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure," "—Risks Related to Doing Business in China" and "—Regulations," our contractual arrangements with the variable interest entities and the nominee shareholders constituted legal, valid and binding obligation of all parties to these arrangements and the execution, delivery, and performance of the variable interest entities and

the nominee shareholders do not violate (x) any provisions of the articles of association and business licenses of such variable interest entity and (y) any current laws or regulations of mainland China; and (iii) subject to the disclosure and risks disclosed under “Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure,” “—Risks Related to Doing Business in China” and “—Regulations,” the business operations of the variable interest entities, as described herein, comply with current laws and regulations of mainland China in all material respects.

Our business is subject to evolving laws and regulatory requirements of mainland China, including, among others, the laws and regulations governing internet-related industry and AI-related industry. There are substantial uncertainties regarding the interpretation and application of existing or proposed PRC laws and regulations. We cannot assure you that the PRC regulatory authorities would find that our corporate structure and our business operations comply with PRC laws and regulations. If the PRC government finds us to be in violation of applicable PRC laws and regulations, we may be required to pay fines and penalties, obtain certain licenses or permits and change, suspend or discontinue our business operations until we comply with the applicable PRC laws and regulations.

Regulations on Foreign Investment

On January 1, 2020, the Foreign Investment Law and the Regulations for Implementation of the Foreign Investment Law, or the Implementation Regulations, came into effect and became the principal laws and regulations governing foreign investment in mainland China, replacing the trio of prior laws regulating foreign investment in mainland China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations.

According to the Foreign Investment Law, “foreign investment” refers to the investment activities conducted directly or indirectly in mainland China by foreign individuals, enterprises or other entities, including the following circumstances: (i) the establishment of foreign-invested enterprises in mainland China by foreign investors solely or jointly with other investors, (ii) a foreign investors’ acquisition of shares, equity interests, property portions or other similar rights and interests of enterprises in mainland China, (iii) investment in new projects in mainland China by foreign investors solely or jointly with other investors, and (iv) investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council.

The Foreign Investment Law has adopted a reformed system with respect to foreign investment administration, under which the PRC government applies national treatment to foreign investors in terms of investment entry and the foreign investor needs to comply with the requirements as provided in the negative list for foreign investment. The negative list will be issued by, amended or released upon approval by the State Council, from time to time. The negative list will consist of a list of industries in which foreign investments are prohibited and a list of industries in which foreign investments are restricted. Foreign investors will be prohibited from making investments in prohibited industries, while foreign investments must satisfy certain conditions stipulated in the negative list for investments in restricted industries. Foreign investments and domestic investments in industries outside the scope of the prohibited industries and restricted industries stipulated in the negative list will be treated equally. Any foreign-invested enterprise established prior to the effectiveness of the Foreign Investment Law may maintain its original corporate forms for a period of five years after January 1, 2020.

The Implementation Regulations restates certain principles of the Foreign Investment Law and further provides that, among others, (1) if a foreign-invested enterprise established prior to the effective date of the Foreign Investment Law fails to adjust its legal form or governance structure to comply with the provisions of the Companies Law of the PRC or the Partnership Enterprises Law of the PRC as applicable and complete amendment registration before January 1, 2025, the enterprise registration authority will not process other

registration matters of the foreign-invested enterprise and may publicize such non-compliance thereafter; (2) the provisions regarding equity interest transfer and distribution of profits and remaining assets as stipulated in the contracts among the joint venture parties of a foreign-invested enterprise established before the effective date of the Foreign Investment Law may, after adjustment of the legal form and governing structure of such foreign-invested enterprise, remain binding upon the parties.

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

In December 2020, the NDRC and the MOFCOM promulgated the Measures for the Security Review of Foreign Investment, which came into effect on January 18, 2021. The NDRC and the MOFCOM established a working mechanism office in charge of the security review of foreign investment. Such measures define foreign investment as direct or indirect investment by foreign investors in mainland China, which includes (i) investment in new onshore projects or establishment of wholly foreign owned onshore companies or joint ventures with foreign investors; (ii) acquiring equity or asset of onshore companies by merger and acquisition; and (iii) onshore investment by and through any other means. Investment in certain key areas with bearing on national security, such as important cultural products and services, important information technology and internet services and products, key technologies and other important areas with bearing on national security which results in the acquisition of de facto control of investee companies, must be filed with a specifically established office before such investment is carried out. What may constitute “onshore investment by and through any other means” or “de facto control” could be broadly interpreted under such measures. It is likely that control through contractual arrangement be regarded as de facto control based on provisions applied to security review of foreign investment in the free trade zone. Failure to make such filing may subject such foreign investor to rectification within prescribed period, and will be recorded as negative credit information of such foreign investor in the relevant national credit information system, which would then subject such investors to joint punishment as provided by relevant rules. If such investor fails to or refuses to undertake such rectification, it would be ordered to dispose of the equity or asset and to take any other necessary measures so as to return to the status quo and to erase the impact to national security.

Regulations on Value-Added Telecommunications Services and Internet Content Services

Value-added telecommunications services and Internet content services. The Telecommunications Regulations of the PRC promulgated by the PRC State Council in September 2000, which were most recently amended in February 2016, categorize all telecommunication businesses in mainland China as either basic or value-added. Pursuant to the Telecommunications Regulations, commercial operators of value-added telecommunications services must first obtain a Value-Added Telecommunication Business Operating License from the MIIT or its provincial level counterparts. The Administrative Measures for Telecommunication Business Operating License, promulgated by the MIIT with latest amendments becoming effective in September 2017, set forth the types of licenses required for value-added telecommunications services and the qualifications and procedures for obtaining such licenses. For example, a value-added telecommunications service operator providing commercial value-added services in multiple provinces is required to obtain an inter-regional license, whereas a value-added telecommunications service operator providing the same services in one province is required to obtain a local license. Baidu Netcom and some of the other variable interest entities in mainland China hold such Value-Added Telecommunication Business Operating Licenses.

Internet content services, or ICP services, are classified as one of the value-added telecommunication businesses. The Administrative Measures on Internet Information Services, promulgated by the PRC State Council in September 2000 and amended in January 2011, require companies engaged in the provision of commercial internet content services to obtain a Value-added Telecommunication Business Operation Permit for

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ICP services, or an ICP license from the relevant government authorities before providing any commercial internet content services within mainland China. “Commercial internet content services” generally refer to provision of information service through public telecommunication network or internet for a fee. The Catalog of Classification of Telecommunications Services promulgated by the MIIT in December 2015 and amended in June 2019 further divides ICP services into information publication platform and delivery services, information search and inquiry services, information communities platform services, instant message services, and information security and management services. We do not believe our P4P services conducted by our certain mainland China subsidiaries are categorized as part of internet content services that require an ICP license under these regulations. Although Baidu Online conducts part of the P4P business by, among other things, examining and filtering P4P keywords, interacting with potential P4P customers, engaging in sales activities with our customers, P4P search results are displayed on the websites operated by Baidu Netcom, including baidu.com. Baidu Netcom, as the owner of our domain name baidu.com and holder of the necessary licenses and approvals, such as an ICP license, operates the website to list P4P search results and display other marketing and advertising content as an online marketing service provider.

In June 2020, MIIT promulgated the Notice regarding Strengthening the Management of Call Center Business, which has strengthened the management on the admittance, codes, accessing, operation activities and certain other items.

Regulations on Content. National security considerations are an important factor in the regulation of internet content in the PRC. The National People’s Congress, the PRC’s national legislature, has enacted laws with respect to maintaining the security of internet operation and internet content. Under these laws and applicable regulations, violators may be subject to penalties, including criminal sanctions, for internet content that:

- opposes the fundamental principles stated in the PRC constitution;
- compromises national security, divulges state secrets, subverts state power or damages national unity;
- harms the dignity or interests of the state;
- incites ethnic hatred or racial discrimination or damages inter-ethnic unity;
- undermines the PRC’s religious policy or propagates heretical teachings or feudal superstitions;
- disseminates rumors, disturbs social order or disrupts social stability;
- disseminates obscenity or pornography, encourages gambling, violence, murder or fear or incites the commission of a crime;
- insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or
- is otherwise prohibited by law or administrative regulations.

ICP operators are required to monitor their websites, including electronic bulletin boards. They may not post or disseminate any content that falls within the prohibited categories and must remove any such content from their websites. The PRC government may shut down the websites of ICP license holders that violate any of the above-mentioned content restrictions and revoke their ICP licenses. For instance, in 2017, the CAC issued a series of regulatory documents providing that an ICP operator is obligated to monitor contents displayed and disseminated by users on its platform. These regulations apply to online services, including (i) online forum and community service, which allows users to publish information and interact with other users on an online forum, post bar or other form of online communities, (ii) online follow-up comment service, which allows users to post threads, reply to original content, leave messages and engage in live commenting with texts, symbols, expressions, pictures, audio/video on a website, mobile app or other forms of interactive platform; (iii) online group chat information service, which allows users to communicate and exchange information in a cyberspace created by the users on an online platform; (iv) online official account information service, which allows users to post texts, pictures, audio/video and other information in the form of an official account registered by the user on

a website, mobile app or other network platform. Pursuant to these regulations, a service provider is required to, among others, (x) register and verify the identity information of each user, and (y) in the case of publication or dissemination of prohibited contents on the platform, take prompt rectification measures, including removing and terminating transmission of the illegal content, restricting the user right of the offender, banning the user account and shutting down the relevant forum or channel, and report to the regulatory authority. On January 22, 2021, the CAC revised and promulgated the Administrative Provisions on the Information Services Provided through Official Accounts of Internet Users, which requires, among others, that information service platforms for public accounts are required to perform their responsibilities, establish systems such as those for the hierarchical or classified management of public accounts, ecological governance, copyright protection, and credit evaluation, and improve management measures such as public account registration verification, qualification examination, and disclosure of public account registrants. On November 16, 2022, the CAC amended and promulgated the Administrative Provisions on Internet Comment Posting Services, which came into effect on December 15, 2022. According to such provisions, the follow-up comment service providers must conduct standardized management of the follow-up comment service users and the producers and operators of official accounts according to the user service agreement. For the follow-up comment services users who release any illegal and negative information content, the service providers must take the measures including, among others, warning and reminding, refusing to release and deleting such illegal and negative information content, restricting such accounts' functions, suspending such accounts updating, shutting down such accounts and prohibiting re-registration of such accounts in accordance with laws, and keep the relevant records. For the producers and operators of official accounts who fail to fulfill their management obligations resulting that any illegal and negative information content appears in the follow-up comments, the service providers must take such measures as warning and reminding, deleting such illegal and negative information, suspending the follow-up comment area functions till permanently shutting down the follow-up comment area, restricting such account functions, suspending such accounts updating, shutting down such accounts and prohibiting re-registration of such accounts in accordance with laws, and keep records and timely report such violations to the cyberspace administrations.

In addition, in November 2018, the CAC issued a notice to require ICP operators to conduct security assessments on their Internet information services if their services include forums, blogs, microblogs, chat rooms, communication groups, public accounts, short videos, online live-streaming, information sharing, mini programs or such other functions that provide channels for the public to express opinions or have the capability of mobilizing the public to engage in specific activities. ICP operators must conduct self-assessment on, among others, the legality of new technology involved in the services and the effectiveness of security risk prevention measures, and file the assessment report to local competent Internet information office and public security authority. At the end of 2019, the CAC issued the Provisions on the Management of Network Information Content Ecology, or the CAC Order No. 5, which became effective on March 1, 2020, to further strengthen the regulation and management of network information content. Pursuant to the CAC Order No. 5, each network information content service platform is required, among others, (i) not to disseminate any information prohibited by laws and regulations, such as information jeopardizing national security; (ii) to strengthen the examination of advertisements published on such network information content service platform; (iii) to promulgate management rules and platform convention and improve user agreement, such that such network information content service platform could clarify users' rights and obligations and perform management responsibilities required by laws, regulations, rules and convention; (iv) to establish convenient means for complaints and reports; and (v) to prepare annual work report regarding its management of network information content ecology.

On September 15, 2021, the CAC promulgated the Opinions on Further Enforcing Responsibilities on Website Platforms as the Main Responsible Party for Information Content Management. In accordance with the Opinions, website platforms are required to perform specific responsibilities as the main responsible party for information content management, including, among others, enhancing the platform community rules, strengthening the regulation and management of accounts, improving the content vetting mechanism, improving the quality of information content, managing the dissemination of information content, and strengthening the management of key functions.

Restrictions on Foreign Ownership in Value-Added Telecommunications Services. Foreign ownership in value-added telecommunication services is governed by the State Council according to the Provisions on Administration of Foreign-Invested Telecommunications Enterprises, or the Foreign-Invested Telecommunications Provisions, which was recently amended on March 29, 2022 and became effective on May 1, 2022. According to the amended Foreign-Invested Telecommunications Provisions, a foreign investor's beneficial equity ownership in an entity providing value-added telecommunications services in mainland China is generally not permitted to exceed 50% unless otherwise permitted by laws and regulations. Although the amended Foreign-Invested Telecommunications Provisions deleted the prior requirement that major foreign investors holding equity in enterprises providing value-added telecommunications services in mainland China must have a good track record and operational experience in providing these services, the PRC government authorities have not promulgated relevant implementation rules in line with these new changes. Accordingly, there are uncertainties as to whether foreign investors without a good track record and operational experience in providing these services may qualify as major foreign investors in value-added telecommunications enterprises. Although the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) allow a foreign investor to own more than 50% of the total equity interest in an e-commerce business, a domestic multi-party communication business, an information storage and re-transmission business and a call center business, other requirements provided by the amended Foreign-Invested Telecommunications Provisions still apply. We believe that it would be impracticable for us to acquire any equity interest in the variable interest entities without diverting management attention and resources. Moreover, we believe that our contractual arrangements with these entities and the individual nominee shareholders allow us to have the power to direct the activities of these entities that most significantly impact their economic performance. Accordingly, we currently do not plan to acquire any equity interest in any of the variable interest entities.

A Notice on Intensifying the Administration of Foreign Investment in Value-Added Telecommunications Services, issued by the MIIT in July 2006, prohibits domestic telecommunication service providers from leasing, transferring or selling Telecommunication Business Operating Licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunication business in mainland China. Pursuant to this notice, either the holder of a Value-Added Telecommunication Business Operating License or its shareholders must directly own the domain names and trademarks used by such license holder in its provision of value-added telecommunications services. The notice further requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain the facilities in the regions covered by its license. If a license holder fails to comply with the requirements in the notice or cure any non-compliance, the MIIT or its local counterparts have the discretion to take measures against the license holder, including revoking its Value-added Telecommunication Business Operating License. Based on the Notice regarding the Strengthening of Ongoing and Post Administration of Foreign Investment Telecommunication Enterprises issued by MIIT in October 2020, the MIIT will not issue Examination Letter for Foreign Investment in Telecommunication Business. Foreign invested enterprises would need to submit relevant foreign investment materials to MIIT for the establishment or change of telecommunication operating permits.

Due to the restrictions under these regulations of mainland China, we operate our websites mainly through the variable interest entities, such as Baidu Netcom. Baidu Netcom is a variable interest entity, and is considered a domestic entity in mainland China under laws of mainland China given that the nominee shareholders are citizens of mainland China.

Baidu Netcom and some of the other variable interest entities in mainland China hold Value-Added Telecommunication Business Operating Licenses. In compliance with the Notice of the MIIT on Intensifying the Administration of Foreign Investment in Value-Added Telecommunications Services, Baidu Netcom owns the necessary domain names and trademarks, including pending trademark applications, and has the necessary personnel and facilities to operate our websites.

Regulations on Mobile Internet Applications

In June 2016, the CAC promulgated the Administrative Provisions on Mobile Internet Application Information Services, or the Mobile Application Administrative Provisions, which was most recently amended on June 14, 2022 and became effective on August 1, 2022. Pursuant to the Mobile Application Administrative Provisions, a mobile internet app refers to an app software that runs on mobile smart devices to provide users with information services. Mobile internet app providers refer to the owners or operators of mobile internet apps which provide information services. Internet app distribution platforms refer to mobile internet information services providers which provide distribution services related to releasing, downloading and dynamic loading of internet apps.

Pursuant to the Mobile Application Administrative Provisions, internet app providers must comply with relevant provisions on the scope of necessary personal information when engaging in personal information processing activities and should not compel users to agree to non-essential personal information collection or ban users from their basic functional services due to their refusal of providing unnecessary personal information. Internet app providers should not provide the relevant services to the users who fail to submit real identity information or use fraudulent identity information of other organizations or persons for fake registration. Internet app providers are also required to establish sound information content review and management mechanism, take sound management measures such as user registration, account management, information review, daily inspection and emergency disposal, and be staffed with professionals and technical ability appropriate to the service scale. Furthermore, internet app providers who launch new technologies, applications or functions with the attribute of public opinion or the capability of social mobilization should conduct security assessment in accordance with the applicable laws and regulations. If an internet app provider violates these regulations, internet app distribution platforms may issue warnings, suspend the release of its applications, or terminate the sale of its applications, and/or report the violations to governmental authorities, and the application provider may be imposed administrative penalty by the CAC and relevant competent authorities in accordance with relevant laws and regulations.

In December 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals, which came into effect on July 1, 2017. The Interim Measures aim to enhance the administration of mobile apps, and require, among others, that mobile phone manufacturers and internet information service providers must ensure that a mobile app, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of the hardware and operating system of a mobile smart device.

Since 2021, the PRC government has taken steps to strengthen the supervision on the utilization of algorithm in the field of Internet information service. On September 17, 2021, the CAC and eight other authorities jointly promulgated the Notice on Promulgation of the Guiding Opinions on Strengthening the Comprehensive Governance of Algorithm-Related Internet Information Services, which provides that, among others, enterprises must establish an algorithmic security responsibility system and a technology ethics vetting system, improve the algorithmic security management organization, strengthen risk prevention and control, and improve the capacity to respond to algorithmic security emergencies.

Regulations on Internet Information Search Service

In June 2016, the CAC promulgated the Administrative Provisions on Internet Information Search Services, or the Search Services Administrative Provisions, which took effect on August 1, 2016. Pursuant to the Search Services Administrative Provisions, internet information search service refers to the service whereby users can search for information that is collected from the internet and processed by computer technology. The Search Services Administrative Provisions requires that an internet information search service provider must not publish any information or contents prohibited by law in the form of links, abstracts, snapshots, associative words,

related search or recommendations or otherwise. If an internet information search service provider identifies any search results that contain any information, website or app that is prohibited by law, it must stop displaying the search results, record the infraction and report it to the relevant governmental authority. In addition, an internet information search service provider is prohibited from seeking illegitimate interest by means of unauthorized disconnection of links, or provision of search results containing false information. If an internet information search service provider engages in paid search services, it must examine and verify the qualifications of its customers of the paid search services, specify the maximum percentage of search results as paid search results on a webpage, clearly distinguish paid search results from natural search results, and notably identify the paid search information item by item.

Regulations on News Display

Displaying news on a website and disseminating news through the internet is highly regulated in the PRC. The Provisional Measures for Administrating Internet Websites Carrying on the News Displaying Business, jointly promulgated by the State Council News Office and the MIIT in November 2000, require an ICP operator (other than a government authorized news unit) to obtain an approval from the State Council News Office to post news on its website or disseminate news through the internet. Furthermore, the disseminated news must come from government-approved sources pursuant to contracts between the ICP operator and the sources, copies of which must be filed with the relevant government authorities.

In May 2017, the CAC issued the Provisions on the Administration of Internet News Information Services, or the Internet News Regulation, and its implementing rules, which became effective on June 1, 2017. Pursuant to the Internet News Regulation and its implementing rules, if an entity intends to provide internet news information service, it is required to obtain an approval from the State Council News Office and receive an Internet News Information Service License. Internet news information service refers to editing, publishing and reprinting and the dissemination platform service of internet news through internet websites, mobile apps, forums, blogs, micro-blogs, official accounts, instant message tools, live-streaming and other similar means. Pursuant to the Internet News Regulation, no internet news information service organizations may take the form of a foreign-invested enterprise, whether a joint venture or a wholly foreign-owned enterprise, and no cooperation between internet news information service organizations and foreign-invested enterprises is allowed prior to the security evaluation by the CAC. On March 12, 2022, the NDRC and the MOFCOM issued the Negative List for Market Access (2022 Version), which specifies the prohibition of illegal engagement in news media business, and further emphasizes that non-state capital should not engage in the gathering, editing, broadcasting and distribution of news information.

Baidu Netcom obtained the Internet News Information Service License, which permits it to publish internet news pursuant to the relevant PRC laws and regulations, in December 2006, and had the license renewed in October 2021.

Regulations on Internet Drug Information Services

According to the Provisions on the Administration of Internet Drug Information Services, which was promulgated by the State Food and Drug Administration and most recently amended in November 2017, an enterprise publishing drug-related information must obtain a qualification certificate from the provincial-level food and drug administration before it applies for the ICP license or files with the MIIT or its local provincial-level counterpart. In addition, the Standing Committee further amended the Drug Administration Law on August 26, 2019, which became effective on December 1, 2019. An ICP service operator that provides information regarding drugs or medical devices must obtain an Internet Drug Information Service Qualification Certificate from the applicable provincial level administrative authority.

Baidu Netcom firstly obtained the Qualification Certificate for Internet Drug Information Services in November 2007. On December 21, 2021, to comply with the relevant requirements of the competent government

authorities in Beijing, Baidu Netcom obtained the Filing Certificate for Internet Drug and Medical Devices Information Services to replace the Qualification Certificate for Internet Drug Information Services, and such filing certificate of Baidu Netcom has been renewed on June 13, 2022. In addition, we have several other entities in our group that have obtained the Qualification Certificate for Internet Drug Information Services.

Regulations on Internet Healthcare

According to the Guiding Opinions on Vigorously Advancing the “Internet Plus” Action issued by the State Council on July 1, 2015, Internet enterprises are encouraged to cooperate with medical institutions in establishing online medical information platforms, strengthen the integration of regional health care service resources, and make full use of the Internet, Big Data and other means to improve the capability to prevent and control major diseases and unexpected public health incidents. The General Office of the State Council issued the Opinions on Promoting the Development of “Internet Plus Health Care” on April 25, 2018, which encouraged medical institutions to apply the internet and other information technologies to expand the space and content of medical services, and develop an online-offline integrated medical service model covering stages before, during and after diagnosis. The development of Internet hospitals depending on medical institutions should be permitted. Medical institutions may use Internet hospital as the second name and, based on physical hospitals, use Internet technology to provide safe and appropriate medical services, allowing online re-diagnosis for some common diseases and chronic diseases. After reviewing documents of the medical records and profiles of patients, doctors should be allowed to prescribe online for some common diseases and chronic diseases.

According to the Measures for the Administration of Internet Hospitals (for Trial Implementation) issued on July 17, 2018, any entity applying for establishment of an internet hospital is required to submit an application to the competent registration authority of the physical medical institution supporting such internet hospital, and submit the application form, the feasibility research report on establishment of such Internet hospital, the address of the physical medical institution supporting such Internet hospital, and the agreement jointly signed by the applicant and the physical medical institution in relation to establishment of an internet hospital through cooperation. If a physical medical institution intends to establish an internet hospital information platform through cooperation with a third-party institution, the relevant cooperation agreement should be submitted to competent registration authority of such physical medical institution. The Measures for the Administration of Internet Hospitals (for Trial Implementation) also clarify that Internet hospitals must adopt information security protection measures for Level 3 information system in accordance with relevant information security laws and regulations. Doctors can only provide follow-up diagnosis services through internet hospitals for patients that have been diagnosed with certain common diseases or chronic diseases, unless the patients are in physical hospitals and the doctors in the physical hospital invites other doctors to provide diagnosis services through internet hospital.

According to the Measures for the Administration of Internet Diagnosis and Treatment (for Trial Implementation) issued on July 17, 2018, Internet diagnosis and treatment activities must be provided by the medical institutions that have obtained a “Practicing License for Medical Institution.” If a medical institution intends to establish an information and services platform for Internet diagnosis and treatment activities through cooperation with a third-party institution, the relevant cooperation agreement should be submitted to competent registration authority of such medical institution. The Internet-based diagnosis services provided by a medical institution must be consistent with its diagnosis and treatment subjects. Physicians and nurses carrying out Internet diagnosis and treatment activities should be recorded and registered in the national electronic registration system of physicians and nurses. A medical institution must conduct electronic real-name verification for the medical staff members carrying out Internet diagnosis and treatment activities.

Regulations on Internet Culture Activities

The Provisional Measures for the Internet Culture Administration, promulgated by the Ministry of Culture, the predecessor of the Ministry of Culture and Tourism, and with the latest amendment becoming effective in

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December 2017, require ICP operators engaging in “internet culture activities” to obtain a permit from the Ministry of Culture. The “internet culture activities” include, among other things, online dissemination of internet cultural products and the production, reproduction, importation, distribution and broadcasting of internet cultural products. In May 2019, the Ministry of Culture and Tourism issued the Circular regarding Adjusting the Scope of Approval of Internet Culture Business Permit and Further Regulating Approval Matters to adjust the applicable scope of the Internet Culture Business Permit. Pursuant to the circular, the Ministry of Culture and Tourism will no longer be the authority supervising the online game industry and therefore the business scope of an Internet Culture Business Permit issued by it and its local counterparts will only cover internet cultural products including online music, online plays or programs, online performance, online works of art, online cartoon and exhibition and online matches, but exclude online games. Imported internet cultural products are subject to content review by the Ministry of Culture and Tourism before they are disseminated online, while domestic internet cultural products must be filed with the local branch of the Ministry of Culture within 30 days following the online dissemination. Service providers are also required to conduct self-review of the content of internet cultural products before they are put on the internet or submitted to the Ministry of Culture for approvals or filings. Baidu Netcom was granted an Internet Culture Business Permit in April 2007, which was renewed again in April 2020. Some other entities in our group have also obtained an Internet Culture Business Permit.

The Several Suggestions on the Development and Administration of Internet Music, issued by the Ministry of Culture and becoming effective in November 2006, reiterate the requirement for an internet service provider to obtain the Internet Culture Business Permit to carry on any business of internet music products. In addition, foreign investors are prohibited from engaging in the internet culture business operation.

In October 2015, the Ministry of Culture promulgated a notice, which took effect on January 1, 2016, to further strengthen its regulation over online music, including requiring online platforms that allow users to upload self-created or performed music to set up real-time monitoring systems and requiring online music service providers to make quarterly filings of information related to their content self-review with the local counterpart of the Ministry of Culture from April 1, 2016.

The Regulations for the Administration of Audio and Video Products, as released by the State Council in December 2001 and last amended in November 2020, require that the publication, production, duplication, importation, wholesale, retail and renting of audio and video products are subject to a license issued by competent authorities.

Regulations on Internet Publishing

In February 2016, the State Administration of Press, Publication, Radio, Film and Television (currently known as the National Press and Publication Administration, or the NPPA), and the MIIT jointly issued the Administrative Provisions on Internet Publishing Service, or the Internet Publishing Regulation, which took effect on March 10, 2016, and replaced the Interim Provisions for the Administration of Internet Publishing promulgated in 2002. The Internet Publishing Regulation requires that any entity engaged in the provision of online publications to the public via information networks obtain an Internet Publication License from the NPPA. Online publications refer to digital works with editing, production, processing and other publishing features, provided to the public via information networks, which mainly include: (i) informative and thoughtful text, pictures, maps, games, animation, audio and video digitizing books and other original digital works in fields such as literature, art and science, (ii) digital works consistent with the content of published books, newspapers, periodicals, audio-visual products and electronic publications, (iii) the network literature database or other digital works formed through aforementioned works by selecting, organizing, compiling and other means, and (iv) other types of digital works determined by the NPPA. The servers and storage facilities used by internet publishers must be located within the territory of mainland China. The Internet Publishing Regulation also provides that when an internet service provider provides manual intervention search ranking, advertising, promotion and other services to customers that provide internet publishing services, it is required to check and examine the Internet Publication Licenses obtained by the customers and the business scope of such licenses.

Regulations on Production and Operation of Audio/Video Programs

Under the Regulations on the Administration of Production of Radio and Television Programs issued by the State Administration of Radio, Film and Television, or the SARFT (currently known as NRTA) in July 2004 and recently partly amended in October 2020, any entities that engage in the production of radio and television programs are required to apply for a Permit for Production and Operation of Radio and TV Programs from the competent administrative authority. Entities with this permit must conduct their business operations in compliance with the approved scope of production and operation. On August 8, 2022, the NRTA released the Administrative Provisions on the Production and Operation of Radio, Television and Online Audio-visual Programs (Draft for Comment) to solicit public opinions by September 8, 2022, which provided explicitly that any overseas organization, foreign individual or foreign-invested enterprise should not conduct the business of programs production and operation. Such draft further proposed the self-discipline requirements for industry organizations and entities, rules on the prohibited content in the programs, regulations on film remuneration and prohibitions on false publicity of audience ratings and click-through rates. The Production and Operation of Radio, Television and Online Audio-visual Programs will supersede the Administration of Production of Radio and Television Programs upon it becoming effective.

On March 17, 2010, the SARFT issued the Internet Audio/Video Program Services Categories (Provisional), or the Provisional Categories, which were amended on March 10, 2017. The amended Provisional Categories classified Internet audio/video programs into four categories, which are further divided into seventeen sub-categories.

In 2022, the PRC government authorities further strengthened the supervision on the network dramas (including network mini plays). On April 29, 2022, the NRTA issued the Circular on Matters regarding Administration on Service of Domestic Network Dramas Distribution License, which took effect on June 1, 2022. Pursuant to this circular, the PRC government adopts a licensing system to the distribution of domestic network dramas, and the distribution of domestic key network dramas is required to obtain the Network Dramas Distribution License issued by the competent government authorities of radio and television in accordance with the applicable laws. On November 14, 2022, the NRTA issued the Circular on Further Strengthening the Management of the Network Mini Plays and Implementing the Creation Improvement Plan, or the Circular on Network Mini Plays, which became effective on the same date. Network mini plays refers to the network dramas with dozens of seconds to around 15 minutes running for each episode. Pursuant to the Circular on Network Mini Plays, the operators of network mini plays are required to obtain the Online Audio/Video Program Transmission License or be managed by the administrative authorities of radio and television in accordance with applicable regulations. All network mini plays to be transmitted online must have passed the content review by the administrative authorities of radio and television and must have obtained the Network Dramas Distribution License or completed the filing of Internet audio and video programs in accordance with relevant regulations on network dramas.

Regulations on Broadcasting Audio/Video Programs through the Internet

In December 2007, the SARFT and the MIIT jointly promulgated the Rules for the Administration of Internet Audio and Video Program Services, commonly known as “Document 56”, which took effect on January 31, 2008 and was further amended on August 28, 2015. Pursuant to Document 56, an online audio/video service provider must obtain an Online Audio/Video Program Transmission License, which has a term of three years, and operate in accordance with the scope of the business as stipulated in the license. Furthermore, Document 56 requires all online audio/ video service providers to be either wholly state-owned or state-controlled. According to some official answers to press inquiries published on the SARFT’s website in February 2008, officials from the SARFT and the MIIT clarified that online audio/video service providers that already had been operating lawfully prior to the issuance of Document 56 may re-register and continue to operate without becoming state-owned or controlled; *provided* that the providers have not engaged in any unlawful activities. This exemption will not be granted to online audio/video service providers established after Document 56 was

issued. In addition, foreign-invested enterprises are not allowed to engage in the above-mentioned businesses. On March 16, 2018, the NRTA issued the Notice on Further Regulating the Transmission Orders of Internet Audio and Video Program, pursuant to which, among others, (i) online streaming platforms should not illegally capture, edit, or reprogram audio-video programs, (ii) the movie clips and prevue broadcasted on the platform must come from the licensed broadcasting and television programs; and (iii) the platform must verify qualifications of sponsors for programs on the platform and must refrain from accepting sponsorship or advertising from or cooperating in any other form with any unlicensed online audio/video service providers.

According to Document 56 and other relevant laws and regulations, audio-video programs provided by the entities supplying Internet audio-video program services should not contain any illegal content or other content prohibited by the laws and regulations, such as any content against the basic principles in the PRC Constitution, any content that damages the sovereignty of the country or national security, and any content that disturbs social order or undermine social stability. An audio-video program that has already been broadcast must be retained in full for at least 60 days. Movies, television programs and other media content used as Internet audio-video programs must comply with relevant administrative regulations on programs broadcasts through radio, movie and television channels. Entities providing services related to Internet audio-video programs should immediately delete the audio-video programs violating laws and regulations, keep relevant records, report relevant authorities and implement other regulatory requirements.

On October 31, 2018, the NRTA issued the Notice on Further Strengthening the Management of Radio and Television and Network Audiovisual Cultural Programs, or Notice 60. According to Notice 60, all radio and television broadcasting institutes, network audiovisual program service institutes and program production institutes must stick to the right political direction and strengthen value guidance; pursue people-centered creative orientation to curb bad tendencies such as pursuing celebrities, pan-entertainment and so on; persist in providing high-quality content, constantly innovate programs, and strictly control the remuneration of guests; and strengthen the governance of TV series, network series (including network movies) to promote the benign development of the industry; must strengthen the use and management of ratings (click-through rate) survey data and resolutely crack down on ratings (click-through rate) forgeries, etc.

On May 27, 2016, SAPPRT issued the Notice on Relevant Issues concerning Implementing the Approval Works of Upgrading Mobile Internet Audio-Video Program Service, or the Mobile Audio-Video Program Notice. The Mobile Audio-Video Program Notice provides that the mobile Internet audio-video program services shall be deemed Internet audio-video program service. Entities which have obtained the approvals to provide the Internet audio-video program services may use mobile WAP websites or mobile applications to provide audio-video program services. Entities with regulatory approvals may operate mobile applications to provide the audio-video program services. The types of the programs should be within the permitted scope as provided in the licenses and such mobile applications are required to be filed with the NRTA and/or SFB.

The PRC government has also promulgated a series of special regulatory measures governing live-streaming services. In November 2016, the CAC promulgated the Administrative Provisions on Internet Live-streaming Service, which took effect on December 1, 2016. Pursuant to the Administrative Provisions, internet live-streaming service refers to continuous publishing of real-time information to the public on internet by means of video, audio, graphics, text or other forms, and an internet live-streaming service provider refers to an operator of the platform providing internet live-streaming service. In accordance with the administrative provisions, an internet live-streaming service provider must verify and register the identity information of publishers of live-streaming programs and users on its platform, and file the identity information of the publishers with the local governmental authority for record. Any internet live-streaming service provider engaging in news service must obtain internet news information service qualification and operate within the permitted scope of such qualification. In September 2016, the SAPPRT issued the Circular on Strengthening Administration of Live-streaming Service of Network Audio/Video Programs. Pursuant to the circular, any entity that intends to engage in live audio/video broadcasting of major political, military, economic, social, cultural or sport events or activities, or live audio/video broadcasting of general social or cultural group activities, general sporting events

or other organizational events, must obtain an Online Audio/Video Program Transmission License with a permitted operation scope covering the above business activities. Any entity or individual without qualification is prohibited from broadcasting live audio/radio programs involving news, variety shows, sports, interviews, commentary or other forms of programs through any online live-streaming platform or online live broadcasting booth, nor are they permitted to start a live broadcasting channel for any audio or radio programs. In addition, no entity or individual other than licensed radio stations or television stations are allowed to use “radio station,” “television station,” “broadcasting station,” “TV” or other descriptive terms exclusive to television and radio broadcasting organizations to engage in any business on the internet without approval. Furthermore, the CAC issued a notice in July 2017 which requires operators of internet news and information reproduction and broadcasting services, including commercial website apps that contain live-streaming features, and other internet live-streaming services, to file with the local CAC starting from July 15, 2017. The Circular on Tightening the Administration of Internet Live-Streaming Services jointly issued jointly by the MIIT, the CAC and several other government agencies in August 2018 reiterates the license requirements for online-streaming service providers and requires the operator to file with the local public security authority within 30 days after it commences the service online.

On October 8, 2021, the Administrative Provisions on Minor-oriented Programs was revised by the NRTA and has become effective on the same date. According to these provisions, network audio-visual programs with minors as their main participants or recipients should not contain any contents which are harmful to the minors, such as violence, pornography, heresy, superstition, drug taking and other illegal contents. On November 18, 2019, the CAC, the Ministry of Culture and Tourism and the NRTA jointly issued the Administrative Provisions on Online Audio-visual Information Services, or Circular No. 3, which took effective on January 1, 2020. According to the Circular No. 3, Online Audio-visual Information Services refer to the services of producing, publishing and disseminating audio-visual information offered to the public via Internet platforms, such as websites and application programs. Circular No. 3 requires that no individual or entity is allowed to (i) use the online audio-visual information services or related technologies to engage in any activities which may jeopardize national security, undermine social stability or infringe legitimate right of others; (ii) produce, publish or disseminate any audio-visual information prohibited by the laws and regulations, such as Internet rumors. A provider of audio-visual information services must establish, maintain and optimize a rumors refuting regime, under which once it identifies that any user of audio-visual information services produces, publishes or disseminates any rumor by virtue of the technology of producing forged pictures or audio-visual information based on deep-learning or virtual reality, such provider must take measures to refute such rumors in a timely manner and file such situations with the competent authorities governing Internet information, culture and tourism, and radio and television.

Baidu Netcom has renewed its Online Audio/Video Program Transmission License, which remains valid until July 2024. Beijing iQIYI has an Online Audio/Video Program Transmission License that is valid until October 2024. Another entity in our group has an Online Audio/Video Program Transmission License that is valid until March 2023, and such entity is in process of renewing its Online Audio/Video Program Transmission License.

Regulations on Live Streaming

On November 4, 2016, the CAC promulgated the Regulations on the Administration of Online Live streaming Services, or the Online Live streaming Regulations, which became effective on December 1, 2016. The Online Live Streaming Regulations stipulate that online live streaming service providers must carry out their subject responsibility, arrange professionals commensurate with its service size, establish and improve various management systems, and have the technical capability to immediately cut online live streaming, and its technical plans must comply with relevant national standards. In addition, online live streaming service providers must conduct graded and categorized management according to the content category and user scale of online live streaming, and establish a credit rating management system for online live streaming distributors as well as a blacklist management system.

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On February 9, 2021, the CAC and six other authorities jointly promulgated the Guiding Opinions on Strengthening the Standardized Management of Online Live Streaming, or the Guiding Opinions, which became effective on the same date. Pursuant to the Guiding Opinions, online live streaming platforms are required to, among others, (i) establish and improve their system for standardized classified and hierarchical management of live streaming accounts, the management rules for online rewards services, and the management system for sales through live streaming, (ii) set limits on the maximum amount of rewards accepted by a live streamer during a single live stream, and (iii) set a reasonable upper limit for the value of a single virtual product and the amount of a single reward.

On March 12, 2022, the NDRC and the MOC issued the Negative List for Market Access (2022 Version), which provides that, among others, non-state capital should not engage in live streaming and broadcasting of events and activities involving politics, economy, military affairs, diplomatic affairs, major social events, culture, science and technology, public health, education and sports and such other activities and events related to political direction, public opinion orientation and value orientation. The scope of these restricted subject matters for live streaming and broadcasting is relatively broad and vague, and is subject to further clarifications and interpretations by the regulator.

On June 8, 2022, the NRTA and the Ministry of Culture and Tourism jointly released the Code of Conduct for Livestreaming Hosts, which came into effect on the same day. According to such code, online performance platforms, online audio-visual platforms and brokerage agencies must strictly perform their statutory obligations, establish and improve the entry, training, daily management, performance scoring files and “red and yellow card” management and other internal systems and norms on livestreaming hosts. The livestreaming hosts who violate the applicable regulations and rules should be warned, and the livestreaming hosts with serious problems and repeated indiscipline shall be included in the “blacklist” or “warning list” and be prohibited from conducting any livestreaming activities by use of any account of any platform.

Regulations on Internet Map Services

According to the Administrative Rules of Surveying Qualification Certificate, as most recently amended by Ministry of Natural Resources on June 7, 2021, which became effective on July 1, 2021, the provision of internet map services by any non-surveying and mapping enterprise is subject to the approval of the competent departments of natural resources and requires a Surveying and Mapping Qualification Certificate. Internet maps refer to maps called or transmitted through the internet. Pursuant to the Notice on Further Strengthening the Administration of Internet Map Services Qualification issued by the National Administration of Surveying, Mapping and Geo-information in December 2011, any entity without a Surveying and Mapping Qualification Certificate for internet map services is prohibited from providing any internet map services. According to the Provisions on the Administration of Examination of Maps most recently amended on July 24, 2019, subject to limited exceptions, an enterprise must first apply for an approval by the relevant regulatory authority, if it intends to engage in any of the following activities: (i) publication, display, production, posting, import or export of a map or a product attached with a map, (ii) re-publication, re-display, re-production, re-posting, re-import or re-export of a map the content of which has been changed after it is approved, or other commercial products attached with such a map, and (iii) publication or display of a map or a product attached with a map overseas. The operator of an approved internet map is required to file the updated contents of the map with the relevant regulatory authority semiannually, and re-apply for a new approval of the map when the two-year term of the existing approval expires.

Baidu Netcom provides online traffic information inquiry services as well as internet map services and has obtained a Surveying and Mapping Qualification Certificate for internet map services. Another entity in our group has also obtained the Surveying and Mapping Qualification Certificate. In accordance with the Provisions on the Administration of Examination of Maps, we have applied and will apply for examination and approval of the continuously iterative and updated maps that are used in our products.

Regulations on Online Games

Pursuant to the Internet Publishing Regulation and the Circular on Mobile Game Publishing Service, the online games services provided on websites by online game operator partners may be deemed as a type of “online publication service,” and may be required to obtain an Internet Publication License from the NPPA. Beijing Perusal Technology Co., Ltd., or Beijing Perusal, and another entity in our group have obtained the Internet Publication Licenses. The required approval by the NNPA of each online game provided on our websites is handled by our online game operator partners.

In September 2009, the General Administration of Press and Publication (currently known as the NPPA) together with several other government agencies issued Notice Regarding the Consistent Implementation of the “Measures on Three Provisions” of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Examination and Approval of Online Games and the Examination and Approval of Imported Online Games, or the Circular 13, which explicitly prohibits foreign investors from participating in online game operating businesses through wholly-owned enterprises, equity joint ventures or cooperative joint ventures in mainland China. Circular 13 expressly prohibits foreign investors from gaining control over or participating in mainland China operating companies’ online game operations through indirect means, such as establishing joint venture companies, entering into contractual arrangements with or providing technical support to the operating companies, or through a disguised form, such as incorporating user registration, user account management or payment through game cards into online game platforms that are ultimately controlled or owned by foreign investors. Certain foreign companies offer online games provided by their game operator partners on websites or through smartphone app distribution platforms which are owned and operated by their variable interest entities under contractual agreements. If such contractual arrangements were deemed to be “indirect means” or “disguised form” under Circular 13, such relevant contractual arrangements may be challenged by the NPPA or other governmental authorities. If we were found to be in violation of Circular 13 in the operation of our online game platform, the NNPA, in conjunction with relevant regulatory authorities, would have the power to investigate and deal with such violations, including in the most serious cases, suspending and revoking the relevant licenses and registrations.

In October 2019, the NPPA promulgated the Circular on Preventing Minors from Developing Online Game Addictions, which mandates that online game operators take, among others, the following measures to prevent minors from being addicted to online games: (i) the operator must ensure that its online game users use valid and true identity information to register their game accounts; (ii) the operator must strictly control the time slot and duration allowed for minors to log in and play online games to the extent that it should not provide any game service for the minors in any form from 10:00 PM each day to 8:00 AM the next day, and the length of time a minor spends in playing its online games must not exceed three hours accumulatively on each statutory holiday and one and a half hours on each business day; and (iii) the online game operator should not offer any paid services to minors that are not suitable for their civil capacity. According to such circular, these requirements are pre-conditions for an operator to publish and operate any online game.

On August 30, 2021, the NPPA issued the Circular of the National Press and Publication Administration on Further Strengthening Regulation to Effectively Prevent Online Gaming Addictions among Minors, which became into effect on September 1, 2021. After the effective date of this Circular, online game companies must provide minors only with one hour of online game services at prescribed periods, namely between 8 pm and 9 pm on Fridays, Saturdays, Sundays and public holidays. The Circular reinstates that online game companies must strictly implement the real-name registration and login requirements for online game user accounts. All online games should be connected to the NPPA’s real-name verification system for anti-online game addiction purpose. Online game users should use real and valid identity information to register for game accounts and log in to online games. Online game companies should not provide gaming services in any form (including visitor experience mode) to users who have not registered or logged in with their real names.

Regulations on Online Game Virtual Currency

The Interim Administration Measures of Online Games, which has been repealed on July 10, 2019 (while no other regulation has been issued or promulgated as of the date of this annual report to replace this regulation) require companies that (i) issue online game virtual currency (including prepaid cards and/or pre-payment or prepaid card points) or (ii) offer online game virtual currency transaction services to apply for the Internet Culture Business Permit from provincial branches of the Ministry of Culture. The regulations prohibit companies that issue online game virtual currency from providing services that would enable the trading of such virtual currency. Any company that fails to submit the requisite application will be subject to sanctions, including, but not limited to, termination of operation, confiscation of incomes and fines. The regulations also prohibit online game operators from allocating virtual items or virtual currency to players based on random selection through lucky draw, wager or lottery that involve cash or virtual currency directly paid by the players. In addition, companies that issue online game virtual currency must comply with certain specific requirements. For example, online games virtual currency can only be used for products and services related to the issuance company's own online games. Pursuant to the Circular on Regulating Online Game Operation and Strengthening Interim and Ex Post Supervision issued by the Ministry of Culture in December 2016, which took effect on May 1, 2017 and repealed on August 19, 2019, an online game operator must not allow online game virtual currency to exchange for legal currency or items, except in the case of termination of online game operation where the online game operator may refund the balance of online game virtual currency to players in the form of legal currency or in other means acceptable to the players. Moreover, pursuant to the circular, regulations applicable to online game virtual currency also apply to such other virtual items where the virtual items are issued by the online game operator, can be exchangeable for other virtual items or value-added services related to the games, and can be purchased with legal currency or online game virtual currency or exchanged for online game virtual currency. As of the date of this annual report, no government authority has issued or promulgated any provisions to replace the above-mentioned regulations.

Regulations on Advertisements and Online Advertising

The PRC government regulates advertising, including online advertising, principally through the SAMR. The PRC Advertising Law, as recently amended on April 29, 2021, outlines the regulatory framework for the advertising industry, and allows foreign investors to own up to all equity interests in PRC advertising companies.

We conduct our value-added telecommunication-based online advertising business through Baidu Netcom, which is one of the variable interest entities in mainland China and holds a business license that covers value-added telecommunication-based online advertising in its business scope. Our subsidiaries Baidu Times and Baidu China have also expanded their respective business license to cover advertising in their respective business scope.

Advertisers, advertising operators and advertising distributors are required by PRC advertising laws and regulations to ensure that the contents of the advertisements they prepare or distribute are true and in full compliance with applicable laws and regulations. For example, pursuant to PRC Advertising Law, advertisements must not contain, among other prohibited contents, terms such as “the state-level,” “the highest grade,” “the best” or other similar words. In addition, where a special government review is required for certain categories of advertisements before publishing, the advertisers, advertising operators and advertising distributors are obligated to confirm that such review has been performed and the relevant approval has been obtained. Pursuant to the PRC Advertising Law, the use of the internet to distribute advertisements should not affect the normal use of the internet by users. Particularly, advertisements distributed on internet pages such as pop-up advertisements must be indicated with a conspicuous mark for “close” to ensure the close of such advertisements by one click. Where internet information service providers know or should know that illegal advertisements are being distributed using their services, they must prevent such advertisements from being distributed.

In addition to the above regulations, the Interim Administration Measures of Internet Advertising which was promulgated by the then State Administration for Industry and Commerce (currently known as the SAMR) and

became effective on September 1, 2016 also set forth certain compliance requirements for online advertising businesses. For example, search engine service providers must indicate paid search results as an advertisement and distinguish paid search results from natural search results on their websites. Advertising operators and distributors of internet advertisements must examine, verify and record identity information, such as name, address and contact information, of advertisers, and maintain an updated verification record on a regular basis. Moreover, advertising operators and advertising distributors must examine supporting documentation provided by advertisers and verify the contents of the advertisements against supporting documents before publishing. If the contents of advertisements are inconsistent with the supporting documentation, or the supporting documentation is incomplete, advertising operators and distributors must refrain from providing design, production, agency or publishing services. The Internet Advertising Measures also prohibit the following activities: (i) providing or using apps and hardware to block, filter, skip over, tamper with, or cover up lawful advertisements; (ii) using network access, network equipment and apps to disrupt the normal transmission of lawful advertisements or adding or uploading advertisements without authorization; and (iii) harming the interests of a third party by using fake statistics or traffic data.

The SAMR has promulgated the Guidance regarding Strengthening the Supervision over Marketing Activities by Internet Live-Streaming in November 2020 to further regulated marketing activities by Internet live-streaming. The NRTA also issued a circular on the Strengthening Management of Live-Streaming of Internet Shows and Electronic Commerce in November 2020 to provide instruction to online marketing activities through live-streaming. Platforms providing live-streaming of Internet show or electronic commerce must register with National Internet Video-audio Platform Information Management System no later than November 30, 2020. The overall ratio of front-line content reviewers to live-streaming rooms on such platforms should be no less than 1:50. The training for content reviewers should be strengthened and content reviewers who have passed the training should be registered in the Reviewer Information Management System. A platform must report the number of its live-streaming rooms, streamers and content reviewers to the provincial branch of the NRTA on a quarterly basis. Internet show live-streaming platforms must tag content of live-streaming rooms and corresponding streamers by category. A streamer cannot change the category of the programs tagged in his or her live-streaming room without prior approval from the platform. Users that are minors or without real-name registration are prohibited from virtual tipping, and platforms must cap the amount of virtual tipping per time, per day, and per month. When the virtual tipping by a user reaches half of the daily/monthly limit, a consumption notification from the platform and a confirmation from the user by text messages or other means are required before the processing the next transaction. When the amount of virtual tipping by a user reaches the daily/monthly limit, the platform must suspend the virtual tipping function for such user for that day or month. To host any electronic commerce promotion events such as E-commerce Festival, E-commerce Day or Promotion Day in the forms of live-streaming rooms, live performances, live variety shows and other live programs, the platforms should register the information of guests, streamers, content and settings with the local branch of NRTA 14 business days in advance. Internet electronic commerce live-streaming platforms should conduct relevant qualification examination and real-name authentication on businesses and individuals providing live-streaming marketing services and keep complete examination and authentication records, and should not enable imposters or businesses or individuals without qualification or real-name registration to conduct live-streaming marketing services.

On November 26, 2021, the SMAR promulgated the draft of the Measures for the Administration of Internet Advertisements for public comment. The draft measures further strengthen the management of pop-up advertisements and product placement, and require that, among others, advertisement of after-school tutoring targeted at pre-school children and primary and middle school students should not be released via the Internet. The Internet platform operators are obliged to cooperate with advertising monitoring and assist in supervision and provide statistical data.

Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In the case of serious violations, the SAMR or its local branches may force the violator

to terminate its advertising operation or even revoke its business license. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties.

Regulations on Artificial Intelligence

We engage in the research and development of artificial intelligence (AI) technology and products, specifically autonomous driving vehicles and generative AI. The PRC government has issued a series of guidelines to encourage and support the research and development of AI technology, such as the Three-Year Implementing Plan for Internet Plus Artificial Intelligence issued in May 2016, the Development Planning on the New Generation of Artificial Intelligence issued in July 2017 and the Development Plan for the Big Data Industry during the “14th Five-Year Plan” Period issued in November 2021.

Regulations on Autonomous Driving Vehicles. The MIIT, the Ministry of Public Security and the Ministry of Transport jointly promulgated the Administrative Rules of Road Testing and Demonstration Application of Intelligent Connected Vehicles (for Trial Implementation), or the Administrative Rules, on July 27, 2021, which became effective on September 1, 2021 and substituted the Norms on Administration of Road Testing of Autonomous Driving Vehicles (Trial Implementation) issued in April 2018. Pursuant to the Administrative Rules, a qualified entity to conduct road testing of intelligently connected vehicles must meet the following conditions, including, among others: (i) it must be an independent legal person registered within the territory of mainland China; (ii) it must have the relevant capabilities concerning intelligently connected vehicles, such as the capabilities of manufacturing automobiles and spare parts thereof, the capabilities of research and development of technologies, or the capabilities of experiments and tests; (iii) it must be capable of paying civil compensation for potential damages caused by the road testing of intelligently connected vehicles; (iv) it must have the evaluation rules for the testing of self-driving functions of intelligently connected vehicles; (v) it must have the ability to conduct real-time remote monitoring of the vehicles on road testing; (vi) it must have the ability to record, analyze and reproduce the events related to road test vehicles; (vii) it must have the ability to guarantee the network security for tested vehicles and remote monitoring platforms; and (viii) other conditions specified in applicable laws, administrative regulations and rules. An eligible entity may apply to conduct experimental operation of intelligently connected vehicles in prescribed roads and areas. Prior to starting a road testing, a road-testing entity must submit a self-declaration on safety of the road testing, and such self-declaration should be confirmed by the competent governmental authority on the provincial or municipal level. The testing duration for a road testing should not exceed 18 months in principle, and should not exceed the validity period of the quality certificate of safety technical inspection and the insurance voucher of the tested vehicle. A road-testing entity or the experimental operation entity must submit a periodic report every 6 months to the competent governmental authority on the provincial or municipal level and provide a summary report within 1 month upon conclusion of the road testing or experimental operation. The entity responsible for the road testing or the experimental operation must report information on the traffic accidents during the road testing or experimental operation to the competent authorities on a monthly basis. In case of any traffic violation occurred during the road test or demonstration application, the traffic administrative department of the public security department must impose the penalties (including, among others, fines or warning) on the driver in accordance with the laws and regulations on road traffic safety. In the case of serious injuries or deaths of any person or serious damage of a vehicle, the entity responsible for the road testing or the experimental operation must report such accident to the competent governmental authority on the provincial or municipal level within 24 hours through the information system, and if such subject fails to report as required, its road testing or experimental operation activities may be suspended for 24 months. Some local governments, such as Beijing, Shanghai, Chongqing, Hunan and Tianjin, have issued local rules and regulations to regulate road testing of autonomous driving cars accordingly.

In addition, the PRC government has strengthened regulation of the network security and data security of the Internet of Vehicles (IoV) since 2021. On September 15, 2021, the MIIT issued the Circular on Strengthening the Network Security and Data Security of IoV. This Circular provides that all enterprises related to IoV must

establish management systems for network security and data security, specify the responsible person and management bodies, and perform network security and data security-related protection responsibilities. The Circular also requires that all enterprises related to IoV must monitor, prevent, and promptly tackle cybersecurity risks and threats to ensure that data can be effectively protected and legally used and that the relevant IoV can be operated safely and stably. On March 7, 2022, the MIIT issued the Guidelines for the Construction of Network Security and Data Security Standard System for IoV, which specifies the safety standards and requirements covering terminal and facility security, network communication security, data security, application service security and security guarantee and support.

On August 16, 2021, the CAC and four other authorities jointly promulgated the Several Provisions on Automotive Data Security Management (for Trial Implementation), or the Provisions, which took effect on October 1, 2021. The Provisions require that automotive data processors should avoid excessive collection and illegal use of data and adhere to certain protocols such as “no collection by default” and “data masking” when carrying out data processing activities. The Provisions emphasize that if it is indeed necessary to provide any important data overseas due to the business needs of an automotive data processor, the automotive data processor must complete a prior security assessment on outbound data transfer and should not provide any important data overseas beyond the scope determined in such security assessment.

On April 28, 2021, the National Information Security Standardization Technical Committee, or the NISSTC, issued a draft of the Safety Requirements for Data Collected by Internet of Vehicles (IoV), and on October 19, 2021, the NISSTC further issued the Security Requirements of Vehicle Collected Data (Draft for comments). The Security Requirements of Vehicle Collected Data (Draft for comments) specifies the security requirements on the transfer, storage, outbound transfer and other dispositions of vehicle collected data. Specifically, certain types of vehicle collected data, such as those collected through sensors within the vehicle cockpit and location and route data, should not be transferred outside mainland China. Besides, outbound transfer of operational data should be subject to the data cross-border transfer security assessment conducted by national cyberspace authorities.

On August 8, 2022, in order to encourage and regulate the application of autonomous vehicles in transport services, the Ministry of Transport issued the Guideline on Transport Safety and Service for Autonomous Vehicles (Trial Implementation) (Draft for Comments), or the Transport Safety Guideline, to solicit public opinions by September 7, 2022. The Transport Safety Guideline encourages the use of autonomous vehicles in urban public bus passenger transport business, taxi passenger transport business and general cargo transport business in certain specific scenarios. However, the autonomous vehicles will be permitted being used in road passenger transport business only with the principle of prudent and will be prohibited from being used in the hazardous goods transport business. The Transport Safety Guide also provided that an autonomous vehicle engaged in transportation business must be equipped with the functions of recording, storing and transmitting the running status of such autonomous vehicle, and must timely transmit relevant information to transport operators and local transport authorities.

Regulations on Generative AI. Prior to 2022, the provisions on the generative AI technology are stipulated in the regulations and rules about Internet information services dispersedly. For example, according to the Provisions on the Management of Network Information Content Ecology issued by the CAC at the end of 2019, a network information content service platform must not, among others, (i) utilize new technologies such as deep-learning and virtual reality to engage in activities prohibited by laws and regulations; (ii) engage in online traffic fraud, malicious traffic rerouting and other activities related to fraudulent account, illegal transaction account or maneuver of users’ account; or (iii) infringe a third party’s legitimate rights or seek illegal interests by way of interfering with information display. According to the Administrative Provisions on Online Audio-visual Information Services jointly issued by the CAC, the Ministry of Culture and Tourism and the NRTA on November 18, 2019, the production, release and dissemination of any unauthentic audio-visual information by use of any new applications and technologies bases on deep learning and virtual reality must be labeled in a prominent manner by the online audio-visual information service providers and users. Furthermore, any online

audio-visual information service providers and users should not produce, release or disseminate false news by use of new applications and technologies based on deep learning and virtual reality.

Since the end of 2021, the PRC government authorities specially promulgated certain laws to regulate the algorithmic recommendation and deep synthesis technology which are closely related to the generative AI technology. On December 31, 2021, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Administration Provisions on Algorithmic Recommendation of Internet Information Services, or the Administration Provisions on Algorithmic Recommendation, which became effective on March 1, 2022. The Administration Provisions on Algorithmic Recommendation stipulates that algorithmic recommendation service providers must (i) fulfill their responsibilities for algorithm security, (ii) establish and strengthen management systems for algorithm mechanism examination, ethical review in technology, user registration, information release examination, protection of data security and personal information, anti-telecom and network fraud, security assessment and monitoring, emergency response to security incidents, etc., and (iii) formulate and publish rules governing algorithmic recommendation related service. The provider of algorithmic recommendation services should not use the services to (i) carry out any illegal activity which may endanger national security and social public interest, disturb economic order and social order, or infringe third parties' legal interest, or (ii) spread any information prohibited by laws or regulations. Besides, it should not take advantage of algorithms to impose unreasonable restrictions on other information service providers, or hinder or obstruct the normal operation of their legal services. The providers of algorithmic recommendation services with the characteristics of public opinion or capacity of social mobilization must complete the filing with the CAC's filing system within ten business days after the launch of its service.

On November 25, 2022, the CAC, MIIT and Ministry of Public Security jointly issued the Administrative Provisions on Deep Synthesis of Internet Information Services, or the Provisions on Deep Synthesis Services, which took effect on January 10, 2023. According to the Provisions on Deep Synthesis Services, deep synthesis technology refers to any technology that utilizes deep learning, virtual reality or any other generative or synthetic algorithm to produce text, images, audio, video, virtual scenes or other network information. The Provisions on Deep Synthesis Services emphasize that the providers of deep synthesis services, as the primary entities responsible for the information security, should not use deep synthesis services to engage in activities prohibited by laws and regulations.

Regulation on Product Quality

Products made in mainland China are subject to the Product Quality Law of the PRC, or the Product Quality Law, which was promulgated on February 22, 1993 and most recently amended on December 29, 2018. According to the Product Quality Law, a seller of a product should be responsible for repairing, replacing or returning the product with any of the following defects, and should compensate for the damages incurred by consumers who bought such defective product: (i) the product does not have the usability which such product should have and there are no prior indications about such situation; (ii) the actual quality of such product fails to comply with the standards specified on such product or the package of such product; and (iii) the actual quality of such product fails to meet the quality status specified by way of product specifications and samples. After the seller performs its obligation of repairing, replacing and returning the defective product and/or compensating for the customers' damages, such seller is entitled to seek reimbursement from the manufacturer of such product, if it could be proved that the defect is caused by the manufacturer. According to the Product Quality Law, a manufacturer of a product should be responsible to compensate for the damages to any person caused by the defect of such product, unless the manufacturer is able to prove that: (i) it did not circulate the product; (ii) the defect did not exist at the time when the product was circulated; or (iii) scientific or technologic knowledge at the time when such product was circulated was not such that it allowed the defect to be discovered.

Regulations on Tort Liability

In accordance with the Tort Liability Law of the PRC, or the Tort Liability Law, which became effective in July 2010, internet users and internet service providers bear tortious liabilities in the event that they infringe upon

other persons' rights and interests through the internet. Where an internet user conducts tortious acts through internet services, the infringed person has the right to request the internet service provider take necessary actions such as deleting contents, screening and de-linking. Failing to take necessary actions after being informed, the internet service provider will be subject to joint and several liabilities with the internet user with regard to the additional damages incurred. Where an internet service provider knows that an internet user is infringing upon other persons' rights and interests through its internet service but fails to take necessary actions, it is jointly and severally liable with the internet user. In addition, in accordance with the Tort Liability Law, in the event of any damage arising from a defective product, the infringed person may seek compensation from either the manufacturer or the seller of such product. If the manufacturer has compensated the infringed person but the defect is caused by the fault of the seller, the manufacturer is entitled to seek reimbursement from the seller. If the seller has compensated the infringed person but the defect is caused by the manufacturer, the seller is entitled to seek reimbursement from the manufacturer. The National People's Congress adopted the Civil Code of the PRC, or the Civil Code on May 28, 2020, which came into effect on January 1, 2021 and revoked the Tort Liability Law. The Civil Code has further revised the Internet tort liability as originally provided in the Tort Liability Law. It has further elaborated on "safe harbor" rule with respect to an internet service provider from both the aspects of notice and counter notice, including (i) upon receiving notice from the right holder, promptly adopting necessary protective measures such as deletion, screening or disconnection of hyperlinks and reefing right holder's notice to disputed internet user; and (ii) upon receiving counter-notice from the disputed internet user, referring such counter-notice to the claiming right holder and informing him/her to take other corresponding measures such as filing complaint with competent authorities or suit with courts. The Civil Code has also provided that where the internet service provider knew or should have known the infringing acts of the internet user, it must be severally liable with such internet user. As for product liability, the Civil Code provides additional mitigation measures such as stop selling of defective products and stipulated that the seller and manufacturer should also be liable for expanded damages caused by such defective products if no mitigation measures are provided or not sufficient. If a recall of defective product is required, the seller and the manufacturer should be responsible to undertake fees paid by infringed users.

Regulations on Intellectual Property Rights

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

Patent. The Patent Law of the PRC provides for patentable inventions, utility models and designs, which must meet three conditions: novelty, inventiveness and practical applicability. The State Intellectual Property Office under the State Council is responsible for examining and approving patent applications. A patent is valid for a term of twenty years in the case of an invention and a term of ten years in the case of utility models and designs.

Copyright. The Copyright Law of the PRC, or the Copyright Law, and its implementation rules extend copyright protection to products disseminated over the internet and computer software. There is a voluntary registration system administered by the China Copyright Protection Center. Creators of protected works enjoy personal and property rights, including, among others, the right of disseminating the works through information networks.

Pursuant to the PRC relevant regulations, rules and interpretations, ICP operators will be jointly liable with the infringer if they (a) participate in, assist in or abet infringing activities committed by any other person through the internet, (b) are or should be aware of the infringing activities committed by their website users through the internet, or (c) fail to remove infringing content or take other action to eliminate infringing consequences after receiving a warning with evidence of such infringing activities from the copyright holder. The court will determine whether an internet service provider should have known of their internet users' infringing activities based on how obvious the infringing activities are by taking into consideration a number of factors, including (i) the information management capabilities that the provider should have based on the possibility that

the services provided by it may trigger infringing acts, (ii) the degree of obviousness of the infringing content, (iii) whether it has taken the initiative to select, edit, modify or recommend the contents involved, (iv) whether it has taken positive and reasonable measures against infringing acts, and (v) whether it has set up convenient programs to receive notices of infringement and made timely and reasonable responses to the notices. Where an internet service provider has directly obtained economic benefits from any contents made available by an internet user, it should have a higher duty of care with respect to the internet user's act of infringement of others' copyrights. Advertisements placed for or other benefits particularly connected with specific contents may be deemed as direct economic benefits from such contents, but general advertising fees or service fees charged by an internet service provider for its internet services will not be included. In addition, where an ICP operator is clearly aware of the infringement of certain content against another's copyright through the internet, or fails to take measures to remove relevant contents upon receipt of the copyright holder's notice, and as a result, it damages the public interest, the ICP operator could be ordered to stop the tortious act and be subject to other administrative penalties such as confiscation of illegal income and fines. An ICP operator is also required to retain all infringement notices for a minimum of six months and to record the content, display time and IP addresses or the domain names related to the infringement for a minimum of 60 days.

Pursuant to the Copyright Law and its implementation rules, creators of protected works enjoy personal and property rights such as the right of disseminating the works through information networks. In addition, the Regulations for the Protection of Information Network Transmission Right promulgated by the State Council on May 18, 2006, and amended on January 30, 2013, specify the rules on a safe harbor for use of copyrights and copyright management technology. An internet service provider may be exempted from liabilities for providing links to infringing or illegal content or providing other internet services which are used by its users to infringe others' copyright, if it does not know and does not have constructive knowledge that such content is infringing upon other parties' rights or is illegal. However, if the legitimate owner of the content notifies the internet service provider and requests removal of the links to the infringing content, the internet service provider would be deemed to have constructive knowledge upon receipt of such notification, but would be exempted from liabilities if it removes or disconnects the links to the infringing content at the request of the legitimate owner. At the request of the alleged infringer, the internet service provider should immediately restore links to content previously disconnected upon receipt of initial non-infringing evidence.

We have adopted measures to mitigate copyright infringement risks. For example, our policy is to remove links to web pages and materials uploaded by the users if we know these web pages or materials contain materials that infringe upon third-party rights or if we are notified by the legitimate copyright holder of the infringement with proper evidence.

Software Products. The Regulation for the Protection of Computer Software promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013. To further implementing this regulation, the Computer Software Copyright Registration Measures promulgated by the China Copyright Office on February 20, 2002, regulates software copyright registration, exclusive licensing contracts of software copyright and transfer agreements. Although such registration is not mandatory under applicable PRC laws, software copyright owners are encouraged to go through the registration process and registered software may receive better protection.

Trademark. The Trademark Law of the PRC and its implementation rules protect registered trademarks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of ten years to registered trademarks. Trademark license agreements should be filed with the Trademark Office of National Intellectual Property Administration for record. “百度” is recognized as a well-known trademark in China by the Trademark Office of National Intellectual Property Administration. In addition to owning “百度” and the related logos, we have applied for registration of various other trademarks.

Domain name. Domain names are protected under the Administrative Measures on the Internet Domain Names promulgated by the MIIT in August 2017, which became effective in November 2017. The MIIT is the

major regulatory body responsible for the administration of the internet domain names of mainland China, and under the supervision of the MIIT, the China Internet Network Information Center, or CNNIC, is responsible for the daily administration of “.cn” domain names and Chinese domain names. According to the Circular on Administration of the Use of Domain Names for Internet Information Services issued by the MIIT in November 2017, only the internet information service provider itself or the shareholder(s), principal or senior management officer(s) of the internet information service provider are eligible to register the domain names used for the internet information services. We have registered baidu.cn, baidu.com.cn and certain other domain names with registrars accredited by CNNIC.

Regulations on Information Security

The National People’s Congress has enacted legislation that prohibits use of the internet that breaches the public security, disseminates socially destabilizing content or leaks state secrets. Breach of public security includes breach of national security and infringement on legal rights and interests of the state, society or citizens. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC national defense, state affairs and other matters as determined by the PRC authorities.

Pursuant to applicable regulations, ICP operators must complete mandatory security filing procedures and regularly update information security and monitoring systems for their websites with local public security authorities, and must also report any public dissemination of prohibited content.

In December 2015, the Standing Committee promulgated the Anti-Terrorism Law of the PRC, or the Anti-Terrorism Law, which took effect on January 1, 2016 and was amended on April 27, 2018. According to the Anti-Terrorism Law, telecommunication service operators or internet service providers must (i) carry out pertinent anti-terrorism publicity and education to society; (ii) provide technical interfaces, decryption and other technical support and assistance for the competent departments to prevent and investigate terrorist activities; (iii) implement network security and information monitoring systems as well as safety and technical prevention measures to avoid the dissemination of terrorism information, delete the terrorism information, immediately halt its dissemination, keep relevant records and report to the competent departments once the terrorism information is discovered; and (iv) examine customer identities before providing services. Any violation of the Anti-Terrorism Law may result in severe penalties, including substantial fines.

In November 2016, the Standing Committee promulgated the Cyber Security Law of the PRC, or the Cyber Security Law, which took effect on June 1, 2017. In accordance with the Cyber Security Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard network security in conducting business and providing services. Network service providers must take technical and other necessary measures as required by laws, regulations and mandatory requirements to safeguard the operation of networks, respond to network security effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. On September 12, 2022, the CAC released the Decision on Amending the Cyber Security Law of the PRC (Draft for Comments) to solicit public opinions by September 29, 2022, aiming to further protect the cybersecurity and effectively ensure the alignment between the Cyber Security Law of the PRC and other newly promulgated laws and regulations. On August 20, 2021, the Standing Committee of the National People’s Congress adopted the Personal Information Protection Law, which took effect on November 1, 2021. The Personal Information Protection Law integrated the scattered rules with respect to personal information rights and privacy protection.

For the further purposes of regulating data processing activities, safeguarding data security, promoting data development and utilization, protecting the lawful rights and interests of individuals and organizations, and maintaining national sovereignty, security, and development interests, on June 10, 2021, Standing Committee

published the Data Security Law of the PRC, which took effect on September 1, 2021. The Data Security Law requires data processing, which includes the collection, storage, use, processing, transmission, provision, publication of data, to be conducted in a legitimate and proper manner. The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it may cause to national security, public interests, or legitimate rights and interests of individuals or organizations if such data are tampered with, destroyed, leaked, illegally acquired or illegally used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data is required to designate the personnel and the management body responsible for data security, carry out regular risk assessments of its data processing activities and file the risk assessment reports with the competent authorities. State core data, i.e. data having a bearing on national security, the lifelines of national economy, people's key livelihood and major public interests, should be subject to stricter management system. Moreover, the Data Security Law provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information. In addition, the Data Security Law also provides that any organization or individual within the territory of mainland China should not provide any foreign judicial body and law enforcement body with any data without the approval of the competent PRC government authorities. As the laws and regulations on the data security and personal information protection of mainland China (including the Data Security Law and the Personal Information Protection Law) are evolving and there still exists uncertainties on the interpretation and implementation of such laws and regulations, we may be required to make further adjustments to our business practices to comply with such laws and regulations.

On July 6, 2021, certain PRC regulatory authorities issued Opinions on Strictly Cracking Down on Illegal Securities Activities, which, among others, provides for improving relevant laws and regulations on data security, cross-border data transmission, and confidential information management. It provided that efforts will be made to revise the regulations on strengthening the confidentiality and file management relating to the offering and listing of securities overseas, to implement the responsibility on information security of overseas listed companies, and to strengthen the standardized management of cross-border information provision mechanisms and procedures.

On December 28, 2021, the CAC issued the Cybersecurity Review Measures 2021, which became effective on February 15, 2022 and replaced the Cybersecurity Review Measures 2020. The scope of review under the Cybersecurity Review Measures 2021 extends to critical information infrastructure operators that intend to purchase internet products and services and network platform operators engaging in data processing activities, which affect or may affect national security. According to Article 7 of the Measures, network platform operators who possess personal information of over a million users are required to apply to the Cybersecurity Review Office for cybersecurity reviews before listing in a foreign country. Besides, the Cybersecurity Review Measures 2021 also provide that if the relevant authorities consider that certain network products and services and data processing activities affect or may affect national security, the authorities may initiate a cybersecurity review even if the operators do not have an obligation to report for a cybersecurity review under such circumstances. The Cybersecurity Review Measures 2021 also elaborate the factors to be considered when assessing the national security risks of the relevant activities, including among others, risks of core data, important data or a large amount of personal information being stolen, leaked, destroyed, and illegally used or illegally exited the country, risks of critical information infrastructure, core data, important data or a large amount of personal information data being affected, controlled and maliciously used by foreign governments after a listing, and risks associated with Internet information security.

On November 14, 2021, the CAC released the Regulations on the Network Data Security (Draft for Comments), or the Draft Regulations, which were released for public comment before December 13, 2021 and has not been formally promulgated as of the date of this annual report. The Draft Regulations provide that data processors refer to individuals or organizations that autonomously determine the purpose and the manner of processing data. In accordance with the Draft Regulations, data processors are required to apply for a cybersecurity review for the following activities: (i) merger, reorganization or division of Internet platform

operators that have acquired a large number of data resources related to national security, economic development or public interests to the extent that affects or may affect national security; (ii) listing abroad of data processors which process over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. Besides, data processors that are listed overseas must carry out an annual data security assessment. In addition to the cybersecurity review, the Draft Regulations requires that data processors processing "important data" or listed overseas should conduct an annual data security assessment by itself or commission a data security service provider to do so, and submit the assessment report of the preceding year to the municipal cybersecurity department by the end of January each year.

On July 30, 2021, the State Council issued the Regulations on Protection of Critical Information Infrastructure, or the Regulations. Pursuant to the Regulations, critical information infrastructure means the important network facilities or information systems of key industries or fields such as public communication and information service, energy, transportation, water conservation, finance, public services, e-government affairs and national defense science, and important network facilities or information systems which may endanger national security, people's livelihood and public interest once there occur damage, malfunctioning or data leakage to them. The Regulations provide that no individual or organization may carry out any illegal activity of intruding into, interfering with, or sabotaging any critical information infrastructures, or endanger the security of any critical information infrastructures. The Regulations also require that critical information infrastructure operators must establish a cybersecurity protection system and accountability system, and that the main responsible person of a critical information infrastructure operator should take full responsibility for the security protection of the critical information infrastructures operated by it. In addition, relevant administration departments of each important industry and sector should be responsible for formulating the rule of critical information infrastructure determination applicable to their respective industry or sector, and determine the critical information infrastructure operators in their industry or sector.

On July 12, 2021, the MIIT and two other authorities jointly issued the Provisions on the Administration of Security Vulnerabilities of Network Products. Such provisions state that, no organization or individual may abuse the security vulnerabilities of network products to engage in activities that endanger network security, or to illegally collect, sell, or publish the information on such security vulnerabilities. Anyone who is aware of the aforesaid offenses should not provide technical support, advertising, payment settlement and other assistance to the relevant offenders. According to the Provisions, network product providers, network operators, and platforms collecting network product security vulnerabilities must establish and improve channels for receiving network product security vulnerability information and keep such channels available, and retain network product security vulnerability information reception logs for at least six months. The Provisions also bans provision of undisclosed vulnerabilities to overseas organizations or individuals other than to the product providers.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer, which became effective on September 1, 2022. In accordance with these measures, data processors will be subject to security assessment conducted by the CAC prior to any cross-border transfer of data if the transfer involves (i) important data; (ii) personal information transferred overseas by operators of critical information infrastructure or a data processor that has processed personal data of more than one million persons; (iii) personal information transferred overseas by a data processor who has already provided personal data of 100,000 persons or sensitive personal data of 10,000 persons overseas since January 1 of last year; or (iv) other circumstances as requested by the CAC. Furthermore, data processors are required to conduct self-assessment on the risks of cross-border data transfer prior to their applying for the security assessment and focus on assessment of the following significant matters, including, among others: (i) the legality and necessity of the purpose, scope and method of cross-border data transfer; (ii) the scale, scope, type and sensitivity of data transferred overseas, and risks to the national security, public interests or legitimate rights of individuals or organizations caused by such cross-border data transfer; (iii) the responsibilities and obligations that the overseas recipient of such data promises to undertake, and whether such overseas recipient's management and technical measures and capabilities for performing its responsibilities and obligations can guarantee the security of cross-border data

transfer; (iv) the risks that the data transferred overseas may be falsified, destroyed, divulged, lost, transferred, illegally obtained or illegally used during and after the cross-border transfer; (v) whether contracts or other legally binding documents entered into with the overseas recipient have fully stipulated the responsibilities and obligations to protect data security. In addition, any cross-border data transfer activities conducted in violation of the Measures for the Security Assessment of Cross-border Data Transfer before the effectiveness of such measures are required to be rectified within six months of the effectiveness date thereof.

In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets during online information distribution. Specifically, internet companies in mainland China with bulletin boards, chat rooms or similar services must apply for specific approval prior to operating such services.

Furthermore, the Provisions on Technological Measures for Internet Security Protection, promulgated by the Ministry of Public Security and became effective in March 2006, require all ICP operators to keep records of certain information about its users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations. The Decision on Strengthening Network Information Protection, or the Network Information Protection Decision, which was promulgated by the PRC National People's Congress in December 2012, states that ICP operators must request identity information from users when ICP operators provide information publication services to the users. If ICP operators come across prohibited information, they must immediately cease the transmission of such information, delete the information, keep relevant records, and report to relevant government authorities.

On October 21, 2019, the Supreme People's Court and the Supreme People's Procuratorate of the PRC jointly issued the Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes, which came into effect on November 1, 2019, and further clarifies the meaning of Internet service provider and the severe situations of the relevant crimes.

Regulations on Internet Privacy

The PRC Constitution states that PRC law protects the freedom and privacy of communications of citizens and prohibits infringement of these rights. In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. The Network Information Protection Decision provides that electronic information that identifies a citizen or involves privacy of any citizen is protected by law and must not be unlawfully collected or provided to others. ICP operators collecting or using personal electronic information of citizens must specify the purposes, manners and scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. ICP operators are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. ICP operators are required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. The Administrative Measures on Internet Information Services prohibit an ICP operator from insulting or slandering a third party or infringing upon the lawful rights and interests of a third party. According to the Provisions on Protection of Personal Information of Telecommunication and Internet Users, which was promulgated by MIIT and became effective in September 2013, telecommunication business operators and ICP operators are responsible for the security of the personal information of users they collect or use in the course of their provision of services. Without obtaining the consent from the users, telecommunication business operators and ICP operators may not collect or use the users' personal information. The personal information collected or used in the course of provision of services by the telecommunication business operators or ICP operators must be kept in strict confidence, and may not be divulged, tampered with or damaged, and may not be sold or illegally provided to others. The ICP operators are required to take certain measures to prevent any divulgence of, damage

to, tampering with or loss of users' personal information. In accordance with the Cyber Security Law, network operators are required to collect and use personal information in compliance with the principles of legitimacy, properness and necessity, and strictly within the scope of authorization by the subject of personal information unless otherwise prescribed by laws or regulations. In the event of any unauthorized disclosure, damage or loss of collected personal information, network operators must take immediate remedial measures, notify the affected users and report the incidents to the relevant authorities in a timely manner. If any user knows that a network operator illegally collects and uses his or her personal information in violation of laws, regulations or any agreement with the user, or the collected and stored personal information is inaccurate or wrong, the user has the right to request the network operator to delete or correct the relevant collected personal information.

The relevant telecommunications authorities are further authorized to order ICP operators to rectify unauthorized disclosure. ICP operators are subject to legal liability, including warnings, fines, confiscation of illegal gains, revocation of licenses or filings, closing of the relevant websites, administrative punishment, criminal liabilities, or civil liabilities, if they violate relevant provisions on internet privacy. Pursuant to the Ninth Amendment to the Criminal Law issued by the Standing Committee in August 2015 and becoming effective in November 2015, the standards of crime of infringing citizens' personal information were amended accordingly and the criminal culpability of unlawful collection, transaction, and provision of personal information has been reinforced. In addition, any ICP provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, will be subject to criminal liability for (i) any dissemination of illegal information in large scale; (ii) any severe effect due to the leakage of the client's information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (x) sells or provides personal information to others unlawfully, or (y) steals or illegally obtains any personal information, will be subject to criminal liability in severe situations. In addition, the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate of the PRC on Several Issues Concerning the Application of Law in Handling Criminal Cases of Infringing Personal Information, effective in June 2017, have clarified certain standards for the conviction and sentencing in relation to personal information infringement. The PRC government has the power and authority to order ICP operators to turn over personal information if an internet user posts any prohibited content or engages in illegal activities on the internet. The Civil Code further provides in a stand-alone chapter of right of personality and reiterate that the personal information of a natural person shall be protected by the law. Any organization or individual should legitimately obtain such personal information of others in due course on a need-to-know basis and ensure the safety and privacy of such information, and refrain from excessively handling or using such information.

With respect to the security of information collected and used by mobile apps, pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps, which was issued on January 23, 2019, app operators should collect and use personal information in compliance with the Cyber Security Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the personal information protection. Furthermore, app operators should not force their users to make authorization by means of bundling, suspending installation or in other default forms and should not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of Apps Infringing upon User's Personal Rights and Interests, which was issued by MIIT on October 31, 2019. On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information. This regulation further illustrates certain commonly-seen illegal practices of apps operators in terms of personal information protection, including "failure to publicize rules for collecting and using personal information," "failure to expressly state the purpose, manner and scope of collecting and using personal information," "collection and use of personal information without consent of users of such App," "collecting personal information irrelevant to the services provided by such app in violation of the principle of necessity," "provision of personal information to others without users' consent," "failure to provide the function of deleting or correcting personal information as required by laws" and "failure to publish information such as methods for complaints and reporting." Among others, any of the following acts of an app operator will constitute "collection and use of personal information

without consent of users”: (i) collecting an user’s personal information or activating the permission for collecting any user’s personal information without obtaining such user’s consent; (ii) collecting personal information or activating the permission for collecting the personal information of any user who explicitly refuses such collection, or repeatedly seeking for user’s consent such that the user’s normal use of such app is disturbed; (iii) any user’s personal information which has been actually collected by the app operator or the permission for collecting any user’s personal information activated by the app operator is beyond the scope of personal information which such user authorizes such app operator to collect; (iv) seeking for any user’s consent in a non-explicit manner; (v) modifying any user’s settings for activating the permission for collecting any personal information without such user’s consent; (vi) using users’ personal information and any algorithms to directionally push any information, without providing the option of non-directed pushing such information; (vii) misleading users to permit collecting their personal information or activating the permission for collecting such users’ personal information by improper methods such as fraud and deception; (viii) failing to provide users with the means and methods to withdraw their permission of collecting personal information; and (ix) collecting and using personal information in violation of the rules for collecting and using personal information promulgated by such app operator.

On August 22, 2019, the CAC promulgated the Children Information Protection Provisions, which took effect on October 1, 2019, requiring that before collecting, using, transferring or disclosing the personal information of a child, the Internet service operator should inform the child’s guardians in a noticeable and clear manner and obtain their consents. Meanwhile, Internet service operators should take measures like encryption when storing children’s personal information. On March 12, 2021, the CAC and three other authorities jointly issued the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications. The Rules specifies the scope of necessary personal information to be collected each for a variety of common mobile internet applications, such as maps and navigation apps, online ride-hailing apps, instant messaging apps, online community apps. Operators of such apps should not refuse to provide basic services to users on the ground of users’ refusal to provide their personal non-essential information. On April 26, 2021, the MIIT issued the Interim Administrative Provisions on Personal Information Protection in Internet Mobile Applications (Draft for Comment). The draft of the Interim Administrative Provisions on Personal Information Protection in Internet Mobile Applications sets forth two principles of collection and utilization of personal information, namely “explicit consent” and “minimum necessity.”

On August 20, 2021, the Standing Committee adopted the Personal Information Protection Law which took effect on November 1, 2021. The Personal Information Protection Law integrates provisions from several rules with respect to personal information rights and privacy protection. According to the Personal Information Protection Law, personal information refers to information related to identified or identifiable natural persons which is recorded by electronic or other means (excluding the anonymized information). The Personal Information Protection Law provides the circumstances under which a personal information processor could process personal information, such as where the consent of the individual concerned is obtained and where it is necessary for the conclusion or performance of a contract to which such individual is a party to such contract. In addition, it imposes further obligations on a personal information processor that provides for basic internet platform services, has large amount of users, has complicated business activities, including, among others, formulating of an independent institution mainly comprising of outside members to supervise personal information processing activities, termination of provision of services for product or service providers on the platform whose personal information processing activities are in material violation of laws and regulations, and issuing personal information protection social responsibilities reports regularly. The Personal Information Protection Law also requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information should bear responsibilities for their personal information handling activities, and adopt necessary measures to safeguard the

security of the personal information they handle. The entities failing to comply could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

On December 8, 2022, the MIIT issued the Administrative Measures on Industry and Information Technology Data Security (Trial Implementation), which took effect on January 1, 2023. According to such administrative measures, based on the degree of potential damage to national security, public interests or the legitimate rights and interests of individuals and organizations caused by tampering with, destruction, leakage or illegal acquisition or use of the data, industry and information technology data are classified into three categories, i.e., general data, important data and core data. Industry and information technology data processors are required to file the catalogs of their important data and core data with the local industrial government authorities for record. Furthermore, processors of important data and core data must, on their own or by entrusting third-party evaluation agencies, conduct risk assessment on their data processing activities at least once a year and submit risk assessment reports to the local industrial government authorities.

Regulations on Anti-Monopoly Matters related to Internet Platform Companies

The PRC Anti-monopoly Law, which was promulgated on August 1, 2008 and most recently amended on June 24, 2022, prohibits monopolistic conduct such as entering into monopoly agreements, abusing market dominance and concentration of undertakings conducted illegally that may have the effect of eliminating or restricting competition. The amended PRC Anti-monopoly Law increases the fines for illegal concentration of business operators to “no more than ten percent of its preceding year’s sales revenue if the concentration of business operator has or may have an effect of excluding or limiting competition; or a fine of up to RMB5 million if the concentration of business operator does not have an effect of excluding or limiting competition.” The amended PRC Anti-monopoly Law also proposes for the relevant authority to investigate any concentration where there is evidence that such concentration has or may have the effect of eliminating or restricting competition, even if such concentration does not reach the filing threshold. In addition, the amended PRC Anti-monopoly Law introduces a “stop-clock mechanism” which may prolong the review process for the concentration.

On June 27, 2022, the SMAR released the Provisions of the State Council on the Threshold for the Filing of Concentration of Undertakings (Revised Draft for Comments), or the draft of Threshold Provisions, mainly to optimize the filing standard. The draft of Threshold Provisions proposes to significantly adjust the revenue threshold of merger control filing to either one of the following two conditions: (i) the worldwide revenue of all business operators involved in the concentration exceeds RMB12 billion (increased from the current threshold of RMB10 billion) collectively in the last fiscal year, and the revenue in mainland China of at least two business operators among them each exceeds RMB800 million (increased from the current threshold of RMB400 million) in the last fiscal year; or (ii) the revenue in mainland China of all the business operators involved in the concentration exceeds RMB4 billion (increased from the current threshold of RMB2 billion) collectively in the last fiscal year, and the revenue in mainland China of at least two business operators among them each exceeds RMB800 million (increased from the current threshold of RMB400 million) in the last fiscal year. In addition, the draft of Threshold Provisions also provides that even if the aforementioned revenue threshold is not met, the transaction must be reported to anti-monopoly authority if (i) the revenue in mainland China of one of the business operators involved in the concentration exceeds RMB100 billion in the last fiscal year, (ii) the market value or valuation of the business operators to be merged or controlled in the concentration exceeds RMB800 million and their revenue in mainland China in the last fiscal year accounts for more than one third of their worldwide revenue. Furthermore, if there is evidence indicating that the concentration of business operator has or may have an effect of excluding or limiting competition, the anti-monopoly authority may order the relevant operators to file for clearance, regardless of the threshold standard.

On February 7, 2021, the Anti-monopoly Commission of the State Council officially promulgated the Anti-Monopoly Guidelines for Internet Platforms. Pursuant to an official interpretation from the Anti-monopoly Commission of the State Council, the Anti-Monopoly Guidelines for Internet Platforms mainly covers five

aspects, including general provisions, monopoly agreements, abusing market dominance, concentration of undertakings, and abusing of administrative powers eliminating or restricting competition. The Anti-Monopoly Guidelines for Internet Platforms prohibits certain monopolistic acts of internet platforms so as to protect market competition and safeguard interests of consumers and undertakings participating in internet platform economy, including, without limitation, prohibiting platforms with dominant position from abusing their market dominance (such as discriminating customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements through entering into written or oral agreements or using technology means to block competitors' interface or reduce positions in search results of goods displays, using bundle services to sell different services or products, compulsory collection of unnecessary user data). In addition, the Anti-Monopoly Guidelines for Internet Platforms also reinforces antitrust merger review for internet platform related transactions to safeguard market competition. On August 17, 2021, the SMAR issued the Provisions on Prohibition of Unfair Competition on the Internet (Draft for Comments). These Provisions also prohibit certain activities of business operators which may restrict competition, including among others, using data, algorithms and other technical means to commit traffic hijacking, interference, malicious incompatibility and other improprieties to influence user choices or hinder or damage the normal operation of network products or services offered by other business operators.

Regulations on Overseas Offering and Listing

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by mainland China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by mainland China-based overseas-listed companies.

On December 27, 2021, the NDRC and the MOC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), or the 2021 Negative List, which became effective on January 1, 2022. Pursuant to such Special Administrative Measures, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it must obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company should not be involved in the company's operation and management, and their shareholding percentage are subject, mutatis mutandis, to the relevant regulations on the domestic securities investments by foreign investors.

On February 17, 2023, the CSRC, as approved by the State Council, released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, or the Filing Rules collectively. According to the Filing Rules, domestic companies in mainland China that directly or indirectly offer or list their securities in an overseas market, are required to file with the CSRC. Specifically, the securities under the Filing Rules refer to stocks, depositary receipts, convertible corporate bonds, exchangeable bonds and other equity-linked securities to be issued and offered in overseas markets by domestic companies directly or indirectly, while a direct offering and listing refers to the overseas offering and listing of a joint-stock company incorporated in mainland China, and an indirect offering and listing refers to the overseas offering and listing of a domestic company which conducts its business operations primarily in mainland China, in the name of an offshore company and based on the underlying equities, assets, earnings or similar interests of the domestic company. In particular, the determination of an indirect offering and listing will be conducted on a "substance over form" basis, and an offering and listing should be considered as an indirect overseas offering and listing by a domestic company if the issuer meets both of the following conditions: (i) any of the revenue, profits, total assets or net assets of such domestic company in the most recent financial year account for more than 50% of the corresponding data in the issuer's audited consolidated financial statements for the same period; and (ii) the majority of its business operations are conducted in mainland China or its principal place of business is located in mainland China, or the majority of senior management in charge of business operations are Chinese citizens or have domicile in the mainland China. According to the Filing Rules, an overseas offering and listing is prohibited under any of the following circumstances: (i) if the intended securities offering and listing is

specifically prohibited by the laws, administrative regulations and relevant national provisions; (ii) if the intended securities offering and listing may constitute a threat to or endangers national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic companies or their controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy in the past three years; (iv) the domestic companies are currently under investigations in connection with suspicion of having committed criminal offenses or material violations of applicable laws and regulations, and there is still no explicit conclusion; (v) there are material ownership disputes over the shareholdings held by the controlling shareholder or the shareholder under the control of the controlling shareholder or the actual controllers.

According to the Filing Rules, the issuer or its affiliated domestic company, as the case may be, is required to file with the CSRC (i) with respect to its initial public offering and listing and its subsequent securities offering in an overseas market different from the market where it has listed, within three business days after its submission of listing application documents to the relevant regulator in the place of intended listing, (ii) with respect to its follow-on offering in the same overseas market where it has listed (including issuance of any corporate convertible bonds, exchangeable bonds and other equity-linked securities, but excluding the offering for employees incentive, dividend distribution by shares and share split), within three business days after completion of such follow-on offering, (iii) with respect to listing by means of single or multiple acquisitions, share swap, transfers of shares and similar transactions, within three business days after its initial filing of the listing application or the first public announcement of the transaction, as case may be. Failure to comply with the filing requirements may result in an order of rectification, a warning and fines up to RMB10 million to the non-compliant domestic companies, and the directly responsible persons of the companies will be warned and fined between RMB500,000 and RMB5 million. Furthermore, if the controlling shareholder and the actual controller of the non-compliant companies organizes or instigates the breach, they will be fined between RMB1 million and RMB10 million. In addition to above filing requirements, the Filings Rules also requires an issuer to report to the CSRC within three business days after occurrence of any the following events: (i) its change of control; (ii) its being subject to investigation or sanctions by any overseas securities regulators or overseas authorities; (iii) its change of listing status or listing segment; (iv) voluntary or mandatory delisting; and (v) material change of its principal business operations to the extent that it ceases to be subject to the filing requirements of the Filing Rules.

On February 24, 2023, the CSRC, jointly with other relevant governmental authorities, promulgated the revised Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and Listing by Domestic Enterprises, or the Confidentiality and Archives Management Provisions, and upon becoming effective on March 31, 2023, such provisions will supersede the currently effective Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing. According to the Confidentiality and Archives Management Provisions, domestic companies, whether offering and listing securities overseas directly or indirectly, must strictly abide by the applicable laws and regulations, enhance the sense of confidentiality, improve the archives management system, and take necessary measures to implement the confidentiality and archives management responsibilities when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities services providers such as securities companies and accounting firms or overseas regulators in the process of their overseas offering and listing. In the event that such documents or materials contain any information related to state secrets or government authorities work secrets, domestic companies must obtain the approval from competent governmental authorities according to the applicable laws, and file with the secrecy administrative department at the same level with the approving governmental authority; and in the event that such documents or materials, if divulged, will jeopardize national security or public interest, domestic companies should strictly fulfill relevant procedures stipulated by applicable laws and regulations. Furthermore, domestic companies should also provide a written statement about whether they have completed the approval or filing procedures as above when providing documents and materials to securities companies and securities service providers, and the securities companies and securities service providers should properly retain such written statements for inspection.

Securities companies and securities service providers shall also fulfill the applicable legal procedures according to the Confidentiality and Archives Management Provisions when providing overseas regulatory institutions and other relevant institutions and individuals with documents or materials containing any state secrets or government authorities work secrets or other documents or materials that, if divulged, will jeopardize national security or public interest.

Regulations on Foreign Exchange

Foreign Currency Exchange. Pursuant to the Foreign Currency Administration Rules, as most recently amended in 2008, and various regulations issued by SAFE and other relevant PRC government authorities, RMB is freely convertible to the extent of current account items, such as trade related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, unless expressly exempted by laws and regulations, still require prior approval from SAFE or its provincial branch for conversion of RMB into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside of mainland China.

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. In addition, SAFE promulgated Circular 45 on November 9, 2011 in order to clarify the application of SAFE Circular 142. Under SAFE Circular 142 and Circular 45, the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable administrative authority and may not be used for equity investments within mainland China. In addition, SAFE strengthened its oversight of the flow and use of RMB capital converted from foreign currency registered capital of foreign-invested enterprises. The use of RMB capital may not be changed without SAFE's approval, and RMB capital may not in any case be used to repay RMB loans if the proceeds of the loans have not been used.

To further reform the foreign exchange administration system in order to satisfy and facilitate the business and capital operations of foreign-invested enterprises, SAFE issued the Circular on the Relevant Issues Concerning the Launch of Reforming Trial of the Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises in Certain Areas in July 2014, which became effective on August 4, 2014. This circular suspends the application of SAFE Circular 142 in certain areas and allows a foreign-invested enterprise registered in these areas with a business scope including "investment" to use the RMB capital converted from foreign currency registered capital for equity investments within mainland China. SAFE released the Notice on the Reform of the Administration Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises or SAFE Circular 19, in March 2015, which came into force and superseded SAFE Circular 142 on June 1, 2015. Circular 19 allows foreign-invested enterprises to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation and provides the procedures for foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investment. Nevertheless, Circular 19 also reiterates the principle that Renminbi converted from foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope.

In June 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or Circular 16, which took effect on the same day. Compared to Circular 19, Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding Renminbi obtained from foreign exchange settlement are not restricted from extending loans to related parties or repaying the intercompany loans (including advances by third parties). However, there still exist substantial uncertainties with respect to the interpretation and implementation of Circular 16 in practice.

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

After a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, became effective on June 1, 2015, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals will be required to apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

On October 23, 2019, SAFE issued the Circular on Further Promoting Cross-border Trade and Investment Facilitation, or SAFE Circular 28. Among others, SAFE Circular 28 relaxes the prior restrictions and allows the foreign-invested enterprises without equity investment as in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investment as long as the investments are real and in compliance with the foreign investment-related laws and regulations. In addition, SAFE Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments. Payments for transactions that take place within mainland China must be made in RMB. Foreign currency revenues received by companies in mainland China may be repatriated into mainland China or retained outside of mainland China in accordance with requirements and terms specified by SAFE.

Dividend Distribution. Wholly foreign-owned enterprises and Sino-foreign equity joint ventures in mainland China may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, these foreign-invested enterprises may not pay dividends unless they set aside at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds, until such time as the accumulative amount of such fund reaches 50% of the enterprise's registered capital. In addition, these companies also may allocate a portion of their after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends.

Regulations governing abovementioned dividend distribution arrangements have been replaced by the Foreign Investment Law and its implementation rules, which do not provide specific dividend distribution rules for foreign invested enterprises. However, the Foreign Investment Law and its implementation rules provide that after the conversion from a wholly foreign-owned enterprise or sino-foreign equity joint venture to a foreign invested enterprise under the Foreign Investment Law, distribution method of gains agreed in the joint venture agreements may continue to apply.

Foreign Exchange Registration of Offshore Investment by Domestic Residents of Mainland China. Pursuant to SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or SAFE Circular No. 75,

issued in October 2005, and a series of implementation rules and guidance, including the circular relating to operating procedures that came into effect in July 2011, Domestic residents of mainland China, including domestic resident natural persons or domestic companies, must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle, or SPV, for the purposes of overseas equity financing activities, and to update such registration in the event of any significant changes with respect to that offshore company. SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular No. 37, on July 4, 2014, which replaced SAFE Circular No. 75. SAFE Circular No. 37 requires domestic residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such domestic residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular No. 37 as a "special purpose vehicle." The term "control" under SAFE Circular No. 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the domestic residents in the offshore special purpose vehicles or domestic companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular No. 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a domestic resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as an increase or decrease of capital contributed by domestic individuals, a share transfer or exchange, merger, division or other material event. If the shareholders of the offshore holding company who are domestic residents do not complete their registration with the local SAFE branches, the mainland China subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its mainland China subsidiaries. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under laws of mainland China for evasion of applicable foreign exchange restrictions. We have notified holders of ordinary shares of our company whom we know are domestic residents to register with the local SAFE branch and update their registrations as required under the SAFE regulations described above. After SAFE Notice 13 became effective on June 1, 2015, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under SAFE Circular No. 37, with qualified banks, instead of SAFE. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration. We are aware that Mr. Robin Yanhong Li, our chairman, chief executive officer and principal shareholder, who is a domestic resident, has registered with the relevant local SAFE branch. We, however, cannot provide any assurances that all of our shareholders who are domestic residents will file all applicable registrations or update previously filed registrations as required by these SAFE regulations. The failure or inability of our domestic resident shareholders to comply with the registration procedures may subject the domestic resident shareholders to fines and legal sanctions, restrict our cross-border investment activities, or limit our mainland China subsidiaries' ability to distribute dividends to or obtain foreign exchange dominated loans from our company.

Under the Administration Measures on Individual Foreign Exchange Control issued by the People's Bank of China, or the PBOC, in December 2006 and its implementation rules issued in January 2007 and revised in May 2016, all foreign exchange matters involved in employee share ownership plans and share option plans in which citizens of mainland China participate require approval from SAFE or its authorized branch. In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rule, replacing the earlier rules promulgated in March 2007. Under the Stock Option Rule, domestic residents who are granted stock options by an overseas publicly listed company are required, through a domestic agent or domestic subsidiary of such overseas publicly listed company, to register with SAFE and complete certain other procedures. We and our domestic resident employees who have been granted stock options are subject to these regulations. We have designated our mainland China subsidiary Baidu Online to handle the registration and other procedures required by the Stock Option Rule. Failure of the option holders to complete their SAFE registrations

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may subject these domestic employees to fines and legal sanctions and may also limit the ability of the overseas publicly listed company to contribute additional capital into its mainland China subsidiary and limit the mainland China subsidiary's ability to distribute dividends.

Regulations on Labor

The Labor Contract Law of the PRC, or the Labor Contract Law, which became effective in January 2008 and last amended in December 2012, and its implementation rules, impose more restrictions on employers and have been deemed to increase labor costs for employers, compared to the Labor Law of the PRC, or the Labor Law, which became effective in January 1995. For example, pursuant to the Labor Contract Law, an employer is obliged to sign a labor contract with an unlimited term with an employee if the employer continues to hire the employee after the expiration of two consecutive fixed-term labor contracts. The employer has to compensate the employee upon the expiration of a fixed-term labor contract, unless the employee refuses to renew such contract on terms the same as or more favorable to the employee than those contained in the expired contract. The employer also has to indemnify an employee if the employer terminates a labor contract without a cause permitted by law. In addition, under the Regulations on Paid Annual Leave for Employees, which became effective in January 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from 5 to 15 days per year, depending on their length of service. Employees who waive such vacation time at the request of employers must be compensated for three times their regular salaries for each waived vacation day.

In addition, according to the PRC Social Insurance Law and the Regulations on the Administration of Housing Provident Funds, employers in mainland China must provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident funds.

Regulations on Taxation

For a discussion of applicable tax regulations of mainland China, see "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Taxation."

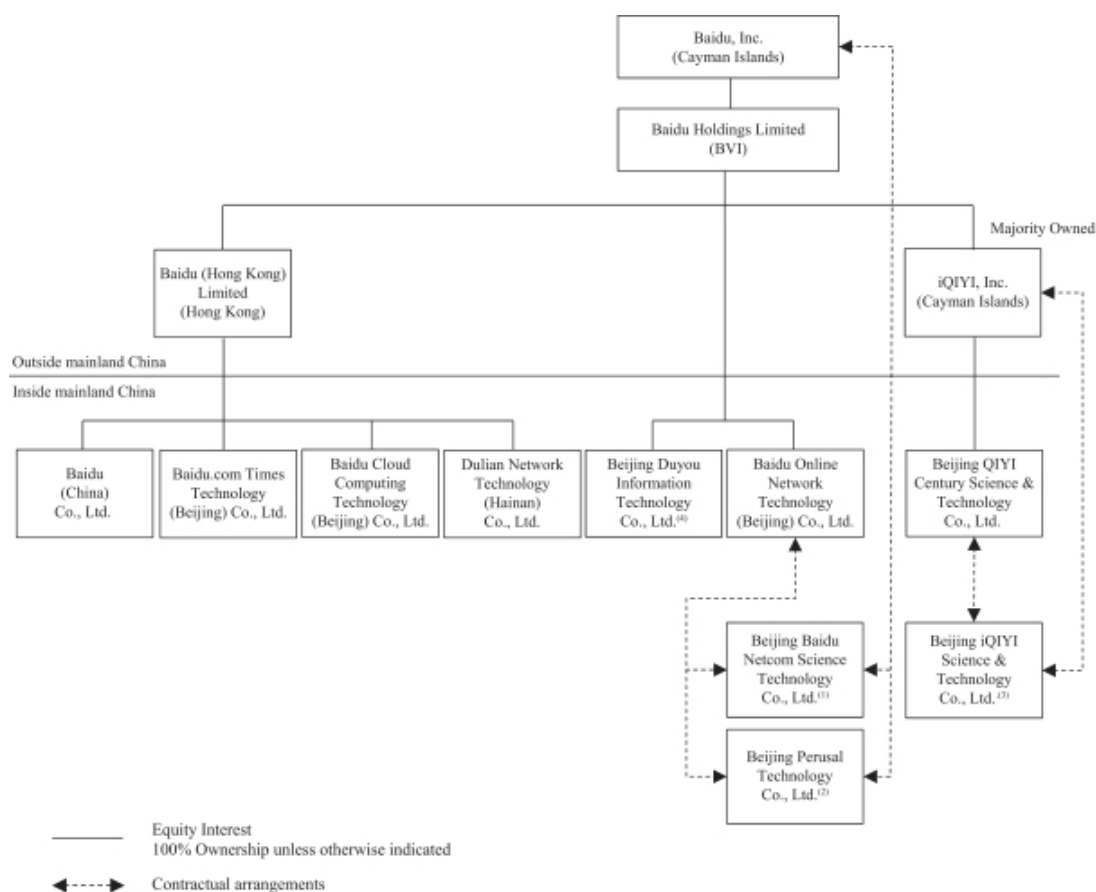
C. Organizational Structure

The following is a list of our principal subsidiaries and the variable interest entities as of the date of this annual report on Form 20-F:

Name	Place of Formation	Relationship
Baidu Holdings Limited	British Virgin Islands	Wholly owned subsidiary
Baidu (Hong Kong) Limited	Hong Kong	Wholly owned subsidiary
Baidu Online Network Technology (Beijing) Co., Ltd.	Mainland China	Wholly owned subsidiary
Baidu (China) Co., Ltd.	Mainland China	Wholly owned subsidiary
Baidu.com Times Technology (Beijing) Co., Ltd.	Mainland China	Wholly owned subsidiary
Dulian Network Technology (Hainan) Co., Ltd.	Mainland China	Wholly owned subsidiary
Beijing Baidu Netcom Science Technology Co., Ltd.	Mainland China	Variable interest entity
Beijing Perusal Technology Co., Ltd.	Mainland China	Variable interest entity
iQIYI, Inc.	Cayman Islands	Majority-owned subsidiary
Beijing QIYI Century Science & Technology Co., Ltd.	Mainland China	Majority-owned subsidiary
Beijing iQIYI Science & Technology Co., Ltd.	Mainland China	Variable interest entity
Baidu Cloud Computing Technology (Beijing) Co., Ltd.	Mainland China	Wholly owned subsidiary
Beijing Duyou Information Technology Co., Ltd.	Mainland China	Wholly owned subsidiary

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The following diagram illustrates our corporate structure, including our principal subsidiaries and the variable interest entities as of the date of this annual report on Form 20-F:



* The diagram above omits the names of subsidiaries and variable interest 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 ours. Please see “Item 6.E. Directors, Senior Management and Employees—Share Ownership” 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 issued and 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 issued and 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.
- (4) Baidu Holdings Limited indirectly controls Beijing Duyou Information Technology Co., Ltd through its wholly owned subsidiaries.

Contractual Arrangements with the Variable Interest Entities and the Nominee Shareholders

The laws and regulations of mainland China restrict and impose conditions on foreign investment in, among other areas, internet content services, value-added telecommunication-based services, internet map services, online audio and video services and mobile application distribution businesses. Accordingly, we operate these businesses in mainland China through the variable interest entities. We have entered into a series of contractual

arrangements with the variable interest entities and the nominee shareholders of the variable interest entities. These contractual arrangements:

- enable us to receive the economic benefits that could potentially be significant to the variable interest entities in consideration for the services provided by our subsidiaries;
- effectively assigned all of the voting rights underlying the nominee shareholders' equity interest in the variable interest entities to us; and
- enable us to hold an exclusive option to purchase all or part of the equity interests in the variable interest entities when and to the extent permitted by the laws of mainland China.

These contractual agreements among our company/iQIYI and our subsidiaries, the variable interest entities and their respective shareholders generally include proxy agreements or shareholder voting rights trust agreements, exclusive equity purchase and transfer option agreements or exclusive purchase option agreements, loan agreements, operating agreements or business operation agreements, exclusive technology consulting and services agreements, and equity pledge agreements, as the case may be. As for some of the variable interest entities, our subsidiaries have entered into additional business cooperation agreements, power of attorney, license agreements and/or commitment letters (as the case may be) with these variable interest entities and their respective nominee shareholders. We do not have any equity interests in the variable interest entities and these contractual agreements are not equivalent to equity ownership in the business of the variable interest entities. Despite the lack of equity majority ownership, as a result of the contractual arrangements, the shareholders of the variable interest entities effectively assigned all of their voting rights and economic interests underlying their equity interest in the variable interest entities to the primary beneficiaries of these companies, which gives our company/iQIYI the power to direct the activities that most significantly impact the variable interest entities' economic performance. In addition, through the other exclusive agreements, which consist of exclusive equity purchase and transfer option agreements/exclusive purchase option agreements or commitment letters, operating agreements/business operation agreements, exclusive technology consulting and services agreements and license agreements, the primary beneficiaries, by themselves or by their wholly-owned subsidiaries in mainland China, demonstrate their ability and intention to continue to exercise the ability to absorb losses or receive economic benefits that could potentially be significant to the variable interest entities. The variable interest entities are subject to operating risks, which determine the variability of our company's interest in those entities. Based on these contractual arrangements, we consolidate the variable interest entities as required by Accounting Standards Codification ("ASC") Topic 810, *Consolidation*. The nominee shareholders of Baidu Netcom, Beijing Perusal and Beijing iQIYI, the variable interest entities, are directors or members of senior management of our company/iQIYI. We/iQIYI consider such people suitable to act as the nominee shareholders of these variable interest entities because of, among other considerations, their contribution to our company/iQIYI, their competence and their length of service with and loyalty to our company/iQIYI. If the variable interest 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 effectively assigned us the voting rights and/or economic interests in the variable interest entities. Furthermore, if we are unable to maintain such effective assignment, we would not be able to continue to consolidate the financial results of the variable interest entities in our financial statements. In 2020, 2021 and 2022, we derived 43%, 44% and 47% of our external revenues from the variable interest 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 to us for each of the years ended December 31, 2020, 2021 and 2022 was 15%, 14% and 15%, respectively, and the revenue contribution of Beijing Perusal was all 0% for each of the same periods. For a detailed revenue contribution, see "Item 3.A. Selected Financial Data—Financial Information Related to the Variable Interest Entities." For a detailed description of the regulatory environment that necessitates the adoption of our corporate structure, see "Item 4.B. Information on the Company—Business Overview—Regulations." For a detailed description of the risks associated with our corporate structure, see "Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure."

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

Proxy Agreements/Shareholder Voting Rights Trust Agreements/Power of Attorney

Pursuant to the proxy agreement amongst our 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 our company. Each of the nominee shareholders of Baidu Netcom has executed an irrevocable power of attorney to appoint the person(s) designated by our 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 should be directed and approved by our company. The proxy agreement will be in effect for an unlimited term unless terminated in writing by our 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 our 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 our company or other subsidiaries. Each of the powers of attorney or shareholder voting 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.

Exclusive Equity Purchase and Transfer Option Agreement or Exclusive Purchase Option Agreements

Pursuant to the exclusive equity purchase and transfer option agreement by and among our company, Baidu Online, Baidu Netcom and the nominee shareholders of Baidu Netcom, the nominee shareholders of Baidu Netcom have irrevocably granted our company or its designated person(s) (including Baidu Online) an exclusive option to purchase, to the extent permitted under the laws of mainland China, 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 laws of mainland China. 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 our company or its designated person(s) (including Baidu Online) to the extent permitted by the applicable laws. Our 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 repaid to Baidu, Inc. in full amount. Our 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 our company or any designated third party. Our 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 our company (through Baidu Online), our 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. In addition, the shareholders of Baidu Netcom must appoint the candidates recommended by Baidu Online as their representatives on Baidu Netcom's board of directors. The agreement will terminate upon the transfer by the nominee shareholders of Baidu Netcom of all their equity interests in Baidu Netcom to our company or its designated person(s) or upon expiration of the term of business of our company or Baidu Netcom.

Each of the exclusive equity purchase and transfer option agreements/exclusive purchase option agreements amongst our 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 Century, Beijing iQIYI and its shareholder is ten years, which has been extended to November 22, 2032, and can be further renewed at iQIYI's discretion.

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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 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.

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 the 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 to November 23, 2031, and can be further renewed at the discretion of Beijing QIYI Century.

In 2020, 2021 and 2022, Baidu Netcom did not pay any service fees to Baidu Online. Beijing Perusal did not pay any service fees to Baidu Online due to Beijing Perusal's operating loss in 2020, 2021 and 2022.

Operating Agreement or Business Operation 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, financial affairs and employment and dismissal of staff. 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 dated January 30, 2013 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 for another ten years to January 30, 2033, and can be further extended at Beijing QIYI Century's discretion.

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

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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 that the contract expiration date varies. The term of the loan agreement amongst Beijing QIYI Century and the shareholder of Beijing iQIYI will expire on June 23, 2031 and can be further extended upon the written notification from Beijing QIYI Century.

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 must 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 Baidu Netcom and its shareholders have completed all their respective obligations under the exclusive technology consulting and service agreement and the loan agreements, but such equity pledge will expire two years after expiration of the term of the obligations of Baidu Netcom and its shareholders under the exclusive technology consulting and service agreement and the loan agreements if they fail to fulfill such obligations thereunder.

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.

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 platform, 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 for another ten years to November 23, 2031, 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

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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 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. The software usage license agreement may be extended upon the written consent of Beijing QIYI Century, and has been extended to December 1, 2031, and is further renewable at the discretion 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.

Commitment Letters

Pursuant to the commitment letter dated January 30, 2013, under the condition that Beijing iQIYI remains as a variable interest entity of iQIYI under United States generally accepted accounting principles and the relevant contractual arrangements remain in effect, iQIYI commits to provide unlimited financial support to Beijing iQIYI, if Beijing iQIYI requires any form of reasonable financial support for its normal business operations. If Beijing iQIYI incurs any losses and as a result cannot repay its loans from iQIYI and Beijing QIYI Century, one of iQIYI's subsidiaries, iQIYI and Beijing QIYI Century would unconditionally forgive their loans to Beijing iQIYI, if Beijing iQIYI provides sufficient proof for its loss and incapacity to repay.

The commitment letters executed by other iQIYI VIEs contain terms similar to the terms described above.

Through design of the aforementioned agreements, the nominee shareholders of these variable interest entities have effectively assigned their full voting rights to our company/iQIYI, which gives our company/iQIYI the power to direct the activities that most significantly impact the variable interest entities' economic performance. Our company/iQIYI obtains the ability to approve decisions made by the variable interest entities and the ability to acquire the equity interests in the variable interest entities when permitted by the laws of mainland China. Our company/iQIYI is obligated to absorb losses of the variable interest entities that could potentially be significant to the variable interest entities through providing unlimited financial support to the variable interest entities or is entitled to receive economic benefits from the variable interest entities that could potentially be significant to the variable interest entities through the exclusive technology consulting and service fees. As a result of these contractual arrangements, our company/iQIYI is determined to be the primary beneficiary of these variable interest entities and we consolidate these variable interest entities through our company/iQIYI as required by Accounting Standards Codification ("ASC") Topic 810, *Consolidation*.

We have also entered into contractual arrangements with several other variable interest entities and their respective nominee shareholders, including iQIYI's other variable interest entities and their respective nominee shareholders, through some of our subsidiaries other than Baidu Online and Beijing QIYI Century, which result in our company/iQIYI or relevant subsidiaries, as the case may be, being the primary beneficiaries of the relevant variable interest entities. As a result of these contractual arrangements, we consolidate these other variable interest entities through the subsidiaries as required by Accounting Standards Codification ("ASC") Topic 810, *Consolidation*.

D. Property, Plant and Equipment

Our corporate headquarters, Baidu Campus, is located in Shangdi, Haidian district of Beijing. We own the office building of Baidu Campus and a nearby office building, Baidu Science Park, which is located in Malianwa, Haidian district of Beijing. Besides Beijing, we own and occupy office buildings in Shanghai and Shenzhen.

We also lease offices in Beijing, many other cities in mainland China and places outside of mainland China, including in the United States, Canada, Malaysia, Japan, Thailand and Singapore.

Our servers are hosted at the internet data centers of major telecom operators, including China Telecom, China Unicom and China Mobile, in over ten selected cities across China. Our content delivery network covers most of the major cities in mainland China.

In 2022, we completed the second-phase construction of our cloud computing centers in Yangquan, Dingxing and Xushui, which all serve as our internet data centers in China.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion of our financial condition and results of operations is based upon, and should be read in conjunction with, our audited consolidated financial statements and the related notes included in this annual report on Form 20-F. This report contains forward-looking statements. See “Forward-Looking Information.” In evaluating our business, you should carefully consider the information provided under the caption “Item 3.D. Key Information—Risk Factors” in this annual report on Form 20-F. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. Operating Results

Overview

We are a leading AI company with strong Internet foundation. We were founded to enable people to quickly find relevant information on the Internet, amidst the huge volume of information generated daily. As the gateway to the Internet, we connect our users to a large information and knowledge-centric content and services ecosystem through our open search-plus-feed platform. We have been consistently investing in AI since 2010 to solidify our technology advancement, improve search capabilities and boost overall monetization. Baidu Brain, our core AI technology engine, has enabled us to develop new AI businesses. The breadth and depth of our AI capabilities provide the differentiating foundational technologies that power all of our businesses.

Our total revenues increased by 16% from RMB107.1 billion in 2020 to RMB124.5 billion in 2021, and decreased by 1% to RMB123.7 billion (US\$17.9 billion) in 2022. Our operating profit decreased by 27% from RMB14.3 billion in 2020 to RMB10.5 billion in 2021, and increased by 51% to RMB15.9 billion (US\$2.3 billion) in 2022. Net income attributable to Baidu, Inc. decreased by 54% from RMB22.5 billion in 2020 to RMB10.2 billion in 2021, and decreased by 26% to RMB7.6 billion (US\$1.1 billion) in 2022.

Revenues

Baidu Core. Baidu Core revenues primarily comprise of (i) auction-based P4P online marketing services that include search and feed online marketing services; (ii) other online marketing services, including display advertisement, based on performance criteria other than CPC; (iii) cloud services; (iv) smart devices and services; (v) non-marketing consumer-facing services such as membership; and (vi) intelligent driving. We expect Baidu Core to continue to generate a majority of our revenues.

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A majority of Baidu Core revenues are derived from online marketing services. Our P4P platform is an online marketplace that introduces internet search users to customers, who pay us a fee based on click-throughs for priority placement of their links in the search results. We also provide feed online marketing services to our customers. Our feed platform helps customers target relevant feed users, and customers pay us based on a CPC basis or advertisement displays of their products. In addition, we provide our customers with other performance-based and display-based online marketing services.

Apart from the online marketing services, Baidu Core also generates revenue by providing products and services ranging from cloud services, smart devices and services, non-marketing consumer-facing services and intelligent driving.

iQIYI. iQIYI is an innovative market-leading online entertainment service in China. iQIYI's platform features iQIYI original content, as well as a comprehensive library of other professionally produced content, professional user generated content, and user-generated content. iQIYI derives a majority of its revenues from membership services and online marketing services.

iQIYI offers membership packages to provide its members with (i) access to streaming of a library of premium content, (ii) certain commercial skipping and other viewing privileges, (iii) merchandise selection and privilege, and (iv) higher community status in iQIYI Paopao social platform. Most of iQIYI's online marketing services are in the form of brand advertising.

Operating Costs and Expenses

Our operating costs and expenses consist of cost of revenues, selling, general and administrative expenses, and research and development expenses. Share-based compensation expenses are allocated among these three categories, based on the nature of the work of the employees who have received share-based compensation.

Cost of Revenues

Our cost of revenues primarily consist of content costs, traffic acquisition costs, depreciation costs, costs of goods sold, bandwidth costs and other cost of revenues.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses primarily consist of promotional and marketing expenses, salaries and benefits for our sales, marketing, general and administrative personnel, and legal, accounting and other professional services fees.

Research and Development Expenses

Research and development expenses primarily consist of salaries and benefits for research and development personnel. We expense research and development costs as they are incurred, except for capitalized software development costs that fulfill the capitalization criteria.

Taxation

Cayman Islands and British Virgin Islands

Under the current laws of the Cayman Islands and British Virgin Islands, we are not subject to tax on income or capital gains. Additionally, upon payments of dividends by us, no Cayman Islands withholding tax will be imposed.

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Hong Kong

Subsidiaries in Hong Kong are subject to Hong Kong profits tax rate of 16.5% and foreign-derived income is exempted from income tax. There is no withholding tax upon payment of dividends by the subsidiaries incorporated in Hong Kong to its shareholders.

Japan

As a result of the Japanese tax regulations amendments, the effective income tax rates were approximately 31% for each of the years ended December 31, 2020, 2021 and 2022.

Mainland China Enterprise Income Tax

Effective from January 1, 2008 and amended on December 29, 2018, mainland China's statutory enterprise income tax, or EIT, rate is 25%. An enterprise may benefit from a preferential tax rate of 15% under the EIT Law if it qualifies as a "High and New Technology Enterprise" strongly supported by the state. Pursuant to the Administrative Measures on the Recognition of High and New Technology Enterprises, or the Recognition Measures, as amended in January 2016, the provincial counterparts of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation make joint determination on whether an enterprise is qualified as a "High and New Technology Enterprise" under the EIT Law. In making such determination, these government agencies consider, among other factors, ownership of core technology, whether the key technology supporting the core products or services falls within the scope of high and new technology strongly supported by the state as specified in the Recognition Measures, the ratios of research and development personnel to total personnel, the ratio of research and development expenditures to annual sales revenues, the ratio of revenues attributed to high and new technology products or services to total revenues, and other measures set forth in relevant guidance. A "High and New Technology Enterprise" certificate is effective for a period of three years. Further, preferential EIT rates are available for qualified Software Enterprises whereby entities are entitled to full exemption from EIT for two years beginning from their first profitable calendar year and a 50% reduction for the subsequent three calendar years.

If our mainland China subsidiaries or the variable interest entities that have enjoyed preferential tax treatment no longer qualify for the preferential treatment, we will consider available options under applicable law that would enable us to qualify for alternative preferential tax treatment. To the extent we are unable to offset the impact of the expiration of existing preferential tax treatment with new tax exemptions, tax incentives or other tax benefits, the expiration of existing preferential tax treatment may cause our effective tax rate to increase. The amount of income tax payable by our mainland China subsidiaries and the variable interest entities in the future will depend on various factors, including, among other things, the results of operations and taxable income of, and the statutory tax rate applicable to, each of the entities. Our effective tax rate depends partially on the extent of the relative contribution of each of our subsidiaries and the variable interest entities to our consolidated taxable income.

Withholding Tax

Under the EIT Law and its implementation rules, dividends, interests, rent or royalties payable by a foreign-invested enterprise, such as our mainland China subsidiaries, to any of its non-resident enterprise investors, and proceeds from any such non-resident enterprise investor's disposition of assets (after deducting the net value of such assets) are subject to the EIT at the rate of 10%, namely withholding tax, unless the non-resident enterprise investor's jurisdiction of incorporation has a tax treaty or arrangement with mainland China that provides for a reduced withholding tax rate or an exemption from withholding tax. The Notice on Several Preferential Policies regarding Enterprise Income Tax Law jointly promulgated by the Ministry of Finance and State Administration of Taxation in February 2008, clarifies that undistributed profits earned by foreign-invested enterprises prior to January 1, 2008 will be exempted from any withholding tax.

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The British Virgin Islands, where Baidu Holdings Limited, the sole shareholder of certain of our mainland subsidiaries such as Baidu Online, was incorporated, does not have such a tax treaty with mainland China.

Hong Kong, where Baidu (Hong Kong) Limited, our wholly owned subsidiary and the sole shareholder of certain of our mainland China subsidiaries such as Baidu Times and Baidu China, was incorporated, has a tax arrangement with mainland China that provides for a lower withholding tax rate of 5% on dividends subject to certain conditions and requirements, such as the requirement that the Hong Kong resident enterprise own at least 25% of the mainland China enterprise distributing the dividend at all times within the 12-month period immediately preceding the distribution of dividends and be a “beneficial owner” of the dividends. However, pursuant to Circular on Issues Concerning Implementing Dividend Clauses of Tax Treaties, or SAT Circular 81, issued by the State Administration of Taxation in February 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from the reduced withholding tax rate on dividends due to a structure or arrangement designed for the primary purpose of obtaining favorable tax treatment, the PRC tax authorities may adjust the preferential tax treatment. Moreover, pursuant to Circular on Several Issues regarding the “Beneficial Owner” in Tax Treaties, or SAT Circular 9, issued by the State Administration of Taxation in February 2018, which became effective from April 1, 2018 and superseded the SAT Circular 601 issued by the State Administration of Taxation in October 2009, a resident of a contracting state will not qualify for the benefits under the tax treaties or arrangements, if it is not the “beneficial owner” of the dividend, interest and royalty income. According to SAT Circular 9, a “beneficial owner” is required to have ownership and the right to dispose of the income or the rights and properties giving rise to the income, and generally engage in substantive business activities. An agent or conduit company will not be regarded as a “beneficial owner” and, therefore, will not qualify for treaty benefits. A conduit company normally refers to a company that is set up primarily for the purpose of evading or reducing taxes or transferring or accumulating profits. In addition, pursuant to Bulletin on Administrative Measures on Treaties Benefit for Non-resident Taxpayers, or SAT Circular 35, issued by the State Administration of Taxation in October 2019, non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, non-resident enterprises may, if they determine by self-assessment that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply for the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-filing examinations by the relevant tax authorities.

In 2020, certain of our mainland China subsidiaries have declared and distributed profits earned to Baidu (Hong Kong) Limited, the dividend payments are subject to withholding tax. We have made tax provisions based on the corresponding tax rate. If our mainland China subsidiaries further declare and distribute profits earned after January 1, 2008 to us in the future, the dividend payments will be subject to withholding tax, which will increase our tax liability and reduce the amount of cash available to our company. For the potential distributable profits to be distributed to our qualified Hong Kong incorporated subsidiary, the deferred tax liabilities are accrued at a 5% withholding tax rate. For more information on related risks, please see “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—If our mainland China subsidiaries declare and distribute dividends to their respective offshore parent companies, we will be required to pay more taxes, which could have a material and adverse effect on our result of operations.”

Tax Residence

Under the EIT Law and its implementation rules, an enterprise established outside of mainland China with “de facto management body” within mainland China is considered a resident enterprise and will be subject to the EIT at the rate of 25% on its worldwide income. The term “de facto management body” refers to “the establishment that exercises substantial and overall management and control over the production, business, personnel, accounts and properties of an enterprise.” Pursuant to SAT Circular 82, issued by the State Administration of Taxation in April 2009, an overseas registered enterprise controlled by a mainland China company or a mainland China company group will be classified as a “resident enterprise” with its “de facto management body” located within mainland China if the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations are mainly located in mainland

China; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies located in mainland China; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in mainland China; and (iv) no less than half of the enterprise's directors or senior management with voting rights reside in mainland China. The State Administration of Taxation issued additional rules to provide more guidance on the implementation of SAT Circular 82 in July 2011, and issued an amendment to SAT Circular 82 delegating the authority to its provincial branches to determine whether a Chinese-controlled overseas-incorporated enterprise should be considered a mainland China resident enterprise, in January 2014. Although the SAT Circular 82, the additional guidance and its amendment only apply to overseas registered enterprises controlled by mainland China enterprises and not those controlled by mainland China individuals or foreigners, the determining criteria set forth in the circular may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by mainland China enterprises, individuals or foreigners.

If our offshore entities are deemed mainland China resident enterprises, these entities may be subject to the EIT at the rate of 25% on their global incomes, except that the dividends distributed by our mainland China subsidiaries may be exempt from the EIT to the extent such dividends are deemed "dividends among qualified resident enterprises." For more information on related risks, please see "Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—We may be deemed a mainland China resident enterprise under the EIT Law, which could subject us to mainland China's taxation on our global income, and which may have a material and adverse effect on our results of operations."

Should our offshore entities be deemed as mainland China resident enterprises, such changes could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

Mainland China VAT in Lieu of Business Tax

In November 2011, the Ministry of Finance and the State Administration of Taxation jointly issued two circulars setting forth the details of the pilot VAT reform program, which change the charge of sales tax from business tax to VAT for certain pilot industries. The VAT reform program initially applied only to the pilot industries in Shanghai, and was expanded to eight additional regions, including, among others, Beijing and Guangdong province, in 2012. In August 2013, the program was further expanded nationwide. In May 2016, the pilot program was extended to cover additional industry sectors such as construction, real estate, finance and consumer services.

Mainland China Urban Maintenance and Construction Tax and Education Surcharge

Any entity, foreign-invested or purely domestic, or individual that is subject to consumption tax, VAT is also required to pay mainland China urban maintenance and construction tax. The rates of urban maintenance and construction tax are 7%, 5% or 1% of the amount of consumption tax and VAT actually paid depending on where the taxpayer is located. All entities and individuals who pay consumption tax and VAT are also required to pay education surcharge at a rate of 3%, and local education surcharges at a rate of 2%, of the amount of VAT and consumption tax actually paid.

Impact of COVID-19 On Our Operations

The COVID-19 pandemic has had, and, together with any subsequent outbreaks driven by new variants of COVID-19, may continue to have, a significant impact on our operations and financial results. The potential downturn brought by and the duration of the COVID-19 pandemic may be difficult to assess or predict where actual effects will depend on many factors beyond our control. The extent to which the COVID-19 pandemic impacts our long-term results remains uncertain, and we are closely monitoring its impact on us. In 2020, our operations were significantly affected by the COVID-19 pandemic. Our online marketing revenues declined

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compared to the prior period mainly due to weakness in online marketing demand as our customers in certain industries are negatively impacted by COVID-19. Our online marketing services gradually recovered in 2021, underpinned by improved advertiser sentiment, following the effective control of the domestic outbreaks, the resumption of business activities and the gradual recovery of the general economy in China. Our online marketing revenues in 2022 declined from 2021 primarily due to the resurgence of COVID-19 in certain cities in China. In addition, increased market volatility has contributed to larger fluctuations in the valuation of our equity investments. China began to modify its COVID control policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There remains uncertainty as to the future impact of the virus. The extent to which the COVID-19 pandemic impacts our long-term results will depend on future developments which are highly uncertain, unpredictable and beyond our control, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future governmental actions that may be taken in response to these developments, and measures to stimulate the general economy to improve business condition especially for SMEs. As a result, certain of our estimates and assumptions, including the allowance for credit losses, the valuation of certain debt and equity investments, long-term investments, content assets and long-lived assets subject to impairment assessments, require significant judgments and carry a higher degree of variabilities and volatilities that could result in material changes to our current estimates in future periods. See also “Item 3.D. Key Information—Risk Factors—Risks Related to Our Business and Industry—We face risks related to health epidemics, severe weather conditions and other outbreaks.”

Results of Operations

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

	Year ended December 31,			
	2020	2021	2022	
	RMB	RMB	RMB	US\$
(in millions)				
Consolidated Statements of Comprehensive Income Data				
Revenues:				
Online marketing services	72,840	80,695	74,711	10,832
Others	34,234	43,798	48,964	7,099
Total revenues	107,074	124,493	123,675	17,931
Operating costs and expenses ⁽¹⁾ :				
Cost of revenues	55,158	64,314	63,935	9,269
Selling, general and administrative	18,063	24,723	20,514	2,975
Research and development	19,513	24,938	23,315	3,380
Total operating costs and expenses	92,734	113,975	107,764	15,624
Operating profit	14,340	10,518	15,911	2,307
Total other income (loss), net	8,750	260	(5,799)	(841)
Income before income taxes	23,090	10,778	10,112	1,466
Income taxes	4,064	3,187	2,578	374
Net income	19,026	7,591	7,534	1,092
Less: Net loss attributable to non-controlling interests	(3,446)	(2,635)	(25)	(4)
Net income attributable to Baidu, Inc.	22,472	10,226	7,559	1,096

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	Year ended December 31,			
	2020	2021	2022	
	RMB	RMB	RMB	US\$
(1) Share-based compensation expenses are allocated in operating costs and expenses as follows:	(in millions)			
Cost of revenues	360	399	409	59
Selling, general and administrative	1,897	1,840	1,750	253
Research and development	4,471	4,817	4,629	672
Total	<u>6,728</u>	<u>7,056</u>	<u>6,788</u>	<u>984</u>

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

Consolidated revenues. Our total revenues in 2022 were RMB123.7 billion (US\$17.9 billion), decreasing by 1% from 2021.

Our online marketing revenues for Baidu Core in 2022 were RMB69.5 billion (US\$10.1 billion), decreasing by 6% from 2021 primarily due to the resurgence of COVID-19 in certain cities in China.

Our online marketing revenues for iQIYI in 2022 were RMB5.3 billion (US\$773 million), decreasing by 25% from 2021, as a result of the challenging macroeconomic environment, pandemic resurgence, and iQIYI's strategy leading to a fewer number of variety shows launched.

Other revenues in 2022 were RMB49.0 billion (US\$7.1 billion), increasing by 12% from 2021, mainly driven by cloud and other AI-powered businesses. For a detailed description, see "—Segment Revenues."

Consolidated operating costs and expenses. Our total operating costs and expenses decreased by RMB6.2 billion, or 5%, from RMB114.0 billion in 2021 to RMB107.8 billion (US\$15.6 billion) in 2022.

Cost of Revenues. Our cost of revenues decreased by RMB379 million from RMB64.3 billion in 2021 to RMB 63.9 billion (US\$9.3 billion) in 2022, primarily due to the following factors:

- A decrease of RMB4.1 billion in content costs, which related to less recorded expense of produced content and licensed copyrights.
- An increase of RMB1.1 billion in traffic acquisition costs, as a result of the increase in traffic and average unit price.
- An increase of RMB1.1 billion in bandwidth costs and depreciation costs, which related to development of AI cloud business.
- An increase of RMB1.5 billion in other operational cost, which mainly included an increase of cost of goods sold and other costs related to new AI business of RMB514 million, an increase of RMB406 million in sales tax and surcharges and an increase of RMB365 million in salaries and benefits and staff-related expense.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses decreased by RMB4.2 billion from RMB24.7 billion in 2021 to RMB20.5 billion (US\$3.0 billion) in 2022, primarily due to a decrease in channel spending, promotional marketing and personnel-related expenses.

Research and Development Expenses. Our research and development expenses decreased by RMB1.6 billion from RMB24.9 billion in 2021 to RMB23.3 billion (US\$3.4 billion) in 2022, primarily due to a decrease in personnel related expenses.

Operating profit. As a result of the foregoing, we generated an operating profit of RMB15.9 billion (US\$2.3 billion) in 2022, a 51% increase from RMB10.5 billion in 2021.

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Total other loss, net. Our total other loss, net was RMB5.8 billion (US\$ 841 million) in 2022, which mainly included fair value losses of RMB3.9 billion and impairment losses of RMB3.0 billion from long-term investments. Our total other income, net was RMB260 million in 2021, which included fair value gains of RMB 3.1 billion and impairment losses of RMB 4.3 billion from long-term investments.

Income taxes. Our income tax expense was RMB2.6 billion (US\$374 million) in 2022, representing a 19% decrease from RMB3.2 billion in 2021, primarily due to deferred tax benefit recognized on fair value loss of long-term investments in 2022 whereas deferred tax expense recognized on fair value gain of long-term investments in 2021.

Net income attributable to Baidu, Inc. As a result of the foregoing, net income attributable to Baidu, Inc. decreased from RMB10.2 billion in 2021 to RMB7.6 billion (US\$1.1 billion) in 2022.

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

Consolidated revenues. Our total revenues in 2021 were RMB124.5 billion, increasing by 16% from 2020.

Our online marketing revenues for Baidu Core in 2021 were RMB73.9 billion, increasing by 12% from 2020.

Our online marketing revenues for iQIYI in 2021 were RMB7.1 billion, increasing by 4% from 2020.

Other revenues in 2021 were RMB43.8 billion, increasing by 28% from 2020. For a detailed description, see “—Segment Revenues.”

Consolidated operating costs and expenses. Our total operating costs and expenses increased by RMB21.3 billion, or 23%, from RMB92.7 billion in 2020 to RMB114.0 billion in 2021.

Cost of Revenues. Our cost of revenues increased by RMB9.1 billion from RMB55.2 billion in 2020 to RMB64.3 billion in 2021, primarily due to the following factors:

- An increase of RMB3.1 billion in traffic acquisition costs, which reflected increasing union revenues and intensified traffic market competition.
- An increase of RMB2.3 billion in cost of goods sold, which was in line with the growth in sales of Xiaodu smart devices and AI solutions services.
- An increase of RMB995 million in bandwidth costs, resulted from increased investment in infrastructure.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased by RMB6.6 billion from RMB18.1 billion in 2020 to RMB24.7 billion in 2021, primarily due to an increase in channel spending, promotional marketing and personnel-related expenses and contingent loss pertaining to legal proceeding involving former advertising agencies.

Research and Development Expenses. Our research and development expenses increased by RMB5.4 billion from RMB19.5 billion in 2020 to RMB24.9 billion in 2021, primarily due to an increase in personnel-related expenses.

Operating profit. As a result of the foregoing, we generated an operating profit of RMB10.5 billion in 2021, a 27% decrease from RMB14.3 billion in 2020.

Total other income, net. Our total other income, net was RMB260 million in 2021, which included a fair value gain of RMB 3.1 billion and an impairment loss of RMB 4.3 billion from long-term investments. Our total other income, net was RMB8.8 billion in 2020, which included fair value gain of RMB11.6 billion from long-term investments and an impairment loss of RMB 2.6 billion from long-term investments.

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Income taxes. Our income tax expense was RMB3.2 billion in 2021, compared to RMB4.1 billion in 2020, primarily due to a decrease in profit before tax and an increase in deduction on certain expenses that were previously considered non-deductible.

Net income attributable to Baidu, Inc. As a result of the foregoing, net income attributable to Baidu, Inc. decreased from RMB22.5 billion in 2020 to RMB10.2 billion in 2021.

Segment Revenues

The following table sets forth our revenues by segment and the year-over-year change rate for the periods indicated, with each segment revenues including inter-segment revenues:

	Year ended December 31,					
	2020	2021			2022	
	RMB	RMB	YoY%	RMB	US\$	YoY%
Baidu Core						
Online marketing services	66,283	73,919	12	69,522	10,080	(6)
Cloud services	9,173	15,070	64	17,721	2,569	18
Others	3,228	6,174	91	8,188	1,187	33
Subtotal	78,684	95,163	21	95,431	13,836	0
iQIYI						
Online advertising services	6,822	7,067	4	5,332	773	(25)
Membership services	16,491	16,714	1	17,711	2,568	6
Content distribution	2,660	2,856	7	2,470	358	(14)
Others	3,734	3,917	5	3,485	505	(11)
Subtotal	29,707	30,554	3	28,998	4,204	(5)
Intersegment eliminations	(1,317)	(1,224)	(7)	(754)	(109)	(38)
Total revenue	107,074	124,493	16	123,675	17,931	(1)

Baidu Core.

2022 compared to 2021

Baidu Core revenue was RMB95.4 billion (US\$13.8 billion) in 2022, which is basically flat from RMB95.2 billion in 2021.

Our online marketing revenues of Baidu Core in 2022 were RMB69.5 billion (US\$10.1 billion), decreasing by RMB4.4 billion, or 6%, compared to RMB73.9 billion in 2021, primarily due to the resurgence of COVID-19 in certain cities in China.

The number of our active online marketing customers decreased from approximately 535,000 in 2021 to approximately 520,000 in 2022, and the average revenue per customer decreased from approximately RMB138,000 in 2021 to approximately RMB134,000 (US\$19,000) in 2022. The decrease was primarily due to the resurgence of COVID-19 in certain cities in China.

Revenue from Baidu cloud services and others are included in “Other revenue” in the statements of comprehensive income.

Our cloud services revenue of Baidu Core in 2022 were RMB17.7 billion (US\$2.6 billion), increasing by RMB2.6 billion, or 18%, compared to RMB15.1 billion in 2021, mainly due to increase in scale for both IaaS and cloud solution projects, standardizing AI cloud solutions and applications for scale, and increase in subscription for personal cloud service.

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Baidu Core's other revenues in 2022 were RMB8.2 billion (US\$1.2 billion), increasing by RMB2.0 billion, or 33%, compared to RMB6.2 billion in 2021.

2021 compared to 2020

Baidu Core revenue was RMB95.2 billion in 2021, increasing by RMB16.5 billion, or 21%, from RMB78.7 billion in 2020.

Our online marketing revenues of Baidu Core in 2021 were RMB73.9 billion, increasing by RMB7.6 billion, or 12%, compared to RMB66.3 billion in 2020, primarily due to an increase of service demand from our customers in industries, including healthcare, entertainment and media, business services and local services. The increased demand in 2021 benefited from effective control of COVID-19 outbreaks and work resumption in mainland China in 2021.

The number of our active online marketing customers increased from approximately 505,000 in 2020 to approximately 535,000 in 2021, and the average revenue per customer increased slightly from approximately RMB131,300 in 2020 to approximately RMB138,000 in 2021. The increase was primarily due to effective control of COVID-19 outbreaks in mainland China.

Revenue from Baidu cloud services and others are included in "Other revenue" in the statements of comprehensive (loss) income.

Our cloud services revenue of Baidu Core in 2021 were RMB15.1 billion, increasing by RMB5.9 billion, or 64%, compared to RMB9.2 billion in 2020, mainly due to increases in enterprise and public sector cloud solutions.

Baidu Core's other revenues in 2021 were RMB6.2 billion, increasing by RMB3.0 billion, or 91%, compared to RMB3.2 billion in 2020.

iQIYI

2022 compared to 2021

iQIYI revenue was RMB29.0 billion (US\$4.2 billion) in 2022, decreasing by RMB1.6 billion, or 5%, from RMB30.6 billion in 2021.

iQIYI online advertising services revenue are included in "Online marketing revenue" in the consolidated statements of comprehensive (loss) income.

iQIYI's online advertising revenues in 2022 were RMB5.3 billion (US\$773 million), decreasing by RMB1.8 billion, or 25%, from RMB7.1 billion in 2021, as a result of the challenging macroeconomic environment, pandemic resurgence, and fewer number of variety shows being launched. Average brand advertising revenue per brand advertiser decreased by 21.4% from RMB4.9 million in 2021 to RMB3.8 million (US\$0.6 million) in 2022. iQIYI track the average brand advertising revenue per brand advertiser as a key indicator to evaluate advertising services business and adapt sales strategy, advertisement solutions and content scheduling accordingly.

Revenue from iQIYI membership services, content distribution, and others are included in "Other revenue" in the statements of comprehensive (loss) income.

Membership revenue of iQIYI in 2022 were RMB17.7 billion (US\$2.6 billion), increasing by RMB1.0 billion, or 6%, from RMB16.7 billion in 2021. The average daily number of total subscribing members

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in 2022 was 103.1 million, as compared to 101.6 million in 2021. The average daily number of subscribing members excluding individuals with trial memberships was 102.4 million in 2022, as compared to 100.7 million in 2021. In addition, average revenue per membership during a month, or monthly ARM, in 2022 increased by 4.4% to RMB14.31, as compared to RMB13.71 in 2021. iQIYI tracks the number of average daily subscribing members and monthly ARM as key indicators for membership revenue growth, and has been cultivating users' willingness to pay. iQIYI is dedicated to providing more premium content through diversified approaches, as it did in the past by launching theme-based drama theaters, members only content and the PVID mode, to expand its subscribing member base, nurture members' willingness to pay and diversify its routes to membership monetization to drive membership services revenue.

iQIYI content distribution revenue decreased by RMB386 million, or 14%, from RMB2.9 billion in 2021 to RMB2.5 billion (US\$358 million) in 2022, primarily attributable to the decrease in barter transactions during the year.

iQIYI other revenue for iQIYI in 2022 were RMB3.5 billion (US\$505 million), decreasing by RMB432 million, or 11%, from RMB3.9 billion in 2021, primarily due to the deterioration of performance in various business lines and the adjustment in business operation model of certain business lines, partially offset by the revenue derived from third-party cooperation.

2021 compared to 2020.

iQIYI revenue was RMB30.6 billion in 2021, increasing by RMB847 million, or 3%, from RMB29.7 billion in 2020.

iQIYI online advertising services revenue are included in "Online marketing revenue" in the consolidated statements of comprehensive (loss) income.

iQIYI's online advertising revenues in 2021 were RMB7.1 billion, increasing by RMB245 million, or 4%, from RMB6.8 billion in 2020, as a result of a rebound of advertisers' budgets as well as an increase of the number of our brand advertisers. Average brand advertising revenue per brand advertiser decreased by 25.8% from RMB6.6 million in 2020 to RMB4.9 million in 2021.

Revenue from iQIYI membership services, content distribution, and others are included in "Other revenue" in the statements of comprehensive (loss) income.

Membership revenue of iQIYI in 2021 were RMB16.7 billion, increasing by RMB223 million, or 1%, from RMB16.5 billion in 2020. The average daily number of subscribing members in 2021 was 101.6 million, as compared to 110.3 million in 2020. The average daily number of subscribing members excluding individuals with trial memberships was 100.7 million in 2021, as compared to 109.4 million in 2020. In addition, average revenue per membership during a month, or monthly ARM, in 2021 increased by 10.0% to RMB13.71, as compared to RMB12.46 in 2020.

iQIYI content distribution revenue increased by RMB196 million, or 7%, from RMB2.7 billion in 2020 to RMB2.9 billion in 2021, primarily attributable to increased content titles distributed to other platforms during 2021.

iQIYI other revenue for iQIYI in 2021 were RMB3.9 billion, increasing by RMB183 million, or 5%, from RMB3.7 billion in 2020, as a result of iQIYI's strong performance across various vertical business lines, such as live streaming, talent agency and box office performance of iQIYI's original movies, especially *Break Through the Darkness*, which was screened in theaters in May 2021.

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Segment Operating Costs and Expenses

The following table sets forth our operating costs and expenses by segment and the year-over-year change rate for the periods indicated, with each segment operating costs and expenses including inter-segment costs and expenses:

	Year ended December 31,					
	2020	2021		2022		
	RMB	RMB	YoY%	RMB	US\$	YoY%
Operating Costs and Expenses:	(In millions, except percentages)					
Baidu Core	58,146	80,021	38	80,897	11,729	1
iQIYI	35,748	35,033	(2)	27,686	4,014	(21)

Baidu Core. Operating costs and expenses of Baidu Core mainly consist of personnel-related costs, traffic acquisition costs, marketing and promotion spending, depreciation expenses, costs of goods sold, content costs, bandwidth cost and other costs related to new AI business.

Cost of revenues. The cost of revenues of Baidu Core increased by 12% from RMB37.8 billion in 2021 to RMB42.4 billion (US\$6.1 billion) in 2022, primarily due to an increase in traffic acquisition costs, bandwidth costs, depreciation costs, cost of goods sold and other costs related to the new AI business, personnel-related costs and content costs.

The cost of revenues of Baidu Core increased by 33% from RMB28.4 billion in 2020 to RMB37.8 billion in 2021, primarily due to an increase in content costs, traffic acquisition costs, bandwidth costs, cost of goods sold and other costs related to new AI business.

Selling, general and administrative expenses. The selling, general and administrative expenses of Baidu Core decreased by 15% from RMB20.0 billion in 2021 to RMB17.1 billion (US\$2.5 billion) in 2022, primarily due to a decrease in channel spending and promotional marketing expenses.

The selling, general and administrative expenses of Baidu Core increased by 55% from RMB12.9 billion in 2020 to RMB20.0 billion in 2021, primarily due to an increase in channel spending, promotional marketing and personnel-related expenses and contingent loss pertaining to legal proceedings involving former advertising agencies.

Research and development expenses. The research and development expenses of Baidu Core decreased by 3% from RMB22.1 billion in 2021 to RMB21.4 billion (US\$3.1 billion) in 2022, primarily due to a decrease of personnel-related expenses.

The research and development expenses of Baidu Core increased by 31% from RMB16.8 billion in 2020 to RMB22.1 billion in 2021, primarily due to an increase in personnel-related expenses.

iQIYI. Operating costs and expenses of iQIYI mainly consist of content costs, personnel-related costs, bandwidth costs, marketing and promotion spending, and payment platform charges.

Cost of revenues. The cost of revenues of iQIYI decreased by 19% from RMB27.5 billion in 2021 to RMB22.3 billion (US\$3.2 billion) in 2022, primarily due to a decrease in content costs.

The cost of revenues of iQIYI decreased by 1% from RMB27.9 billion in 2020 to RMB27.5 billion in 2021, primarily due to the decrease in bandwidth costs.

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Selling, general and administrative expenses. The selling, general and administrative expenses of iQIYI decreased by 27% from RMB4.7 billion in 2021 to RMB3.5 billion (US\$503 million) in 2022, primarily due to disciplined marketing spending and a decline in personnel-related compensation expenses.

The selling, general and administrative expenses of iQIYI decreased by 9% from RMB5.2 billion in 2020 to RMB4.7 billion in 2021, primarily due to decrease in personal compensation expenses and reversal of credit losses.

Research and development expenses. The research and development expenses of iQIYI decreased by 32% from RMB2.8 billion in 2021 to RMB1.9 billion (US\$275 million) in 2022, primarily due to a decrease in personnel-related expenses.

The research and development expenses of iQIYI increased by 4% from RMB2.7 billion in 2020 to RMB2.8 billion in 2021, primarily due to non-recurring personnel-related expenses associated with the optimization of organizational structure in 2021.

Inflation

Inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the annual average percent changes in the consumer price index in mainland China for 2020, 2021 and 2022 were 2.5%, 0.9% and 2.0%, respectively. The year-over-year percent change in the consumer price index for January 2021, 2022 and 2023 was a decrease of 0.3%, an increase of 0.9%, and an increase of 2.1%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China. For example, certain operating costs and expenses, such as employee compensation and office operating expenses, may increase as a result of higher inflation. Additionally, because a substantial portion of our assets consists of cash and cash equivalents and short-term investments, high inflation could significantly reduce the value and purchasing power of these assets. We are not able to hedge our exposure to higher inflation in China.

Foreign Currency

The exchange rate between the U.S. dollar and the RMB has declined from RMB8.1056 per US\$ in July 2005 to RMB6.8972 per US\$ in December 2022. As of December 31, 2022, we recorded RMB1.3 billion (US\$192 million) of net foreign currency translation loss in accumulated other comprehensive (loss) income as a component of shareholders' equity. We have not hedged exposures to exchange fluctuations using any hedging instruments. See also "Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China— Fluctuation in exchange rates could have a material and adverse effect on our results of operations and the value of your investment." and "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign Exchange Risk."

Critical Accounting Policies and Estimates

We prepare financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect the reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the end of each fiscal period and the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these judgments and estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

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The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. For further information on our critical accounting policies, see Note 2 to our consolidated financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Fair Value Measurements of Non-Marketable Equity Securities

We measure certain financial instruments at fair value on a nonrecurring basis, consisting primarily of our non-marketable equity securities. These investments are accounted for under the measurement alternative and are measured at cost, less impairment, subject to upward and downward adjustments resulting from observable price changes for identical or similar investments of the same issuer. These adjustments require quantitative assessments of the fair value of equity investments, primarily using a market approach, which requires the use of unobservable inputs, such as selection of comparable companies and multiples, expected volatility, discount for lack of marketability and probability of exit events as it relates to liquidation and redemption preferences when applicable. Non-marketable equity securities are also evaluated for impairment, based on qualitative factors including the companies' financial and liquidity position and access to capital resources, among others. When indicators of impairment exist, we also prepare quantitative measurements of the fair value of our equity investments using market approach with unobservable inputs. Our estimates of these inputs require subjective management judgment and are inherently uncertain. The fair value information is sensitive to changes in the unobservable inputs used to determine fair value and such changes could result in the fair value at the reporting date to be different from the fair value presented. When our assessment indicates that an impairment exists, we write down the investment to its fair value.

Impairment of content assets

We review our film groups and individual content for impairment when there are events or changes in circumstances that indicate the fair value of a film group or an individual content may be less than its unamortized costs. When such events or changes in circumstances are identified, we perform a quantitative assessment to determine whether the fair value of a film group or an individual content is less than its unamortized film costs.

For the Mainland China film group, we use a discounted cash flow approach to estimate the fair value, which requires the use of inputs such as the forecasted future revenues, costs and operating expenses attributable to the film group and the discount rate. Our estimates of these inputs require subjective management judgment and are inherently uncertain. The fair value information is sensitive to changes in the unobservable inputs used to determine fair value and such changes could result in the fair value at the reporting date to be different from the fair value presented. The quantitative impairment assessment we performed with the assistance of a third-party valuation firm as of December 31, 2022 indicated that the fair value of our PRC film group is in excess of their carrying value and, therefore, did not result in an impairment.

For the fair value of the produced content predominantly monetized on its own, we use a discounted cash flow approach to estimate the fair value, which requires the use of inputs include forecasted future revenues, production costs required to complete the content and exploitation and participation costs. Based on the above assessment, certain produced content predominantly monetized on its own are determined to be impaired and re-measured to the fair value as of each quarter end.

Amortization of content assets

Based on factors including historical and estimated future viewership consumption patterns, our content assets (licensed copyrights and produced content) are amortized using an accelerated method by content categories over the shorter of each content's contractual period or estimated useful lives within ten years,

beginning with the month of first availability. We review factors that impact the amortization of the content assets on a regular basis, such as the estimates of future viewership consumption patterns and estimated useful lives. Our estimates related to these factors require complex and subjective management judgment and any changes in our estimates of future viewership consumption patterns and estimated useful lives may cause us to realize different amounts of amortization in future periods.

Consolidation of Variable Interest Entities

In order to comply with the laws and regulations of mainland China limiting foreign ownership of or imposing conditions on internet content services, value-added telecommunication-based services, online audio and video services, and mobile application distribution businesses, we operate our websites and conduct our internet content services, value-added telecommunication-based services, online audio and video services, and mobile application distribution businesses through the variable interest entities in mainland China by means of contractual arrangements. We have entered into certain exclusive agreements with the variable interest entities directly or through our subsidiaries, which obligate us to absorb losses of the variable interest entities' that could potentially be significant to the variable interest entities or entitle the primary beneficiaries to receive economic benefits from the variable interest entities that could potentially be significant to the variable interest entities. In addition, we have entered into certain agreements with the variable interest entities and the nominee shareholders of variable interest entities directly or through our subsidiaries, which enable us to direct the activities that most significantly affect the economic performance of the variable interest entities. Based on these contractual arrangements, we consolidate the variable interest entities as required by ASC Topic 810, *Consolidation*, because we hold the variable interests of the variable interest entities directly or through the subsidiaries, which are the primary beneficiaries of the variable interest entities. We will reconsider the initial determination of whether a legal entity is a variable interest entity upon certain events listed in ASC 810-10-35-4 occurring. We will also continuously reconsider whether we are the primary beneficiaries of the variable interest entities as facts and circumstances change. See "Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure."

Segment Reporting

As of December 31, 2020, 2021 and 2022, we had two reportable segments, Baidu Core and iQIYI. Baidu Core mainly provides search-based, feed-based, and other online marketing services, as well as products and services from our new AI initiatives. iQIYI is an online entertainment service provider that offers original, professionally produced and partner-generated content on its platform. In early April 2018, iQIYI completed its initial public offering ("IPO") on the Nasdaq Global Market.

Our chief executive officer, who has been identified as the chief operating decision maker, ("CODM"), reviews the operating results of Baidu Core and iQIYI, to allocate resources and assess our performance. Accordingly, the financial statements include segment information which reflects the current composition of the reportable segments in accordance with ASC Topic 280, *Segment Reporting*.

Revenue Recognition

Our revenues are derived principally from online marketing service and others. Revenue is recognized when control of promised goods or services is transferred to our customers in an amount of consideration to which an entity expects to be entitled to in exchange for those goods or services. Revenue is recorded net of valued added taxes ("VAT").

Our revenue recognition policies by types are as follows:

(1) Online marketing services

Performance-based online marketing services

Our auction-based P4P platform enables customers to bid for priority placement of paid sponsored links and reach users who search for information related to their products or services. P4P online marketing customers can choose from search-based and feed-based online marketing services, and select criteria for their purchase, such as daily spending limit and user profile targeted, including, but not limited to, users from specific regions in mainland China and users online during a specific time period. Revenue is recognized when all of the revenue recognition criteria are met, which is generally when a user clicks on one of the customer-sponsored links or feed-based marketing.

To the extent we provide online marketing services based on performance criteria other than cost-per-click, such as the number of downloads (and user registration) of mobile apps and the pre-determined ratios of completed transaction volumes, revenue is recognized when the specified performance criteria are met along with the satisfaction of other applicable revenue recognition criteria.

Baidu Union online marketing services

Baidu Union is a program through which we expand distribution of its customers' sponsored links or advertisements by leveraging the traffic of Baidu Union partners' online properties. We acquire traffic from Baidu Union partners and are responsible for service fulfillment, pricing and bearing inventory risks. The services which we provided to customers through Baidu Union partners' online properties include cost-per-click ("CPC"), other performance-based online marketing services and online display advertising services. These services are provided in the same way to customers as those through Baidu's own platforms or properties. As principal, our company recognizes revenue from Baidu Union on a gross basis. Payments made to Baidu Union partners are recorded as traffic acquisition costs, which are included in "Cost of revenues" in the consolidated statements of comprehensive (loss) income.

Online display advertising services

We provide online display advertising services to our customers by integrating text description, image and/or video, and displaying the advertisement in the search result, in Baidu Feed or on other properties. We recognize revenue on a pro rata basis over the contractual term for cost per time advertising arrangements, commencing on the start date of the display advertisement, or based on the number of times that the advertisement has been displayed for cost per thousand impressions advertising arrangements.

Collection

Certain customers of online marketing services are required to pay a deposit before using our services and are sent automated reminders to replenish their accounts when the balance falls below a designated amount. The deposits received are recorded as "Customer deposits and deferred revenue" on the consolidated balance sheets. The amounts due to us are deducted from the deposited amounts when users click on the paid sponsored links in the search results or other performance criteria have been satisfied. In addition, we offer payment terms to some customers based on their historical marketing placements and credibility. In addition, we offer payment terms to third-party agents and advertisers based on their historical marketing placements and credibility, consistently with industry practice.

Payment terms and conditions vary by customer and are based on the billing schedule established in our contracts or purchase orders with customers, but we generally provide credit terms to customers within one year; therefore, we have determined that our contracts do not include a significant financing component.

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Sales incentives

We provide sales incentives to third-party agents, which are identified as customers, that entitle them to receive price reduction on the online marketing services by meeting certain cumulative consumption requirements. We account for these incentives granted to customers as variable consideration and net them against revenue. The amount of variable consideration is measured based on the expected value of incentives to be provided to customers.

(2) Others

Video Membership services

We offer membership services to subscribing members with various privileges, which primarily include access to exclusive and ad-free streaming of premium content 1080P/4K high definition video, Dolby Audio, and accelerated downloads and others. When the receipt of membership fees is for services to be delivered over a period of time, the receipt is initially recorded as “Customer deposits and deferred revenue” and revenue is recognized ratably over the membership period as services are rendered. Membership services revenue also includes fees earned from subscribing members for on-demand content purchases and early access to premium content. We are the principal in our relationships where partners, including consumer electronics manufacturers (TVs and cell phones), mobile operators, internet service providers and online payment agencies, provide access to the membership services or payment processing services as we retain control over its service delivery to its subscribing members. Typically, payments made to the partners, are recorded as “Cost of revenues.” For the sale of the right to other membership services through strategic cooperation with other parties, we recognize revenue on a net basis when we do not control the specified services before they are transferred to the customer.

Content distribution

We generate revenues from sub-licensing content asset for cash or through nonmonetary exchanges mainly with other online video broadcasting companies. The exclusive licensing agreements we enter into with the vendors have a specified license period and provide us rights to sub-license these content assets to other parties. We enter into a non-exclusive sub-license agreement with a sub-licensee for a period that falls within the original exclusive license period. For cash sub-licensing transactions, we are entitled to receive the sub-license fee under the sub-licensing arrangements and do not have any future obligation once we have provided the underlying content to the sub-licensee (which is provided at or before the beginning of the sub-license period). The sub-licensing of content assets represents a license of functional intellectual property which grants a right to use our content asset, and is recognized at the point in time when the content asset is made available for the customer’s use and benefit.

We also enter into nonmonetary transactions to exchange online broadcasting rights of content assets with other online video broadcasting companies from time to time. The exchanged content assets provide rights for each party to broadcast the content assets received on its own platform only. Each transferring party retains the right to continue broadcasting the exclusive content on its own platform and/or sublicense the rights to the content it surrendered in the exchange. We account for these nonmonetary exchanges based on the fair value of the asset received. Barter sublicensing revenue are recognized in accordance with the same revenue recognition criteria above. We estimate the fair value of the content assets received using a market approach based on various factors, including the purchase price of similar non-exclusive and/or exclusive contents, broadcasting schedule, cast and crew, theme, popularity, and box office. The transaction price of barter transaction revenues is calculated on the individual content asset basis. For a significant barter sublicensing transaction, we further review the fair value by analyzing against the cost of the content assets bartered out and/or engages a third-party valuation firm to assess the reasonableness of its fair value. The attributable cost of sublicensing transactions, whether for cash or through nonmonetary exchanges, is recognized as cost of revenues through the amortization of the sublicensing right component of the exclusive content assets.

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Cloud services

We provide enterprise and public sector cloud services and personal cloud services, generally on either a subscription or consumption basis. For enterprise and public sector cloud services, we offer a full suite of cloud services and solutions, including IaaS (infrastructure as a service), PaaS (platform as a service) and SaaS (software as a service). For personal cloud services, we offer Baidu Drive membership services provided to individual customers. Revenue related to enterprise and public sector cloud services provided on a subscription basis is recognized ratably over the contract period. Revenue related to enterprise and public sector cloud services provided on a consumption basis, such as the amount of storage used in a period, is recognized based on the customer's utilization of such resources. Revenue related to personal cloud services is recognized ratably over the membership period as services are rendered and the receipt of membership fees for services to be delivered over a period of time is initially recorded as "Customer deposits and deferred revenue."

We provide cloud solutions for our customers in specific industries, such as smart transportation, finance, manufacturing, energy, telecom and media. Revenue related to cloud solutions which mainly include integrated hardware, software licensing and installation service, is recognized over time if one of the following criteria is met: (i) the customer simultaneously receives and consumes the benefits as we perform; (ii) our performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (iii) the asset delivered has no alternative use and we have an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time when a customer obtains control of a promised asset or service and we satisfy our performance obligation.

Baidu Apollo Auto Solutions

Revenue related to Baidu Apollo auto solutions (Apollo Self-Driving Services and DuerOS for Auto), which mainly includes software licensing revenues are recognized when earned in accordance with the terms of the underlying agreement. Generally, revenue is recognized at a point in time when the intellectual property is made available for the customer's use and benefit.

Sales of hardware

We mainly sell Xiaodu smart device hardware products via third-party agents or directly to end customers. Revenue from the sales of hardware is recognized when control of the goods is transferred to customers, which generally occurs when the products are delivered and accepted by our customers. Revenue is recorded net of sales incentives and return allowance.

Other revenue recognition related policies

For arrangements that include multiple promised goods or services, primarily for advertisements to be displayed in different spots, placed under different forms and displayed at different times and cloud services and Baidu Apollo auto solutions, which mainly include integrated hardware, software licensing and installation services, we would evaluate all of the performance obligations in the arrangement to determine whether each performance obligation is distinct. For arrangements with multiple distinct performance obligations, each distinct performance obligation is separately accounted for and the total consideration is allocated to each performance obligation based on their relative standalone selling price at contract inception. We generally determine standalone selling prices based on the prices charged to customers on a standalone basis or estimates it using an expected cost plus margin approach. For arrangement with multiple components that are not distinct within the context of the contract because they are considered highly interdependent and the customer can only benefit from these promised goods or services in conjunction with one another, we account for them as one performance obligation.

Timing of revenue recognition may differ from the timing of invoicing to customers. For certain services customers are required to pay before the services are delivered to the customer. When either party to a revenue

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contract has performed, we recognize a contract asset or a contract liability on the consolidated balance sheets, depending on the relationship between the entity's performance and the customer's payment.

Contract assets and contract liabilities

Contract liabilities were mainly related to fees for membership services to be provided over the membership period, which were presented as "Customer deposits and deferred revenue" on the consolidated balance sheets. Contract assets mainly represent unbilled amounts related to our rights to consideration for advertising services and cloud services delivered and were included in "Other current assets, net" on the consolidated balance sheets.

We do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which it has the right to invoice for services performed.

Share-based Compensation

We account for share-based compensation in accordance with ASC Topic 718, *Compensation-Stock Compensation*, ("ASC 718"). We have elected to recognize share-based compensation using the straight-line method for all share-based awards issued with no performance conditions. For awards with performance conditions, compensation cost is recognized on an accelerated basis if it is probable that the performance condition will be achieved.

Forfeitures are estimated based on historical experience and are periodically reviewed. Cancellation of an award accompanied by the concurrent grant of a replacement award is accounted for as a modification of the terms of the cancelled award ("modified awards"). The compensation costs associated with the modified awards are recognized if either the original vesting condition or the new vesting condition is achieved. Total recognized compensation cost for the awards is at least equal to the fair value of the awards at the grant date unless at the date of the modification the performance or service conditions of the original awards are not expected to be satisfied. The incremental compensation cost is measured as the excess of the fair value of the replacement award over the fair value of the cancelled award at the cancellation date. Therefore, in relation to the modified award, we recognize share-based compensation over the vesting periods of the replacement award, which comprises (i) the amortization of the incremental portion of share-based compensation over the remaining vesting term, and (ii) any unrecognized compensation cost of the original award, using either the original term or the new term, whichever results in higher expenses for each reporting period.

Income Taxes

We recognize income taxes under the liability method. Deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted tax rates in effect for the years in which the differences are expected to reverse. We record a valuation allowance against the amount of deferred tax assets that we determine is not more-likely-than-not to be realized. The effect on deferred taxes of a change in tax rates is recognized in earnings in the period that includes the enactment date. For reconciliation of tax computed by applying the respective statutory income tax rate to pre-tax income, please see "Income taxes" under Note 16 to our audited consolidated financial statements.

Deferred income taxes are recognized on the undistributed earnings of subsidiaries, which are presumed to be transferred to the parent company and are subject to withholding taxes, unless there is sufficient evidence to show that the subsidiary has invested or will invest the undistributed earnings indefinitely or that the earnings will be remitted in a tax-free liquidation.

We apply the provisions of ASC Topic 740, *Income Taxes*, ("ASC 740"), in accounting for uncertainty in income taxes. ASC 740 clarifies the accounting for uncertainty in income taxes by prescribing the recognition

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threshold a tax position is required to meet before being recognized in the financial statements. We have elected to classify interest and penalties related to an uncertain tax position (if and when required) as part of income tax expense in the consolidated statements of comprehensive income.

Long-term investments

Our long-term investments consist of equity method investments, equity investments with readily determinable fair value, equity investments without readily determinable fair value, equity investments in private equity funds, other investments accounted for at fair value and available-for-sale debt investments.

Investments in entities in which we can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC Topic 323, *Investments-Equity Method and Joint Ventures* (“ASC 323”). Under the equity method, we initially record its investment at cost and the difference between the cost of the equity investee and the amount of the underlying equity in the net assets of the equity investee is accounted for as if the investee were a consolidated subsidiary. We subsequently adjust the carrying amount of our investment to recognize our proportionate share of each equity investee’s net income or loss into earnings after the date of investment and its share of each equity investee’s movement in accumulated other comprehensive income or loss is recognize in other comprehensive (loss) income. When calculating our proportionate share of each equity investee’s net income or loss, we adjust the net income or loss of equity investee to include accretion of preferred stock that is classified in temporary equity in the investee’s financial statements into earnings. We will discontinue applying the equity method if an investment (plus additional financial support provided to the investee, if any) has been reduced to zero. When we have other investments in the equity-method investee and we are not required to advance additional funds to the investee, we would continue to report its share of equity method losses in our statements of comprehensive (loss)income after our equity-method investment in ordinary shares has been reduced to zero, to the extent of and as an adjustment to the adjusted basis of our other investments in the investee. Such losses are first applied to those investments of a lower liquidation preference before being further applied to the investments of a higher liquidation preference. We adopted a one-quarter lag in reporting for our share of equity income (loss) in majority of our equity method investees.

We evaluate the equity method investments for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable. Factors considered by us when determining whether an investment has been other-than-temporarily-impaired, includes, but are not limited to, the length of the time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the investee, and our intent and ability to retain the investment until the recovery of its cost. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary and is allocated to the individual net assets underlying equity method investments in the following order: 1) reduce any equity method goodwill to zero; 2) reduce the individual basis differences related to the investee’s long-lived assets pro rata based on their amounts relative to the overall basis difference at the impairment date and 3) reduce the individual basis difference of the investee’s remaining assets in a systematic and rational manner.

For equity investments in private equity funds, over which we do not have the ability to exercise significant influence, are measured using the net asset value per share based on the practical expedient in ASC Topic 820, *Fair Value Measurements and Disclosures* (“ASC 820”) (“NAV practical expedient”).

For equity securities without readily determinable fair value and do not qualify for the NAV practical expedient of the investment, we elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. Significant judgments are required to determine (i) whether observable price changes are orderly transactions and identical or similar to an investment held by us, and (ii) the selection of appropriate valuation methodologies and underlying assumptions, including expected

volatility and the probability of exit events as it relates to liquidation and redemption features used to measure the price adjustments for the difference in rights and obligations between instruments. Equity securities with readily determinable fair values are measured at fair value, and any changes in fair value are recognized in “Others, net” in the consolidated statements of comprehensive (loss) income.

For equity investments measured at fair value with changes in fair value recorded in earnings, we do not assess whether those securities are impaired. For equity investments that we elect to use the measurement alternative, we make a qualitative assessment considering impairment indicators to evaluate whether investments are impaired at each reporting date. Impairment indicators considered include, but are not limited to, a significant deterioration in the earnings performance or business prospects of the investee, including factors that raise significant concerns about the investee’s ability to continue as a going concern, a significant adverse change in the regulatory, economic, or technologic environment of the investee and a significant adverse change in the general market condition of either the geographical area or the industry in which the investee operates. If a qualitative assessment indicates that the investment is impaired, we estimate the investment’s fair value in accordance with the principles of ASC 820. If the fair value is less than the investment’s carrying value, we recognize an impairment loss in earnings equal to the difference between the carrying value and fair value.

In accordance with ASC Subtopic 946-320, *Financial Services—Investment Companies, Investments—Debt and Equity Securities*, we account for long-term equity investments in unlisted companies held by consolidated investment companies at fair value. These investments were initially recorded at their transaction price net of transaction costs, if any. Fair values of these investments are re-measured at each reporting date in accordance with ASC 820.

Available-for-sale debt investments are convertible debt instruments issued by private companies and investments in preferred shares that are redeemable at our option, which are measured at fair value. Interest income is recognized in earnings. All other changes in the carrying amount of these debt investments are recognized in other comprehensive (loss) income.

Long-term time deposit and held-to-maturity investments

Long-term time deposits and held-to-maturity securities were mainly deposits in commercial banks with maturities of greater than one year and wealth management products issued by commercial banks and other financial institutions.

Investments in debt securities that we have positive intent and ability to hold to maturity are classified as held-to-maturity investments and stated at amortized cost less allowance for credit losses.

Licensed Copyrights, net

Licensed copyrights consist of professionally-produced content such as films, television series, variety shows and other video content acquired from external parties. The license fees are capitalized and, unless prepaid, a corresponding liability is recorded when the cost of the content is known, the content is accepted by us in accordance with the conditions of the license agreement and the content is available for its first showing on our platforms. Licensed copyrights are presented on the consolidated balance sheets as current and non-current, based on estimated time of usage.

Our licensed copyrights include the right to broadcast and in some instances, the right to sublicense. The broadcasting right, refers to the right to broadcast the content on its own platforms and the sublicensing right, refers to the right to sublicense the underlying content to external parties. When licensed copyrights include both broadcasting and sublicensing rights, the content costs are allocated to these two rights upon initial recognition, based on the relative proportion of the estimated total revenues that will be generated by each right over its estimated useful lives.

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For the right to broadcast the contents on its own platforms that generates online advertising and membership services revenues, based on factors including historical and estimated future viewership patterns, the content costs are amortized using an accelerated method by content categories over the shorter of each content's contractual period or estimated useful lives within ten years, beginning with the month of first availability. Content categories accounting for most of our content include newly released drama series, newly released movies, animations, library drama series and library movies. Estimates of future viewership consumption patterns and estimated useful lives are reviewed periodically, at least on an annual basis and revised, if necessary. Revisions to the amortization patterns are accounted for as a change in accounting estimate prospectively in accordance with ASC Topic 250, *Accounting Changes and Error Corrections* ("ASC 250").

For the right to sublicense the content to external parties that generates direct content distribution revenues, the content costs are amortized based on its estimated usage pattern and recorded as cost of revenues.

Produced Content, net

We produce original content in-house and collaborate with external parties. Produced content primarily consists of films, episodic series, variety shows and animations. The costs incurred in the physical production of original content include direct production costs, production overhead and acquisition costs. Produced content also includes cash expenditures made to acquire a proportionate share of certain rights to films including profit sharing, distribution and/or other rights. Exploitation costs are expensed as incurred. Participation costs are accrued using the individual-film-forecast-computation method, which recognizes the costs in the same ratio as the associated ultimate revenue. Production costs for original content that are predominantly monetized in a film group are capitalized. Production costs for original content predominantly monetized on its own are capitalized to the extent that they are recoverable from total revenues expected to be earned ("ultimate revenue"); otherwise, they are expensed as cost of revenues.

Ultimate revenue estimates include revenue expected to be earned from all sources, including exhibition, licensing, or exploitation of produced content if we have demonstrated a history of earning such revenue. We estimate ultimate revenue to be earned during the estimated useful lives of produced content based on anticipated release patterns and historical results of similar produced content, which are identified based on various factors, including cast and crew, target audience and popularity. The capitalized production costs are reported separately as noncurrent assets with caption of "Produced content, net" on the consolidated balance sheets.

Based on factors including historical and estimated future viewership consumption patterns, we amortize film costs for produced content that is predominantly monetized in a film group. For produced content that is monetized on its own, we consider historical and estimated usage patterns to determine the pattern of amortization for film costs. Based on the estimated patterns, we amortize produced content using an accelerated method over its estimated useful lives within ten years, beginning with the month of first availability and such costs are included in "Cost of revenues" in the consolidated statements of comprehensive (loss) income.

Impairment of licensed copyrights and produced content

Our business model is mainly subscription and advertising based, as such the majority of our content assets (licensed copyrights and produced content) are predominantly monetized with other content assets, whereas a smaller portion of our content assets are predominantly monetized at a specific title level such as variety shows and investments in a proportionate share of certain rights to films including profit sharing, distribution and/or other rights. Because the identifiable cash flows related to content launched on our Mainland China platform are largely independent of the cash flows of other content launched on our overseas platform, we have identified two separate film groups. We review our film groups and individual content for impairment when there are events or changes in circumstances that indicate the fair value of a film group or individual content may be less than its unamortized costs. Examples of such events or changes in circumstances include, a significant adverse change in technological, regulatory, legal, economic, or social factors, that could affect the fair value of the film group or

the public's perception of a film or the availability of a film for future showings, a significant decrease in the number of subscribers or forecasted subscribers, or the loss of a major distributor, a change in the predominant monetization strategy of a film that is currently monetized on its own, actual costs substantially in excess of budgeted costs, substantial delays in completion or release schedules, or actual performance subsequent to release failing to meet expectations set before release such as a significant decrease in the amount of ultimate revenue expected to be recognized.

When such events or changes in circumstances are identified, we assess whether the fair value of an individual content (or film group) is less than its unamortized film costs, determines the fair value of an individual content (or film group) and recognizes an impairment charge for the amount by which the unamortized capitalized costs exceed the individual content's (or film group's) fair value. We mainly use a discounted cash flow approach to determine the fair value of an individual content or film group, for which the most significant inputs include the forecasted future revenues, costs and operating expenses attributable to an individual content or the film group and the discount rate. An impairment loss attributable to a film group is allocated to individual licensed copyrights and produced content within the film group on a pro rata basis using the relative carrying values of those assets as we cannot estimate the fair value of individual contents in the film group without undue cost and effort.

Business Combinations

We account for our business combinations using the purchase method of accounting in accordance with ASC Topic 805, *Business Combinations*. The purchase method of accounting requires that the consideration transferred to be allocated to the assets, including separately identifiable assets and liabilities we acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total of cost of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interests in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

In a business combination achieved in stages, we re-measured our previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the re-measurement gain or loss, if any, is recognized in "Others, net" in the consolidated statements of comprehensive (loss) income.

The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and noncontrolling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. We determine discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons.

B. Liquidity and Capital Resources

As of December 31, 2022, we had RMB185.3 billion (US\$26.9 billion) in cash, cash equivalents, restricted cash and short-term investments, and the variable interest entities had RMB8.6 billion (US\$1.2 billion) of cash, cash equivalents, restricted cash, and short-term investments. The cash and cash equivalents consist of cash on hand and investments in interest bearing demand deposit accounts, time deposits, money market funds and other liquid investments which have original maturities of three months or less. The restricted cash primarily consists of amounts deposited and held in escrow for the acquisition of YY live which has not been closed yet. The short-

term investments primarily consist of fixed-rate and adjustable-rate debt investments with original maturity of less than one year.

We believe that our current cash, cash equivalents, restricted cash and short-term investments and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital, capital expenditures and debt repayment, for at least the next 12 months. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue, and we may incur additional indebtedness (such as loans, convertible senior notes and notes) in the future.

Historically, there was substantial doubt regarding iQIYI's ability to continue as a going concern as it did not have sufficient funds without securing additional financing to repurchase all or a significant portion of its outstanding 2025 convertible notes if redeemed by noteholders on April 1, 2023. iQIYI has implemented plans and improved its financial position by reducing discretionary capital expenditures and operational expenses and raising additional financing. For example, in March 2022, iQIYI issued ordinary shares for a total cash purchase price of US\$285 million in a private placement transaction. In December 2022, iQIYI issued US\$500 million convertible senior notes due January 2028 to PAG for cash. In February 2023, iQIYI issued to PAG an additional US\$50 million principal amount of the iQIYI PAG Notes upon PAG's exercise to subscribe for additional notes in full. In January 2023, iQIYI completed a registered follow-on public offering of ordinary shares in the form of ADSs and received net proceeds of US\$500 million in aggregate. In March 2023, iQIYI completed an offering of US\$600 million in aggregate principal amount of the iQIYI 2028 Convertible Notes. Concurrently with and shortly after the offering of the iQIYI 2028 Convertible Notes, iQIYI entered into separate individually and privately negotiated agreements with certain holders of the iQIYI 2026 Convertible Notes to repurchase US\$340 million principal amount of such notes for cash. Based on the above actions, the substantial doubt about iQIYI's ability to continue as a going concern has been resolved as of the date of iQIYI's annual report for the year ended December 31, 2022. See also "Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—iQIYI operates in a capital intensive industry and requires a significant amount of cash to fund its operations, content acquisitions and technology investments. If iQIYI cannot obtain sufficient capital, its business, financial condition and prospects may be materially and adversely affected."

Furthermore, cash transfers from our mainland China subsidiaries to their parent companies outside of mainland China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may restrict the ability of our mainland China subsidiaries and the variable interest entities to remit sufficient foreign currency to pay dividends or other payments to their parent companies outside of mainland China or our company, or otherwise satisfy their foreign currency denominated obligations. See "Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—Governmental control of currency conversion may affect the value of your investment." As of December 31, 2022, our mainland China subsidiaries and the variable interest entities held RMB138.1 billion (US\$20.0 billion) of cash, cash equivalents, restricted cash, and short-term investments, RMB579 million (US\$84 million) of which were in the form of foreign currencies. As of December 31, 2022, we have made long-term loans in an aggregate principal amount of RMB19.1 billion (US\$2.8 billion) to the nominee shareholders of the variable interest entities. As of the date of this annual report, we do not have any repayment schedule with respect to such loans to the nominee shareholders of the variable interest entities.

Equity financing

We raised from our global offering in connection with the listing in Hong Kong in March 2021 approximately US\$3.1 billion in net proceeds after deducting underwriting commissions, share issuance costs and the offering expenses.

iQIYI raised an aggregate amount of US\$285 million through private investments of ordinary shares in March 2022. iQIYI received net proceeds of US\$500 million (equivalent to RMB3.4 billion) through a public offering of ordinary shares in the form of ADSs in January 2023.

Short-term loans

The total outstanding balance of our short-term loans as of December 31, 2020, 2021 and 2022 was RMB3.0 billion, RMB4.2 billion and RMB5.3 billion (US\$775 million), respectively, which consisted of RMB denominated borrowings made by our subsidiaries from financial institutions in mainland China and were repayable within one year. The total outstanding balance of iQIYI's short-term loans as of December 31, 2020, 2021 and 2022 was RMB3.0 billion, RMB4.1 billion and RMB3.3 billion (US\$485 million), respectively. In 2022, Baidu Core borrowed RMB2.0 billion (US\$290 million) one-year loans for its general working capital purposes.

As of December 31, 2020, 2021, and 2022, the repayments of the iQIYI's short-term loans are primarily guaranteed by subsidiaries of iQIYI and collateralized either by an office building of one of iQIYI's VIEs with a carrying amount of RMB548 million, RMB535 million and RMB522 million (US\$76 million), respectively, or restricted cash balances totaling US\$4 million, US\$5 million and nil, respectively. Certain of iQIYI's outstanding short-term loan agreements contain financial and other covenants, which depend on the financial position or performance of iQIYI's subsidiaries, VIEs and VIEs' subsidiaries. One of iQIYI's VIEs did not satisfy certain financial covenants for 2022, based on which the commercial bank had the right to suspend the issuance of credit lines, and/or cause all outstanding amounts totaling RMB600 million (US\$87 million) with original maturity dates in 2023 to be due and repayable immediately. On February 6, 2023, the commercial bank has waived its right to demand immediate repayment. Therefore, this did not constitute an event of default with respect to iQIYI's convertible senior notes.

As of December 31, 2020, 2021 and 2022, the weighted average interest rates for the outstanding borrowings were 4.30%, 4.80% and 3.42%, respectively, and the aggregate amounts of unused lines of credit for short-term loans were RMB840 million, RMB2.8 billion and RMB2.6 billion (US\$383 million), respectively.

Long-term loans

In April 2021, we entered into a five-year US\$3.0 billion term and revolving facilities agreement with a group of 22 arrangers. The facilities consist of a US\$1.5 billion five-year bullet maturity term loan and a US\$1.5 billion five-year revolving facility. The facility was priced at 85 basis points over LIBOR and is intended for general corporate purposes. In June 2021, we drew down US\$1.5 billion term loan and US\$500 million revolving loan under the facility commitment. In connection with the drawdowns, we entered into two interest rate swap agreements, pursuant to which the loans would be settled with a fixed annual interest rate of 1.71% and 1.72%, during the respective term of the loans.

Debt securities issuances

We have conducted the following rounds of debt securities issuances, which remain outstanding as of the date of this annual report:

- In June 2015, we issued an aggregate of US\$750 million senior unsecured notes due in 2020 ("2020 Notes"), with stated annual interest rate of 3.000%, and an aggregate of US\$500 million senior unsecured notes due in 2025 ("2025 Ten-year Notes"), with stated annual interest rate of 4.125%. The net proceeds from the sale of the notes were used for general corporate purposes. In June 2020, notes with carrying value of US\$750 million were fully repaid when they became due. As of December 31, 2022, the total carrying value and estimated fair value were US\$500 million and US\$481 million, respectively, with respect to the 2025 Ten-year Notes. The estimated fair values were based on quoted prices for our publicly-traded debt securities as of December 31, 2022. We are not subject to any financial covenants or other significant restrictions under the notes. In 2022, we paid an aggregate of US\$21 million in interest payments related to these notes.
- In July 2017, we issued an aggregate of US\$900 million senior unsecured notes due in 2022 ("2022 Five-year Notes"), with stated annual interest rate of 2.875%, and an aggregate of US\$600 million

senior unsecured notes due in 2027 (“2027 Ten-year Notes”), with stated annual interest rate of 3.625%. The net proceeds from the sale of the notes were used to repay existing indebtedness and for general corporate purposes. In July 2022, the 2022 Five-year Notes were fully repaid when they became due. As of December 31, 2022, the total carrying value and estimated fair value were US\$600 million and US\$555 million, respectively, with respect to the 2027 Ten-year Notes. The estimated fair values were based on quoted prices for our publicly-traded debt securities as of December 31, 2022. We are not subject to any financial covenants or other significant restrictions under the notes. In 2022, we paid an aggregate of US\$48 million in interest payments related to these notes.

- In March 2018, we issued an aggregate of US\$1.0 billion senior unsecured notes due in 2023 (“2023 Notes”), with stated annual interest rate of 3.875%, and an aggregate of US\$500 million senior unsecured notes due in 2028 (“2028 March Notes”), with stated annual interest rate of 4.375%. The net proceeds from the sale of the notes were used to repay existing indebtedness and for general corporate purposes. As of December 31, 2022, the total carrying value and estimated fair value were US\$1.0 billion and US\$1.0 billion, respectively, with respect to the 2023 Notes, and US\$500 million and US\$471 million, respectively, with respect to the 2028 March Notes. The estimated fair values were based on quoted prices for our publicly-traded debt securities as of December 31, 2022. We are not subject to any financial covenants or other significant restrictions under the notes. In 2022, we paid an aggregate of US\$61 million in interest payments related to these notes.
- In November 2018, we issued an aggregate of US\$600 million senior unsecured notes due in 2024 (“2024 November Notes”), with stated annual interest rate of 4.375%, and an aggregate of US\$400 million senior unsecured notes due in 2028 (“2028 November Notes”), with stated annual interest rate of 4.875%. In December 2018, we issued an aggregate of US\$250 million senior unsecured notes due in 2024 (“2024 December Notes”), with stated annual interest rate of 4.375%, which constitute a further issuance of, and be fungible with and be consolidated and form a single series with the 2024 November Notes. The net proceeds from the sale of the notes were used to repay existing indebtedness and for general corporate purposes. As of December 31, 2022, the total carrying value and estimated fair value were US\$600 million and US\$590 million, respectively, with respect to the 2024 November Notes, US\$400 million and US\$384 million, respectively, with respect to the 2028 November Notes, and US\$250 million and US\$246 million, respectively, with respect to the 2024 December Notes. The estimated fair values were based on quoted prices for our publicly-traded debt securities as of December 31, 2022. We are not subject to any financial covenants or other significant restrictions under the notes. In 2022, we paid an aggregate of US\$57 million in interest payments related to these notes.
- In April 2020, we issued an aggregate of US\$600 million senior unsecured notes due in 2025 (“2025 Five-year Notes”), with stated annual interest rate of 3.075%, and an aggregate of US\$400 million senior unsecured notes due in 2030 (“2030 April Notes”), with stated annual interest rate of 3.425%. The net proceeds from the sale of the notes were used to repay existing indebtedness and for general corporate purposes. As of December 31, 2022, the total carrying value and estimated fair value were US\$600 million and US\$565 million, respectively, with respect to the 2025 Five-Year Notes, US\$400 million and US\$347 million, respectively, with respect to the 2030 April Notes. The estimated fair values were based on quoted prices for our publicly-traded debt securities as of December 31, 2022. We are not subject to any financial covenants or other significant restrictions under the notes. In 2022, we paid an aggregate of US\$32 million in interest payments related to these notes.
- In October 2020, we issued an aggregate of US\$650 million senior unsecured notes due in 2026 (“2026 Notes”), with stated annual interest rate of 1.720%, and an aggregate of US\$300 million senior unsecured notes due in 2030 (“2030 October Notes”), with stated annual interest rate of 2.375%. The net proceeds from the sale of the notes are to be used to repay existing indebtedness. As of December 31, 2022, the total carrying value and estimated fair value were US\$650 million and US\$576 million, respectively, with respect to the 2026 Notes, and US\$300 million and

US\$239 million, respectively, with respect to the 2030 October Notes. The estimated fair values were based on quoted prices for our publicly-traded debt securities as of December 31, 2022. We are not subject to any financial covenants or other significant restrictions under the notes. In 2022, we paid an aggregate of US\$18 million in interest payments related to these notes.

- In August 2021, we issued an aggregate of US\$300 million senior unsecured notes due in 2027 (“2027 Five-year Notes”), with stated annual interest rate of 1.625%, and an aggregate of US\$700 million senior unsecured notes due in 2031 (“2031 Notes”), with stated annual interest rate of 2.375%. The net proceeds from the sale of the notes are to be used for general corporate purposes, including repayment of certain existing indebtedness. As of December 31, 2022, the total carrying value and estimated fair value were US\$300 million and US\$257 million, respectively, with respect to the 2027 Five-year Notes, and US\$700 million and US\$548 million, respectively, with respect to the 2031 Notes. The estimated fair values were based on quoted prices for our publicly-traded debt securities as of December 31, 2022. We are not subject to any financial covenants or other significant restrictions under the notes. In 2022, we paid an aggregate of US\$22 million in interest payments related to these notes.

Under the terms of the indentures governing the 2025 Ten-year Notes, the 2027 Ten-year Notes, the 2023 Notes and the 2028 March Notes, events of default include, among others, there occurring with respect to any of our indebtedness or indebtedness of our principal controlled entities, an event of default resulting in accelerated maturity or a failure to pay principal, interest or premium when due, and that the outstanding principal amount under payment default or accelerated maturity equals or exceeds the greater of US\$100 million and 2.5% of our total equity. Under such indentures, principal controlled entities refer to entities as to which one or more of the following conditions is/are satisfied: (i) its total revenue or consolidated total revenue attributable to our company is at least 5% of our consolidated total revenue, (ii) its net profit or consolidated net profit attributable to our company is at least 5% of our consolidated net profit; or (iii) its net assets or consolidated net assets attributable to our company are at least 10% of our consolidated net assets. For example, iQIYI constitutes a principal controlled entity under such indentures.

Under the terms of the indentures governing the 2024 November Notes, the 2024 December Notes (consolidated into and form a single series with the 2024 November Notes), the 2028 November Notes, the 2025 Five-year Notes, the 2030 April Notes, the 2026 Notes, the 2030 October Notes, the 2027 Five-year Notes and the 2031 Notes, events of default include, among others, there occurring with respect to any of our company’s indebtedness, an event of default resulting in accelerated maturity or a failure to pay principal, interest or premium when due, and that the outstanding principal amount under payment default or accelerated maturity equals or exceeds the greater of US\$100 million and 2.5% of our total equity.

If any such event of default were to take place, the holders of those notes may declare the principal of notes to be due and payable prior to the stated maturity. Under the terms of the indentures governing the various notes, a declaration of acceleration of the relevant series of notes will be automatically annulled if such event of default is remedied or cured by our company or any of our company’s principal controlled entities, in the case of the 2025 Ten-year Notes, the 2027 Ten-year Notes, the 2023 Notes and the 2028 March Notes, or our company, in the case of the 2024 November Notes, the 2024 December Notes, the 2028 November Notes, the 2025 Five-year Notes, the 2030 April Notes, the 2026 Notes, the 2030 October Notes, the 2027 Five-year Notes and the 2031 Notes, or waived by the holders of the relevant notes within 30 days after the declaration of acceleration with respect thereto and if the annulment of the acceleration of those notes would not conflict with any judgment or decree of a court of competent jurisdiction. As of December 31, 2022, there was no such event of default.

iQIYI convertible notes

iQIYI has conducted the following issuances of convertible notes, which remain outstanding as of the date of this annual report:

- On December 4, 2018, iQIYI issued US\$750 million convertible senior notes (the “iQIYI 2023 Convertible Notes”). The iQIYI 2023 Convertible Notes are senior, unsecured obligations of iQIYI, and interest is payable semi-annually in cash at a rate of 3.75% per annum on June 1 and December 1 of each year, beginning on June 1, 2019. The iQIYI 2023 Convertible Notes will mature on December 1, 2023 unless redeemed, repurchased or converted prior to such date.

The initial conversion rate of the iQIYI 2023 Convertible Notes is 37.1830 of iQIYI’s ADS per US\$1,000 principal amount of the iQIYI 2023 Convertible Notes (which is equivalent to an initial conversion price of approximately US\$26.89 per ADS). Prior to June 1, 2023, the iQIYI 2023 Convertible Notes will be convertible at the option of the holders only upon the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2019, if the last reported sale price of ADSs for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price; (2) during the five business day period after any ten consecutive trading day period in which the trading price per US\$1,000 principal amount of notes was less than 98% of the product of the last reported sale price of the ADSs and the conversion rate on each such trading day; (3) if iQIYI calls the notes for a tax redemption; or (4) upon the occurrence of specified corporate events. Thereafter, the iQIYI 2023 Convertible Notes will be convertible at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The conversion rate is subject to adjustment in some events but is not adjusted for any accrued and unpaid interest. In addition, following a make-whole fundamental change that occurs prior to the maturity date or following iQIYI’s delivery of a notice of a tax redemption, iQIYI will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event or such tax redemption. Upon conversion, iQIYI will pay or deliver to such converting holders, as the case may be, cash, ADSs, or a combination of cash and ADSs, at its election.

The holders may require iQIYI to repurchase all or portion of the iQIYI 2023 Convertible Notes for cash on December 1, 2021, or upon a fundamental change, at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest. In 2021, iQIYI redeemed US\$747 million aggregate principal amount of the 2023 Notes as requested by the holders. Following settlement of the repurchase, the repurchase amount which was fully accreted was derecognized and US\$3 million (equivalent to RMB22 million) aggregate principal amount of the iQIYI 2023 Convertible Notes remained outstanding and was included in “Convertible senior notes, current portion” as of December 31, 2022 as it will mature on December 1, 2023.

In connection with the issuance of the iQIYI 2023 Convertible Notes, iQIYI purchased capped call options (the “iQIYI 2023 Capped Call”) on iQIYI’s ADS with certain counterparties at a price of US\$68 million. The counterparties agreed to sell to iQIYI up to approximately 28 million of iQIYI’s ADSs upon iQIYI’s exercise of the iQIYI 2023 Capped Call. The exercise price is equal to the iQIYI 2023 Convertible Notes’ initial conversion price and the cap price is US\$38.42 per ADS, subject to certain adjustments under the terms of the capped call transactions. The capped call transactions are expected to reduce potential dilution to existing holders of the ordinary shares and ADSs of iQIYI upon conversion of the iQIYI 2023 Convertible Notes and/or offset any potential cash payments that iQIYI is required to make in excess of the principal amount of any converted notes, as the case may be, with such reduction and/or offset subject to a cap.

- On March 29, 2019, iQIYI issued US\$1.2 billion convertible senior notes (the “iQIYI 2025 Convertible Notes”). The iQIYI 2025 Convertible Notes are senior, unsecured obligations of iQIYI, and interest is payable semi-annually in cash at a rate of 2.00% per annum on October 1 and April 1 of each year,

beginning on October 1, 2019. The iQIYI 2025 Convertible Notes will mature on April 1, 2025 unless redeemed, repurchased or converted prior to such date.

The initial conversion rate of the iQIYI 2025 Convertible Notes is 33.0003 of iQIYI's ADS per US\$1,000 principal amount of the iQIYI 2025 Convertible Notes (which is equivalent to an initial conversion price of approximately US\$30.30 per ADS). Prior to October 1, 2024, the iQIYI 2025 Convertible Notes will be convertible at the option of the holders only upon the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2019, if the last reported sale price of ADSs for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price; (2) during the five business day period after any ten consecutive trading day period in which the trading price per US\$1,000 principal amount of notes was less than 98% of the product of the last reported sale price of the ADSs and the conversion rate on each such trading day; (3) if iQIYI calls the notes for a tax redemption; or (4) upon the occurrence of specified corporate events. Thereafter, the iQIYI 2025 Convertible Notes will be convertible at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The conversion rate is subject to adjustment in some events but is not adjusted for any accrued and unpaid interest. In addition, following a make-whole fundamental change that occurs prior to the maturity date or following iQIYI's delivery of a notice of a tax redemption, iQIYI will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event or such tax redemption. Upon conversion, iQIYI will pay or deliver to such converting holders, as the case may be, cash, ADSs, or a combination of cash and ADSs, at its election.

The holders may require iQIYI to repurchase all or a portion of the iQIYI 2025 Convertible Notes for cash on April 1, 2023, or upon a fundamental change, at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

In connection with the issuance of the iQIYI 2025 Convertible Notes, iQIYI purchased capped call options (the "iQIYI 2025 Capped Call") on iQIYI's ADS with certain counterparties at a price of US\$85 million. The counterparties agreed to sell to iQIYI up to approximately 40 million of iQIYI's ADSs upon iQIYI's exercise of the iQIYI 2025 Capped Call. The exercise price is equal to the iQIYI 2025 Convertible Notes' initial conversion price and the cap price is US\$40.02 per ADS, subject to certain adjustments under the terms of the capped call transactions. The capped call transactions are expected to reduce potential dilution to existing holders of the ordinary shares and ADSs of iQIYI upon conversion of the iQIYI 2025 Convertible Notes and/or offset any potential cash payments that iQIYI is required to make in excess of the principal amount of any converted notes, as the case may be, with such reduction and/or offset subject to a cap.

- On December 21, 2020, iQIYI issued US\$800 million convertible senior notes and offered an additional US\$100 million principal amount simultaneously, pursuant to the underwriters' option to purchase additional notes. On January 8, 2021, the additional US\$100 million principal amount was issued pursuant to the underwriters' exercise of their option. The convertible senior notes issued on December 21, 2020 and January 8, 2021 (collectively referred to as the "iQIYI 2026 Convertible Notes") are senior, unsecured obligations of iQIYI, and interest is payable semi-annually in cash at a rate of 4.00% per annum on June 15 and December 15 of each year, beginning on June 15, 2021. The iQIYI 2026 Convertible Notes will mature on December 15, 2026 unless redeemed, repurchased or converted prior to such date.

The initial conversion rate of the iQIYI 2026 Convertible Notes is 44.8179 of iQIYI's ADS per US\$1,000 principal amount of the iQIYI 2026 Convertible Notes (which is equivalent to an initial conversion price of approximately US\$22.31 per ADS). Prior to June 15, 2026, the iQIYI 2026 Convertible Notes will be convertible at the option of the holders only upon the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on

March 31, 2021, if the last reported sale price of ADSs for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price; (2) during the five business day period after any ten consecutive trading day period in which the trading price per US\$1,000 principal amount of notes was less than 98% of the product of the last reported sale price of the ADSs and the conversion rate on each such trading day; (3) if iQIYI calls the notes for a tax redemption; or (4) upon the occurrence of specified corporate events. Thereafter, the iQIYI 2026 Convertible Notes will be convertible at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The conversion rate is subject to adjustment in some events but is not adjusted for any accrued and unpaid interest. In addition, following a make-whole fundamental change that occurs prior to the maturity date or following iQIYI's delivery of a notice of a tax redemption, iQIYI will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event or such tax redemption. Upon conversion, iQIYI will pay or deliver to such converting holders, as the case may be, cash, ADSs, or a combination of cash and ADSs, at its election.

The holders may require iQIYI to repurchase all or a portion of the iQIYI 2026 Convertible Notes for cash on August 1, 2024, or upon a fundamental change, at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

Concurrently with and shortly after the offering of the iQIYI 2028 Convertible Notes, iQIYI also entered into separate and individually privately negotiated agreements with certain holders of the iQIYI 2026 Convertible Notes to repurchase US\$340 million (equivalent to RMB2.3 billion) principal amount of such notes for cash.

- On December 30, 2022, iQIYI issued US\$500 million convertible senior notes (the "iQIYI PAG Notes"), pursuant to the definitive agreements entered with PAGAC IV-1 (Cayman) Limited, PAG Pegasus Fund LP and/or their affiliates (collectively, the "Investors") in August 2022. The iQIYI PAG Notes are senior, secured obligations of iQIYI by certain collateral arrangements, and interest is payable quarterly in cash at a rate of 6.00% per annum on January 1, April 1, July 1 and October 1 of each year, beginning on April 1, 2023. The iQIYI PAG Notes will mature on the fifth anniversary of the issuance date unless redeemed, repurchased or converted prior to such date. In February 2023, iQIYI offered an additional US\$50 million principal amount of the iQIYI PAG Notes simultaneously, pursuant to the Investors' option to purchase additional notes.

The iQIYI PAG Notes will be convertible at the holder's option at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date and subject to the terms of the iQIYI PAG Notes, at an initial conversion rate of 216.9668 ADS per US\$1,000 principal amount of the iQIYI PAG Notes (which is equivalent to an initial conversion price of approximately US\$4.61 per ADS). Following a make-whole fundamental change that occurs prior to the maturity date, iQIYI will increase the conversion rate for a holder who elects to convert its notes in connection with such make-whole fundamental change.

Holders of the iQIYI PAG Notes have the right to require iQIYI to repurchase for cash all or part of their notes at a repurchase price equal to 120% and 130% of the principal amount of the iQIYI PAG Notes on or shortly after the third anniversary of the issuance date and the fifth anniversary of the issuance date, respectively. Upon the closing of the transaction, the Investors have appointed the executive chairman of PAG as a member to the board of directors, a member of the compensation committee and a non-voting member of the audit committee of iQIYI pursuant to their rights in the definitive agreements. The repayments of iQIYI PAG Notes are guaranteed by equity interests of certain subsidiaries of iQIYI and collateralized by all the cash consideration related to certain contracts for which RMB750 million (US\$109 million) cash consideration has been received as of December 31, 2022 and reported as long-term restricted cash balances.

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- In March 2023, iQIYI issued an aggregate principal amount of US\$600 million (equivalent to RMB4.1 billion) convertible senior notes (the “iQIYI 2028 Convertible Notes”) for cash. The net proceeds of the iQIYI 2028 Convertible Notes (after deducting the initial purchasers’ discounts, taking into account the estimated reimbursement from the initial purchasers for certain expenses incurred by iQIYI, but without deducting other estimated offering expenses payable by iQIYI) amounted to approximately US\$591 million (equivalent to RMB4.1 billion). The iQIYI 2028 Convertible Notes are senior, unsecured obligations of iQIYI, and interest is payable quarterly in cash at a rate of 6.50% per annum in arrears on March 15, June 15, September 15 and December 15 of each year, beginning on June 15, 2023. The iQIYI 2028 Convertible Notes will mature on March 15, 2028 unless repurchased, redeemed or converted prior to such date. The iQIYI 2028 Convertible Notes may be convertible into iQIYI’s ADS at the holder’s option and subject to the terms of the iQIYI 2028 Convertible Notes, at an initial conversion rate of 101.4636 ADS per US\$1,000 principal amount of the iQIYI 2028 Convertible Notes (which is equivalent to an initial conversion price of approximately US\$9.86 per iQIYI’s ADS). Upon conversion, iQIYI will pay or deliver to such converting holders, as the case may be, cash, iQIYI’s ADSs, or a combination of cash and iQIYI’s ADSs, at its election. On March 16, 2026 or in the event of certain fundamental changes, the holders of the iQIYI 2028 Convertible Notes will have the right to require iQIYI to repurchase for cash all or part of their notes at a repurchase price equal to 100% of the principal amount of the iQIYI 2028 Convertible Notes to be repurchased, plus accrued and unpaid interest. Concurrently with and shortly after the offering of the iQIYI 2028 Convertible Notes, iQIYI also entered into separate and individually privately negotiated agreements with certain holders of the iQIYI 2026 Convertible Notes to repurchase US\$340 million (equivalent to RMB2.3 billion) principal amount of such notes for cash.

Under the terms of the indentures governing the iQIYI 2023 Convertible Notes, the iQIYI 2025 Convertible Notes, the iQIYI 2026 Convertible Notes, the iQIYI PAG Notes and the iQIYI 2028 Convertible Notes (collectively referred to as the “iQIYI Convertible Notes”), events of default include:

- (i) default in any payment of interest or additional amounts as defined under the respective indenture for a period of 30 days;
- (ii) default in the payment of principal of the iQIYI 2023 Convertible Notes, the iQIYI 2025 Convertible Notes, the iQIYI 2026 Convertible Notes and the iQIYI 2028 Convertible Notes, or repurchase amount of the iQIYI PAG Notes when due;
- (iii) failure by iQIYI to comply with its obligation to convert the iQIYI Convertible Notes upon exercise of a holder’s conversion right for a period of five business days;
- (iv) failure by iQIYI to issue a Fundamental Change Company Notice or a Make-Whole Fundamental Change as defined under the respective indenture or a specified corporate event when due for a period of five business days;
- (v) failure by iQIYI to comply with its obligations relating to consolidation, merger, sale, conveyance and lease under article 11 of the respective indenture;
- (vi) failure by iQIYI for 60 days after written notice from the trustee or by the trustee at the request of the holders of at least 25% in aggregate principal amount of the respective iQIYI Convertible Notes then outstanding has been received by iQIYI to comply with any of other agreements contained in the respective iQIYI Convertible Notes or the indenture;
- (vii) default by iQIYI or its significant subsidiaries (defined in Article 1, Rule 1-02 of Regulation S-X), with respect to any mortgage, agreement or other instrument under which there may be outstanding, secured or evidenced any indebtedness in excess of US\$60 million (or an equivalent amount in foreign currency), for the iQIYI 2023 Convertible Notes, the iQIYI 2025 Convertible Notes, the iQIYI 2026 Convertible Notes or iQIYI 2028 Convertible Notes or in excess of US\$100 million (or an equivalent amount in foreign currency) for the iQIYI PAG Notes, resulting in accelerated maturity or

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- a failure to pay principal or interest when due, and such indebtedness is not discharged, or such acceleration is not otherwise cured or rescinded, within 30 days;
- (viii) a delay in payment or discharge of a final judgment for the payment of US\$60 million (or an equivalent amount in foreign currency) for the iQIYI 2023 Convertible Notes, the iQIYI 2025 Convertible Notes, the iQIYI 2026 Convertible Notes or the iQIYI 2028 Convertible Notes or the payment of US\$100 million (or an equivalent amount in foreign currency) for the iQIYI PAG Notes rendered against iQIYI or any of its significant subsidiaries;
 - (ix) iQIYI or any of its significant subsidiaries shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief; and
 - (x) for the iQIYI 2023 Convertible Notes, the iQIYI 2025 Convertible Notes, the iQIYI 2026 Convertible Notes and the iQIYI PAG Notes, an involuntary case or other proceeding shall be commenced against iQIYI or its significant subsidiaries seeking liquidation, reorganization or other relief, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 30 consecutive days.

The indentures for the iQIYI Convertible Notes define a “fundamental change” to include, among other things: (i) any person or group gaining control of iQIYI, (ii) any recapitalization, reclassification or change of iQIYI’s ordinary shares or ADSs as a result of which these securities would be converted into, or exchanged for, stock, other securities, other property or assets; (iii) the shareholders of iQIYI approving any plan or proposal for the liquidation or dissolution of iQIYI; (iv) iQIYI’s ADSs ceasing to be listed on Nasdaq Stock Market; or (v) any change in or amendment to the laws, regulations and rules of the PRC resulting in iQIYI being legally prohibited from operating substantially all of the business operations conducted by iQIYI’s subsidiaries in mainland China, iQIYI’s variable interest entities and subsidiaries of iQIYI’s variable interest entities or being unable to continue to derive of the economic benefits from the business operations conducted by these entities.

Upon the occurrence of an event of default, the trustee or the holders of at least 25% in aggregate principal amount may declare, in the case of the iQIYI 2023 Convertible Notes, the iQIYI 2025 Convertible Notes, the iQIYI 2026 Convertible Notes or the iQIYI 2028 Convertible Notes, the whole principal of, or, in the case of the iQIYI PAG Notes, 120% or 130% of the principal amount thereof depending on the occurrence date, and accrued and unpaid interest on, all the outstanding iQIYI Convertible Notes to be due and payable immediately, subject to certain exceptions and conditions under the respective indenture. iQIYI may also be required to pay additional interest.

Upon the occurrence of a fundamental change, holders of the iQIYI Convertible Notes will have the right, at their option, to require iQIYI to repurchase all of their iQIYI Convertible Notes or any portion of the principal amount in the case of the iQIYI 2023 Convertible Notes, the iQIYI 2025 Convertible Notes, the iQIYI 2026 Convertible Notes or the iQIYI 2028 Convertible Notes, or, in the case of the iQIYI PAG Notes, 120% or 130% of the principal amount thereof depending on the when the fundamental change occurs, and accrued and unpaid interests. In the event of a fundamental change, iQIYI may also be required to issue additional ADSs upon conversion of its convertible notes. As of December 31, 2022, there was no such event of default or fundamental change.

As of December 31, 2021 and 2022, the principal amount of the liability component of the iQIYI Convertible Notes were RMB13.4 billion and RMB18.0 billion (US\$2.6 billion), unamortized debt discount were RMB751 million and RMB112 million (US\$16 million), and the net carrying amount of the liability component were RMB12.7 billion and RMB17.9 billion (US\$2.6 billion), respectively. The carrying amount of the equity component of the iQIYI Convertible Notes were RMB1.8 billion and RMB360 million (US\$52 million), respectively. For the years ended December 31, 2020, 2021 and 2022, the amount of interest cost recognized relating to both the contractual interest expense and amortization of the discount and issuance cost on the liability component were RMB799 million, RMB1.1 billion and RMB470 million (US\$68 million), respectively. As of

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December 31, 2022, the liability component of the iQIYI 2025 Convertible Notes, the iQIYI 2026 Convertible Notes and the iQIYI PAG Notes will be accreted up to the principal amount of US\$1.2 billion, US\$900 million and US\$600 million (120% of the principal amount of the iQIYI PAG Notes) over a remaining period of 0.25 years, 1.59 years and 3.00 years, respectively.

We may use the net proceeds from our issuance and sale of the notes to fund the operations of our mainland China subsidiaries by making additional capital contributions to our existing mainland China subsidiaries, injecting capital to establish new mainland China subsidiaries and/or providing loans to our mainland China subsidiaries. Such transfer of funds from Baidu, Inc. or any of our offshore subsidiaries to our mainland China subsidiaries is subject to the PRC regulatory restrictions and procedures: (i) capital increase of the existing mainland China subsidiaries and establishment of new mainland China subsidiaries must be registered with the local branch of SAMR and reported to the Ministry of Commerce via the online enterprise registration system, and registered with local banks authorized by SAFE; and (ii) loans to any of our mainland China subsidiaries must not exceed the statutory limit and must be filed with SAFE. See “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—Mainland China’s regulation of loans to and direct investment in entities in mainland China by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans to our mainland China subsidiaries, the variable interest entities and certain related parties, or making additional capital contributions to our mainland China subsidiaries, which could adversely affect our ability to fund and expand our business.”

As of December 31, 2021 and 2022, we had RMB66.3 billion and RMB60.5 billion (US\$8.8 billion) in long-term loans and notes payables (including current portion of RMB10.5 billion and RMB6.9 billion (US\$1.0 billion)), RMB12.7 billion and RMB17.9 billion (US\$2.6 billion) in long-term convertible notes (including current portion of nil and RMB8.3 billion (US\$1.2 billion)), RMB 8.4 billion and RMB7.6 billion (US\$1.1 billion) in lease liabilities (including current portion of RMB2.9 billion and RMB2.8 billion (US\$407 million)) and had RMB4.2 billion and RMB5.3 billion (US\$775 million) in short-term loans, respectively. Our long-term loans and notes payable, long-term convertible notes and short-term loans include those of iQIYI hereinafter. As of December 31, 2021 and 2022, iQIYI had nil and nil in long-term loans payables, RMB12.7 billion and RMB17.9 billion (US\$2.6 billion) in long-term convertible notes (including current portion of nil and RMB8.3 billion (US\$1.2 billion)), RMB797 million and RMB612 million (US\$89 million) in lease liabilities (including current portion of RMB172 million and RMB104 million (US\$15 million)) and had RMB4.1 billion and RMB3.3 billion (US\$485 million) in short-term loans, respectively.

Cash Flows

As of December 31, 2020, 2021 and 2022, we had RMB162.9 billion, RMB190.9 billion and RMB185.3 billion (US\$26.9 billion) in cash, cash equivalents, restricted cash and short-term investments. As of December 31, 2022, we had RMB750 million (US\$109 million) in long-term restricted cash, which was included in “Other non-current assets” in the consolidated balance sheet.

We entered into definitive agreements with JOYY in November 2020 and made certain amendments in February 2021 to acquire YY Live for an aggregate purchase price of approximately US\$3.6 billion in cash, subject to certain adjustments. The closing of this acquisition is subject to certain conditions, including, among others, obtaining necessary regulatory approvals from governmental authorities. The share purchase agreement is subject to termination if the closing does not occur by the long stop date, and we and JOYY have agreed to extend the long stop date indefinitely until the extension is terminated by either party. We have paid an aggregate of US\$1.9 billion, after considering working capital adjustment of US\$0.1 billion, to JOYY and its designated escrow account, and deposited an aggregate of US\$1.6 billion into several escrow accounts, in accordance with the terms and schedule set forth in the share repurchase agreement. According to the share purchase agreement, subject to certain conditions and adjustments, approximately US\$1.0 billion would be payable no later than the later of the closing and April 30, 2021, and approximately US\$300 million would be payable no later than the later of the closing and June 30, 2021 and a maximum amount of US\$300 million would be payable subject to

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the achievement of certain conditions. Despite good faith efforts, we have not obtained necessary regulatory approvals with respect to the proposed acquisition as of the date of this annual report. There can be no assurance that the relevant regulatory approvals will be obtained or the acquisition of YY Live will be closed. See “Item 3.D. Key Information—Risk Factors—Risks Related to Our Business and Industry—We face risks associated with our proposed acquisition of YY Live and its online live streaming business.”

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

	Year ended December 31,			
	2020	2021	2022	
	RMB	RMB	RMB	US\$
	(in millions)			
Net cash provided by operating activities	24,200	20,122	26,170	3,794
Net cash used in investing activities	(27,552)	(31,444)	(3,944)	(572)
Net cash provided by (used in) financing activities	5,665	23,396	(6,390)	(926)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(212)	(943)	1,729	251
Net increase in cash, cash equivalents and restricted cash	2,101	11,131	17,565	2,547
Cash, cash equivalents and restricted cash at beginning of the year	34,439	36,540	47,671	6,912
Cash, cash equivalents and restricted cash at end of the year	36,540	47,671	65,236	9,459

Operating Activities

Net cash provided by operating activities increased to RMB26.2 billion (US\$3.8 billion) in 2022 from RMB20.1 billion in 2021. This increase was primarily due to a decrease of RMB7.9 billion (US\$1.1 billion) in investment and interest income and a net decrease of RMB1.9 billion (US\$275 million) in changes in working capital, partially offset by a decrease of RMB3.1 billion (US\$449 million) in amortization and impairment of licensed copyrights and produced content.

Net cash provided by operating activities decreased to RMB20.1 billion in 2021 from RMB24.2 billion in 2020. This decrease was primarily due to a decrease of RMB11.4 billion in net income, offset by a decrease of noncash investment and interest income by RMB8.0 billion.

Investing Activities

Net cash used in investing activities was RMB3.9 billion (US\$572 million) in 2022, consisting primarily of RMB173.9 billion (US\$25.2 billion) in purchase of held-to-maturity investments, RMB8.3 billion (US\$1.2 billion) in acquisition of fixed assets, RMB7.6 billion (US\$1.1 billion) in purchase of available-for-sale investments, RMB3.6 billion (US\$526 million) in purchase of equity investments, RMB178.8 billion (US\$25.9 billion) in maturities of held-to-maturity investments, RMB9.3 billion (US\$1.3 billion) in sales and maturities of available-for-sale investments and RMB2.0 billion (US\$288 million) in proceeds from disposal of equity investments.

Net cash used in investing activities was RMB31.4 billion in 2021, consisting primarily of RMB171.5 billion in purchase of held-to-maturity investments, RMB25.6 billion in purchase of available-for-sale investments, RMB156.7 billion in maturities of held-to-maturity investments, RMB25.9 billion in sales and maturities of available-for-sale investments, RMB10.9 billion in acquisition of fixed assets, RMB12.0 billion in a prepayment of JOYY businesses acquisition and RMB9.9 billion in proceeds from disposal of equity investments.

Net cash used in investing activities was RMB27.6 billion in 2020, consisting primarily of RMB159.2 billion in purchase of held-to-maturity investments, RMB133.0 billion in purchase of available-for-sale investments, RMB134.3 billion in maturities of held-to-maturity investments,

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RMB135.6 billion in sales and maturities of available-for-sale investments, and RMB4.5 billion in purchase of equity investments offset by RMB6.5 billion in proceeds from disposal of equity investments.

We have adopted ASU 2019-02 on January 1, 2020 which the FASB issued in March 2019, and report cash flows related to the acquisition of licensed copyrights as “operating activities” in the statement of cash flows, beginning with the period of adoption, as opposed to “investing activities.”

Financing Activities

Net cash used in financing activities was RMB6.4 billion (US\$926 million) in 2022, consisting primarily of repayment of RMB11.5 billion (US\$1.7 billion) for long-term loans, offset by RMB3.4 billion (US\$500 million) of net proceeds from the issuance of convertible notes by iQIYI and RMB1.2 billion (US\$172 million) of net proceeds from short-term loans.

Net cash provided by financing activities was RMB23.4 billion in 2021, consisting primarily of RMB19.9 billion net proceeds from the listing on the Hong Kong Stock Exchange, RMB12.7 billion proceeds from long-term loans and RMB6.4 billion net proceeds from our issuance of long-term notes offset by RMB7.6 billion used to repurchase our shares and repayment of RMB7.3 billion for long-term loans.

Net cash provided by financing activities was RMB5.7 billion in 2020, consisting primarily of RMB13.3 billion from our issuance of long-term notes, RMB5.2 billion from the issuance by iQIYI of convertible notes, and RMB4.7 billion from issuance of iQIYI’s shares offset by RMB13.1 billion used to repurchase our shares and repayment of RMB5.4 billion for long-term notes.

Capital Expenditures

We made capital expenditures of RMB5.1 billion, RMB10.9 billion and RMB8.3 billion (US\$1.2 billion) in 2020, 2021 and 2022, representing 5%, 9% and 7% of our total revenues, respectively. In the years of 2020, 2021 and 2022, our capital expenditures were primarily attributable to the purchase of servers, network equipment and other computer hardware to increase our network infrastructure capacity. We funded our capital expenditures primarily with net cash flows generated from operating activities.

Our capital expenditures may increase in the future as our business continues to grow, in connection with the expansion and improvement of our network infrastructure and the construction of additional office buildings and cloud-computing based data centers. We currently plan to fund these expenditures with our current cash, cash equivalents, restricted cash, short-term investments and anticipated cash flow generated from our operating activities.

Material Cash requirements

Our material cash requirements as of December 31, 2022 and any subsequent interim period primarily include our short-term loans, long-term debt obligations, operating lease obligations, purchase obligations and investment commitment obligations.

Our long-term debt obligations primarily consist of long-term loans, notes payable and convertible notes and estimated interest payments.

Our operating lease obligations primarily represent our obligations for leasing internet data center facilities and office premises, which include all future cash outflows under ASC Topic 842, *Leases* under Note 15 to our audited consolidated financial statements.

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Our purchase obligations include purchase obligations for fixed assets, purchase obligations for bandwidth and property management fees, and purchase obligations for content assets.

Purchase obligations for content assets consist primarily of expenditures for content assets under non-cancelable agreements for licensed copyrights and produced content.

Our investment commitment obligations primarily relate to capital contributions obligation under certain arrangements which do not have contractual maturity date.

We intend to fund our existing and future material cash requirements primarily with anticipated cash flows from operations, our existing cash balance and other financing alternatives. We will continue to make cash commitments, including capital expenditures, to support the growth of our business.

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any off-balance sheet derivative instruments. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

The following table sets forth our contractual obligations by specified categories as of December 31, 2022:

	Payment Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(In RMB millions)				
Short-term debt obligations	5,343	5,343	—	—	—
Long-term debt obligations	89,191	9,386	25,511	32,686	21,608
Operating lease obligations	8,299	2,870	3,654	1,331	444
Purchase obligations for fixed assets	2,552	2,532	5	12	3
Purchase obligations for bandwidth and property management fees	487	287	149	26	25
Purchase obligations for content assets	12,982	5,156	6,258	1,366	202
Investment commitment obligations	1,292	N/A	N/A	N/A	N/A
Total	<u>120,146</u>	<u>25,574</u>	<u>35,577</u>	<u>35,421</u>	<u>22,282</u>

Other than as discussed above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2022. The iQIYI 2025 Convertible Notes will mature on April 1, 2025 unless redeemed, repurchased or converted prior to such date. The holders may require iQIYI to repurchase all or a portion of the iQIYI 2025 Convertible Notes for cash on April 1, 2023, which may result in a material cash outlay of our company. The holders of the iQIYI 2025 Convertible Notes may also require us to repurchase all or a portion of the iQIYI 2025 Convertible Notes for cash upon a fundamental change.

Holding Company Structure

Baidu, Inc. is a holding company with no operations of its own. We conduct our operations in mainland China primarily through our subsidiaries and the variable interest entities in mainland China. As a result, although other means are available for us to obtain financing at the holding company level, Baidu, Inc.'s ability to pay dividends to the shareholders and to service any debt it may incur may depend upon dividends paid by our mainland China subsidiaries and license and service fees paid by the variable interest entities in mainland China. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to Baidu, Inc. In addition, our mainland China subsidiaries and the variable

interest entities are required to make appropriations to certain statutory reserve funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies.

Our mainland China subsidiaries, being foreign-invested enterprises established in mainland China, are required to make appropriations to certain statutory reserves, namely, a general reserve fund, an enterprise expansion fund, a staff welfare fund and a bonus fund, all of which are appropriated from net profit as reported in their PRC statutory accounts. Each of our mainland China subsidiaries is required to allocate at least 10% of its after-tax profits to a general reserve fund until such fund has reached 50% of its respective registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus funds are at the discretion of the board of directors of the mainland China subsidiaries.

The variable interest entities must make appropriations from their after-tax profits as reported in their PRC statutory accounts to non-distributable reserve funds, namely a statutory surplus fund, a statutory public welfare fund and a discretionary surplus fund. Each of the variable interest entities is required to allocate at least 10% of its after-tax profits to the statutory surplus fund until such fund has reached 50% of its respective registered capital. Appropriations to the statutory public welfare fund and the discretionary surplus fund are at the discretion of the variable interest entities.

Under the laws and regulations of mainland China, our mainland China subsidiaries and the variable interest entities are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. The amounts restricted include the paid-up capital and the statutory reserve funds of our mainland China subsidiaries and the net assets of the variable interest entities in which we have no legal ownership, totaling RMB45.0 billion, RMB45.9 billion and RMB47.3 billion (US\$6.9 billion) as of December 31, 2020, 2021 and 2022, respectively.

C. Research and Development

We have a team of experienced engineers who are based mostly in Beijing, Shanghai and Shenzhen, China. We also have development centers in Sunnyvale, California and Seattle, Washington. We compete aggressively for engineering and recruit most of our engineers locally and have established various recruiting and training programs with leading universities in China. We have also recruited experienced engineers globally.

In the years ended December 31, 2020, 2021 and 2022, our research and development expenditures were RMB19.5 billion, RMB24.9 billion and RMB23.3 billion (US\$3.4 billion), representing 18%, 20% and 19% of our total revenues, respectively. Our research and development expenses primarily consist of salaries and benefits for research and development personnel. We expense research and development expenditures as they are incurred, except for capitalized software development costs that fulfill the capitalization criteria.

D. Trend Information

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

E. Critical Accounting Estimates

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

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Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Robin Yanhong Li	54	Chairman of the Board of Directors and Chief Executive Officer
James Ding	57	Independent Director
Brent Callinicos	57	Independent Director
Yuanqing Yang	58	Independent Director
Jixun Foo	54	Independent Director
Rong Luo	41	Chief Financial Officer
Haifeng Wang	51	Chief Technology Officer
Dou Shen	43	Executive Vice President
Victor Zhixiang Liang	49	Senior Vice President
Shanshan Cui	47	Senior Vice President

Robin Yanhong Li is our co-founder, chief executive officer and chairman of our Board of Directors, overseeing our overall strategy and business operations. Mr. Li has been serving as the chairman since our inception in January 2000 and as our chief executive officer since February 2004. Mr. Li served as our president from February 2000 to December 2003. Prior to founding our company, Mr. Li worked as an engineer for Infoseek, a pioneer in the search industry, and as a senior consultant for IDD Information Services. Mr. Li currently serves on the board of New Oriental Education & Technology Group Inc., a private educational services provider in China (NYSE: EDU; SEHK: 9901), and [Trip.com](#), an online travel agency in China (Nasdaq: TCOM). Mr. Li received a bachelor's degree in information science from Peking University and a master's degree in computer science from the State University of New York at Buffalo.

James Ding has served as our independent director since our initial public offering in August 2005. Mr. Ding brings a deep understanding of the internet and artificial intelligence industry, which is relevant to and continuously supported the growth and evolution of our principal business since his appointment. He also brings extensive experience as a high tech entrepreneur and chief executive officer of a Nasdaq-listed company. Mr. Ding is a valuable member of the Company's board of directors and continues to make important contribution to our company. He is also a member of our audit committee and corporate governance and nominating committee, and the chairman of our compensation committee. Mr. Ding is currently a managing director of GSR Ventures, which focuses on early stage companies in the artificial intelligence, big data, information technology related healthcare, virtual reality/augmented reality and new media sectors. Prior to that, Mr. Ding served as a co-chairman of the board of directors of AsiaInfo-Linkage Inc., a former Nasdaq-listed company, from July 2010 to January 2014. Mr. Ding also served as the chairman of the board of AsiaInfo from April 2003 to July 2010, and has served as a member of the board since AsiaInfo's inception in 1993. Mr. Ding served as the chief executive officer and president of AsiaInfo from 1999 to 2003 and as senior vice president and chief technology officer of AsiaInfo from 1993 to 1999. Mr. Ding currently serves as director of the board of AsiaInfo (which is currently listed on the Hong Kong Stock Exchange as AsiaInfo Technologies Limited with stock code 1675 and played an important role in the design and development of China's internet infrastructure). Mr. Ding is also the founder of e-China Alliances. Mr. Ding received a master's degree in information science from the University of California, Los Angeles and a bachelor's degree in chemistry from Peking University in China.

Brent Callinicos has served as our independent director since October 2015, and as the chairman of our audit committee since April 2016. Mr. Callinicos served as the chief operating officer and the chief financial officer of Virgin Hyperloop One from January 2017 to January 2018. Prior to that, Mr. Callinicos served as the chief financial officer of Uber Technologies Inc. from September 2013 to March 2015, and then as an advisor for

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18 additional months. Prior to joining Uber, he worked at Google from January 2007 to September 2013, where he last served as vice president, treasurer and chief accountant. He also led green energy investments and financial services at Google Inc. From 1992 to 2007, he served in a variety of increasingly senior roles at Microsoft Corporation, where he last served as corporate vice-president and divisional chief financial officer of the Platforms and Services Division, and oversaw Microsoft's Worldwide Licensing and Pricing and Microsoft Financing. He currently serves on the board of directors of PVH Corp. (NYSE: PVH), and Rubicon Technologies, Inc. (NYSE: RBT) and Acorns. Mr. Callinicos is a certified public accountant. Mr. Callinicos received a bachelor's degree from the University of North Carolina at Chapel Hill and an M.B.A. degree from the Kenan-Flagler School of Business at Chapel Hill.

Yuanqing Yang has served as our independent director since October 2015. Mr. Yang is currently the chairman and chief executive officer of Lenovo Group Limited (SEHK: 992), a director of Sureinvest Holdings Limited and a director of Taikang Insurance Group. He also serves as a member of the International Advisory Council of the Brookings Institution. Mr. Yang joined Lenovo in 1989 and Lenovo has transformed from a device provider to a solution and service provider under his leadership. In 2011, FinanceAsia named Mr. Yang the Best CEO in China. In 2004 and 2012, Mr. Yang was named one of the "CCTV China Annual Economic Figures." He was on Barron's list of Best CEOs in 2013, 2014 and 2015. In 2014, Mr. Yang won an Edison Achievement Award for Innovation. Mr. Yang holds a master's degree in computer science from the University of Science and Technology of China and a bachelor's degree in computer science and engineering from Shanghai Jiao Tong University.

Jixun Foo has served as our independent director since July 2019. Mr. Foo currently serves as the Global Managing Partner at GGV Capital and leads GGV Capital's global investment team and oversees its sector-focused investment strategy. Mr. Foo joined GGV in 2006 and has spent the last 20 years working with entrepreneurs in the travel and transportation, social media and commerce, and enterprise services sectors in China and Southeast Asia. Prior to joining GGV Capital, Mr. Foo was a director at Draper Fisher Jurvetson ePlanet Ventures, where he led investments in Asia. Mr. Foo also previously led investments under the finance and investment division of the National Science and Technology Board of Singapore and served as an R&D project group leader at Hewlett Packard. Mr. Foo currently serves on the board of XPeng Inc. (NYSE: XPEV) and on the boards of a number of private companies, including Hello. Mr. Foo graduated from the National University of Singapore with a First-Class Honors degree in Engineering, and received an M.Sc. in Management of Technology from the National University of Singapore's Graduate School of Business.

Rong Luo has served as our chief financial officer since November 2021. Prior to joining us, Mr. Luo served as the chief financial officer of TAL Education Group, an NYSE listed company, from November 2014 to October 2021 and played several key management roles. Prior to that, Mr. Luo was the chief financial officer of eLong Inc. from 2013 to 2014. Before that, Mr. Luo held different financial management positions at Lenovo Group and Microsoft. Mr. Luo holds bachelor's degrees in both information management and systems and economics from Peking University, a master's degree in management science and engineering from Tsinghua University, and a Ph.D. degree in management science from Peking University.

Haifeng Wang has served as our chief technology officer since May 2019. Dr. Wang joined Baidu in 2010 and was promoted to vice president in 2013. Dr. Wang oversaw our core search products from 2014 to 2017. He was promoted to senior vice president in 2018. Prior to Baidu, Dr. Wang served as the chief research scientist at Toshiba's R&D Center. Dr. Wang is the director of National Engineering Laboratory of Deep Learning Technology and Applications. Dr. Wang is an IEEE fellow, and a fellow (and former president) of the Association for Computational Linguistics (ACL) and the founding chair of ACL's Asia-Pacific chapter. Dr. Wang obtained his bachelor's, master's, and Ph.D. degrees in computer science from the Harbin Institute of Technology.

Dou Shen has served as executive vice president since May 2019. Dr. Shen has began to take charge of Baidu AI Cloud Group (ACG) since May 2022 and currently serves as president of Baidu ACG, overseeing the

development of AI Cloud. Dr. Shen has also been a director of Beijing Xiaodu Interactive Entertainment Technology Co., Ltd. since January 2018, and the chairman of Beijing Xiaodu Interactive Entertainment Technology Co., Ltd. since September 2020. Previously, Dr. Shen served as senior vice president of Baidu's mobile products, overseeing the development of Baidu App, Haokan short video app and Smart Mini Program. Dr. Shen joined Baidu in 2012 and has served in various management roles, including web search, display advertising, the financial services group and mobile products. Prior to Baidu, Dr. Shen worked in the adCenter group at Microsoft and sold Buzzlabs, a social media monitoring and analysis platform company that he co-founded, to IAC-owned CityGrid Media. Dr. Shen has been the board of directors of [Trip.com](#), an online travel agency in China (Nasdaq: TCOM) since October 2019, iQIYI, Inc. (Nasdaq: IQ) since September 2019, Kuaishou Technology (SEHK: 1024) since April 2018. He also currently serves as vice president of the Special Interests Group on Knowledge Discovery and Data Mining (SIGKDD) China Chapter. Dr. Shen received a bachelor's degree in engineering from North China Electric Power University, a master's degree in engineering from Tsinghua University, and a Ph.D. in computer science from the Hong Kong University of Science and Technology.

Victor Zhixiang Liang joined Baidu in June 2005, and became senior vice president and general counsel in June 2011. Mr. Liang leads our overall legal functions. Mr. Liang also served as an executive assistant to the CEO from January 2013 to February 2018. Prior to joining Baidu, he worked at the legislative affairs office of the State Council of the People's Republic of China and Davis Polk & Wardwell LLP, as a visiting attorney at their New York Office. Mr. Liang received an LL.M. degree from Yale Law School and law degrees from the University of New South Wales and Peking University.

Shanshan Cui currently serves as our senior vice president in charge of human resources and administrative functions since May 2019. Ms. Cui joined us in January 2000 overseeing the search technology group, and is a founding member of the company. Ms. Cui left Baidu in July 2010 to pursue personal interests and rejoined Baidu in December 2017, initially serving as Secretary General to our Organizational Culture Committee. In this capacity, Ms. Cui oversaw employee culture and organization effectiveness, implementing initiatives, such as OKR (objectives & key results) management, throughout the company. Ms. Cui received a bachelor's degree in computer science from Beijing Institute of Technology and a master's degree in computer science from the University of Chinese Academy of Sciences.

B. Compensation

In 2022, we paid an aggregate of RMB53 million (US\$8 million) in cash compensation and granted 2,860,984 restricted Class A ordinary shares to our executive officers that are in office as of the date of this annual report as a group. During the same period, we also paid an aggregate of approximately RMB1.1 million (US\$156 thousand) in cash compensation and granted options to purchase an aggregate of 121,856 restricted Class A ordinary shares to our non-executive directors as a group. Our mainland China subsidiaries and the variable interest entities are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, housing fund, unemployment insurance and other statutory benefits. Other than the above-mentioned statutory contributions mandated by applicable laws of mainland China, we have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. No executive officer is entitled to any severance benefits upon termination of his or her employment with our company except as required under applicable laws of mainland China.

Our board of directors and shareholders approved the issuance of up to 403,200,000 ordinary shares upon exercise of awards granted under our 2000 option plan. Our 2000 option plan terminated in January 2010 upon the expiration of its ten-year term. At the annual general meeting held on December 16, 2008, our shareholders approved a 2008 share incentive plan, which has reserved an additional 274,302,160 Class A ordinary shares for awards to be granted pursuant to its terms. Our 2008 share incentive plan terminated in December 2018 upon the expiration of its ten-year term. On July 20, 2018, our board of directors approved a 2018 share incentive plan,

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which has reserved an additional 275,516,000 Class A ordinary shares (taking into account the Share Subdivision) for awards to be granted pursuant to its terms. As of December 31, 2022, options to purchase an aggregate of 52,023,472 Class A ordinary shares and an aggregate of 334,061,680 restricted Class A ordinary shares had been granted under the 2008 and 2018 share incentive plans.

The following table summarizes, as of December 31, 2022, the outstanding options and restricted Class A ordinary shares that we had granted to our current directors and executive officers and to other individuals as a group.

Name	Ordinary Shares			
	Underlying Outstanding Options	Exercise Price (US\$/Share)	Grant Date	Expiration Date
Robin Yanhong Li	193,200	21.566	February 24, 2014	February 24, 2024
	958,160	26.834	February 11, 2015	February 11, 2025
	3,512,320	25.863	April 16, 2015	April 16, 2025
	211,040	19.778	February 25, 2016	February 25, 2026
	724,800	21.888	October 27, 2016	October 27, 2026
	469,120	23.251	February 22, 2017	February 22, 2027
	262,096 ⁽¹⁾	—	February 18, 2019	N/A
	43,984 ⁽¹⁾	—	May 23, 2019	N/A
	658,880 ⁽¹⁾	—	February 5, 2020	N/A
	634,440 ⁽¹⁾	—	February 8, 2021	N/A
1,448,056 ⁽¹⁾	—	February 14, 2022	N/A	
James Ding	* ⁽¹⁾	—	February 14, 2022	N/A
Brent Callinicos	* ⁽¹⁾	—	February 14, 2022	N/A
Yuanqing Yang	* ⁽¹⁾	—	February 14, 2022	N/A
Jixun Foo	* ⁽¹⁾	—	February 14, 2022	N/A
Rong Luo	*	20.178	November 8, 2021	November 8, 2031
	* ⁽¹⁾	—	November 8, 2021	N/A
Haifeng Wang	*	23.483	April 27, 2017	April 27, 2027
	* ⁽¹⁾	—	February 18, 2019	N/A
	* ⁽¹⁾	—	May 23, 2019	N/A
	*	12.486	August 8, 2019	August 8, 2029
	* ⁽¹⁾	—	February 5, 2020	N/A
	* ⁽¹⁾	—	February 8, 2021	N/A
	* ⁽¹⁾	—	November 8, 2021	N/A
Dou Shen	* ⁽¹⁾	—	February 14, 2022	N/A
	* ⁽¹⁾	—	February 18, 2019	N/A
	* ⁽¹⁾	—	May 23, 2019	N/A
	*	12.486	August 8, 2019	August 8, 2029
	* ⁽¹⁾	—	August 8, 2019	N/A
	* ⁽¹⁾	—	February 5, 2020	N/A
	* ⁽¹⁾	—	February 8, 2021	N/A
Victor Zhixiang Liang	* ⁽¹⁾	—	February 14, 2022	N/A
	* ⁽¹⁾	—	February 18, 2019	N/A
	* ⁽¹⁾	—	May 23, 2019	N/A
	* ⁽¹⁾	—	February 5, 2020	N/A
	* ⁽¹⁾	—	February 8, 2021	N/A
Shanshan Cui	* ⁽¹⁾	—	February 14, 2022	N/A
	* ⁽¹⁾	—	February 18, 2019	N/A
	* ⁽¹⁾	—	May 23, 2019	N/A
	* ⁽¹⁾	—	February 5, 2020	N/A
	* ⁽¹⁾	—	February 8, 2021	N/A
Other individuals as a group	* ⁽¹⁾	—	February 14, 2022	N/A
	129,599,224	—	—	—

- * The options and restricted shares in aggregate held by each of these directors and officers represent less than 1% of our total outstanding shares. The options held by these directors and officers represent less than 1% of our outstanding shares.
- (1) Restricted shares.

The following paragraphs summarize the key terms of our 2008 share incentive plan adopted on December 16, 2008 and our 2018 share incentive plan adopted on July 20, 2018:

2008 Share Incentive Plan

The following paragraphs summarize the key terms of our 2008 share incentive plan.

Types of Awards. We may grant the following types of awards under our 2008 share incentive plan:

- options (incentive share options, or ISO);
- restricted shares;
- restricted share units; and
- any other form of awards granted to a participant pursuant to the 2008 plan.

Plan Administration. The compensation committee of our board of directors administers our 2008 share incentive plan, but may delegate to a committee of one or more members of our board of directors the authority to grant or amend awards to participants other than independent directors and executive officers. The compensation committee will determine the provisions and terms and conditions of each award grant, including, but not limited to, the exercise price, the grant price or purchase price, any restrictions or limitations on the award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an award, based in each case on such considerations as the committee in its sole discretion determines. The compensation committee has the sole power and discretion to cancel, forfeit or surrender an outstanding award (whether or not in exchange for another award or combination of awards).

Award Agreement. Awards granted under our 2008 share incentive plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award which may include the term of an award, the provisions applicable in the event the participant's employment or service ends, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an award.

Eligibility. We may grant awards to employees, directors and consultants of our company or any of our related entities, which include our subsidiaries or any entities in which we hold a substantial ownership interest. However, we may grant ISOs only to our employees and employees of our majority-owned subsidiaries.

Acceleration of Awards upon Corporate Transactions. The outstanding awards will accelerate (i) upon occurrence of a change-of-control corporate transaction where any person acquires at least 50% of the total combined voting power of our outstanding securities or the incumbent board members no longer constitute at least 50% of our board, or (ii) upon occurrence of any other change-of-control corporate transaction in which the successor entity does not assume our outstanding awards under our 2008 share incentive plan; *provided* that the plan participant remains an employee, consultant or member of our board of directors on the effective date of the corporate transaction. In such event, each outstanding award will become fully exercisable and all forfeiture restrictions on such award will lapse immediately prior to the specified effective date of the corporate transaction.

If the successor entity assumes our outstanding awards and later terminates the grantee's employment or service without cause within 12 months of the corporate transaction, or if the grantee resigns voluntarily with good reason, the outstanding awards automatically will become fully vested and exercisable. The compensation

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committee may also, in its sole discretion, upon or in anticipation of a corporate transaction, accelerate awards, purchase the awards from the plan participants, replace the awards, or provide for the payment of the awards in cash.

Exercise Price and Term of Awards. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the compensation committee, the determination of which shall be final, binding and conclusive. To the extent not prohibited by applicable laws or exchange rules, a downward adjustment of the exercise prices of options mentioned in the preceding sentence shall be effective without the approval of our shareholders or the approval of the affected grantees. If we grant an ISO to an employee, who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of our share capital, the exercise price cannot be less than 110% of the fair market value of our ordinary shares on the date of that grant. The compensation committee will determine the time or times at which an option may be exercised in whole or in part, including exercise prior to vesting. The term may not exceed ten years from the date of the grant, except that five years is the maximum term of an ISO granted to an employee who holds more than 10% of the voting power of our share capital.

Restricted Shares and Restricted Share Units. The compensation committee is also authorized to make awards of restricted shares and restricted share units. Except as otherwise determined by the compensation committee at the time of the grant of an award or thereafter, upon termination of employment or service during the applicable restriction period, restricted shares that are at the time subject to restrictions shall be forfeited or repurchased in accordance with the respective award agreements.

Vesting Schedule. The compensation committee determines, and the award agreement specifies, the vesting schedule of options and other awards granted. The compensation committee determines the time or times at which an option may be exercised in whole or in part, including exercise prior to vesting, and also determines any conditions that must be satisfied before all or part of an option may be exercised. At the time of grant for restricted share units, the compensation committee specifies the date on which the restricted share units become fully vested and non-forfeitable, and may specify such conditions to vesting as it deems appropriate.

Amendment and Termination. With the approval of our board of directors, the compensation committee may at any time amend, suspend or terminate our 2008 share incentive plan. Amendments to our 2008 share incentive plan are subject to shareholder approval, to the extent required by law, or by stock exchange rules or regulations. Any amendment, suspension or termination of our 2008 share incentive plan must not adversely affect in any material way awards already granted without written consent of the recipient of such awards. Unless terminated earlier, our 2008 share incentive plan shall continue in effect for a term of ten years from the date of adoption.

2018 Share Incentive Plan

The following paragraphs summarize the key terms of our 2018 share incentive plan.

Types of Awards. We may grant the following types of awards under our 2018 share incentive plan:

- options (incentive share options, or ISO);
- restricted shares;
- restricted share units; and
- any other form of awards granted to a participant pursuant to the 2018 plan.

Plan Administration. The compensation committee of our board of directors administers our 2018 share incentive plan, but may delegate to a committee of one or more members of our board of directors the authority to grant or amend awards to participants other than independent directors and executive officers. The compensation committee will determine the provisions and terms and conditions of each award grant, including,

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but not limited to, the exercise price, the grant price or purchase price, any restrictions or limitations on the award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an award, based in each case on such considerations as the committee in its sole discretion determines. The compensation committee has the sole power and discretion to cancel, forfeit or surrender an outstanding award (whether or not in exchange for another award or combination of awards).

Award Agreement. Awards granted under our 2018 share incentive plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award which may include the term of an award, the provisions applicable in the event the participant's employment or service ends, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an award.

Eligibility. We may grant awards to employees, directors and consultants of our company or any of our related entities, which include our subsidiaries or any entities in which we hold a substantial ownership interest. However, we may grant ISOs only to our employees and employees of our majority-owned subsidiaries.

Acceleration of Awards upon Corporate Transactions. The outstanding awards will accelerate (i) upon occurrence of a change-of-control corporate transaction where any person acquires at least 50% of the total combined voting power of our outstanding securities or the incumbent board members no longer constitute at least 50% of our board, or (ii) upon occurrence of any other change-of-control corporate transaction in which the successor entity does not assume our outstanding awards under our 2018 share incentive plan; *provided* that the plan participant remains an employee, consultant or member of our board of directors on the effective date of the corporate transaction. In such event, each outstanding award will become fully exercisable and all forfeiture restrictions on such award will lapse immediately prior to the specified effective date of the corporate transaction.

If the successor entity assumes our outstanding awards and later terminates the grantee's employment or service without cause within 12 months of the corporate transaction, or if the grantee resigns voluntarily with good reason, the outstanding awards automatically will become fully vested and exercisable. The compensation committee may also, in its sole discretion, upon or in anticipation of a corporate transaction, accelerate awards, purchase the awards from the plan participants, replace the awards, or provide for the payment of the awards in cash.

Exercise Price and Term of Awards. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the compensation committee, the determination of which shall be final, binding and conclusive. To the extent not prohibited by applicable laws or exchange rules, a downward adjustment of the exercise prices of options mentioned in the preceding sentence shall be effective without the approval of our shareholders or the approval of the affected grantees. If we grant an ISO to an employee, who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of our share capital, the exercise price cannot be less than 110% of the fair market value of our ordinary shares on the date of that grant. The compensation committee will determine the time or times at which an option may be exercised in whole or in part, including exercise prior to vesting. The term may not exceed ten years from the date of the grant, except that five years is the maximum term of an ISO granted to an employee who holds more than 10% of the voting power of our share capital.

Restricted Shares and Restricted Share Units. The compensation committee is also authorized to make awards of restricted shares and restricted share units. Except as otherwise determined by the compensation committee at the time of the grant of an award or thereafter, upon termination of employment or service during the applicable restriction period, restricted shares that are at the time subject to restrictions shall be forfeited or repurchased in accordance with the respective award agreements.

Vesting Schedule. The compensation committee determines, and the award agreement specifies, the vesting schedule of options and other awards granted. The compensation committee determines the time or times at

which an option may be exercised in whole or in part, including exercise prior to vesting, and also determines any conditions that must be satisfied before all or part of an option may be exercised. At the time of grant for restricted share units, the compensation committee specifies the date on which the restricted share units become fully vested and non-forfeitable, and may specify such conditions to vesting as it deems appropriate.

Amendment and Termination. With the approval of our board of directors, the compensation committee may at any time amend, suspend or terminate our 2018 share incentive plan. To the extent our company decides to not to follow home country practice, Amendments to our 2018 share incentive plan are subject to shareholder approval, to the extent required by law, or by stock exchange rules or regulations. Any amendment, suspension or termination of our 2018 share incentive plan must not adversely affect in any material way awards already granted without written consent of the recipient of such awards. Unless terminated earlier, our 2018 share incentive plan shall continue in effect for a term of ten years from the date of adoption.

C. Board Practices

Board of Directors

Our board of directors has five directors. A director is not required to hold any shares in the company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its undertakings, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. The remuneration to be paid to the directors is determined by the board of directors. There is no age limit requirement for directors.

Committees of the Board of Directors

We have three committees under the board of directors: an audit committee, a compensation committee and a corporate governance and nominating committee. We have adopted a charter for each of the three committees.

Audit Committee

Our audit committee consists of Brent Callinicos, James Ding and Yuanqing Yang, all of whom satisfy the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules and Rule 10A-3 under the Exchange Act. Our board of directors has determined that Mr. Callinicos is an audit committee financial expert as defined in the instructions to Item 16A of the Form 20-F. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing, retaining and overseeing the work of the independent auditors, including resolving disagreements between the management and the independent auditors relating to financial reporting;
- pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing annually the independence and quality control procedures of the independent auditors;
- reviewing and approving all proposed related party transactions;
- discussing the annual audited financial statements with the management;
- meeting separately with the independent auditors to discuss critical accounting policies, management letters, recommendations on internal controls, the auditor’s engagement letter and independence letter and other material written communications between the independent auditors and the management; and
- attending to such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

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In 2022, our audit committee held meetings or passed resolutions by unanimous written consent seven times.

Compensation Committee

Our compensation committee consists of James Ding, Yuanqing Yang and Jixun Foo, all of whom satisfy the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules. The compensation committee assists the board in reviewing and approving our compensation structure, including all forms of compensation relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting while his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

In 2022, our compensation committee held meetings or passed resolutions by unanimous written consent five times.

Corporate Governance and Nominating Committee

Our corporate governance and nominating committee consists of Yuanqing Yang and James Ding, both of whom satisfy the “independence” requirements of Rule 5605(a) (2) of the Nasdaq Stock Market Rules. The corporate governance and nominating committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

- recommending to the board nominees for election or re-election to the board or for appointments to fill any vacancies;
- reviewing annually the performance of each incumbent director in determining whether to recommend such director for an additional term;
- overseeing the board in the board’s annual review of its own performance and the performance of the management; and
- considering, preparing and recommending to the board such policies and procedures with respect to corporate governance matters as may be required or required to be disclosed under the applicable laws or otherwise considered to be material.

In 2022, our corporate governance and nominating committee passed resolutions by unanimous written consent one time.

Terms of Directors and Executive Officers

All directors hold office until their successors have been duly appointed and qualified. None of our directors is subject to a fixed term of office. In addition, the service agreements between us and the directors do not provide benefits upon termination of their services. Director nomination is subject to the approval of our

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corporate governance and nominating committee. Our shareholders may remove any director by ordinary resolution and may in like manner appoint another person in his stead. A valid ordinary resolution requires a majority of the votes cast at a shareholder meeting that is duly constituted and meets the quorum requirement. Officers are appointed by and serve at the discretion of the board of directors.

Board Diversity

Board Diversity Matrix (As of February 28, 2023)				
Country of Principal Executive Offices:	People's Republic of China			
Foreign Private Issuer	Yes			
Disclosure Prohibited Under Home Country Law	No			
Total Number of Directors	5			
	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	0	5	N/A	N/A
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction			0	
LGBTQ+			0	

D. Employees

We had approximately 41,000, 45,500 and 41,300 full time employees as of December 31, 2020, 2021 and 2022, respectively. As of December 31, 2022, we had approximately 23,600 employees in research and development, 9,200 employees in sales and marketing, 5,600 employees in operation and service, and 2,900 employees in management and administration. As of December 31, 2022, we had approximately 26,900 employees in Beijing, 14,200 employees outside of Beijing but within China (for the avoidance of doubt, including Hong Kong, Macau and Taiwan), and approximately 200 employees outside of China. We also hire temporary employees and contractors from time to time. Our employees are not covered by any collective bargaining agreement. We consider our relations with our employees to be generally good. However, as our operations and employee base further expand, we cannot assure you that we will always be able to maintain good relations with all of our employees. See “Item 3.D. Key Information—Risk Factors—Risks Related to Our Business and Industry—We may not be able to manage our expanding operations effectively.”

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of January 31, 2023 by:

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

The calculations in the table below are based on 2,796,777,776 ordinary shares, consisting of 2,255,397,456 Class A ordinary shares and 541,380,320 Class B ordinary shares issued and outstanding as of January 31, 2023.

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

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See “—B. Compensation” for more details on options and restricted shares granted to our directors and executive officers.

	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	% of Total Ordinary Shares	% of Aggregate Voting Power†
Directors and Executive Officers:					
Robin Yanhong Li ⁽¹⁾	18,958,800	439,200,000	458,158,800	16.3	57.6 ⁽²⁾
James Ding	*	—	*	*	*
Brent Callinicos	*	—	*	*	*
Yuanqing Yang	*	—	*	*	*
Jixun Foo	*	—	*	*	*
Rong Luo	*	—	*	*	*
Haifeng Wang	*	—	*	*	*
Dou Shen	*	—	*	*	*
Victor Zhixiang Liang	*	—	*	*	*
Shanshan Cui	*	—	*	*	*
All Directors and Executive Officers as a Group	23,250,800	439,200,000	462,450,800	16.5	57.6
Principal Shareholders:					
Handsome Reward Limited ⁽³⁾	12,402,016	439,200,000	451,602,016	16.1	57.4
BlackRock, Inc. ⁽⁴⁾	150,331,434	—	150,331,434	5.4	1.7

Notes:

† For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A ordinary shares and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to 10 votes per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders and other matters as may otherwise be required by law. Each Class B ordinary share is convertible at any time by the holder thereof into one Class A ordinary share.

* Less than 1% of our total outstanding ordinary shares.

** Except for James Ding, Yuanqing Yang, Brent Callinicos and Jixun Foo, the business address of our directors and executive officers is c/o Baidu, Inc., Baidu Campus, Shangdi 10th Street, Haidian District, Beijing 100085, PRC.

(1) Includes (i) 3,013,200 Class A Ordinary Shares directly held by Mr. Robin Yanhong Li on record, (ii) 2,725,904 Class A ordinary shares in the form of ADSs held by Mr. Robin Yanhong Li in the brokerage account of the administrator of our employee stock option program, (iii) 817,680 Class A Ordinary Shares issuable to Mr. Robin Yanhong Li upon vesting of restricted shares within 60 days after January 31, 2023, (iv) 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, (v) 5,971,360 Class A ordinary shares in the form of ADSs held by Handsome Reward Limited in the brokerage account of the administrator of our employee stock option program, (vi) 6,068,640 Class A ordinary shares issuable to Handsome Reward Limited upon exercise of options within 60 days after the date of January 31, 2023, and (vii) 362,016 Class A Ordinary Shares issuable to Handsome Reward Limited upon vesting of restricted shares within 60 days after January 31, 2023. This excludes 98,080,000 Class B ordinary shares, 36,015 ADSs in the brokerage account of the administrator of our employee stock option program and the right to acquire 6,525 ADSs upon the vesting of restricted share units granted under our share incentive plan within 60 days after January 31, 2023, all of which are owned by Ms. Melissa Ma, Mr. Robin Yanhong Li's wife, and all of which Mr. Robin Yanhong Li disclaims beneficial ownership of.

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- (2) Certain employees have recently granted voting proxy to Mr. Robin Yanhong Li with respect to certain shares they hold pursuant to our company's share incentive plans, which amount to an aggregate of 8,037,128 Class A ordinary shares as of January 31, 2023. As a result, the voting power held by Mr. Robin Yanhong Li represented 57.6% of the total outstanding voting power of our company as of January 31, 2023. For the avoidance of doubt, these shares with voting proxy arrangement have not been included when calculating the shares beneficially owned by Mr. Robin Yanhong Li, as shown in other columns of the table above. For details of the shares beneficially owned by Mr. Robin Yanhong Li, please refer to note (1) above.
- (3) Includes (i) 439,200,000 Class B ordinary shares held by Handsome Reward Limited, a British Virgin Islands company wholly owned and controlled by Mr. Robin Yanhong Li, (ii) 5,971,360 Class A ordinary shares in the form of ADSs held by Handsome Reward Limited in the brokerage account of the administrator of our employee stock option program, (iii) 6,068,640 Class A Ordinary Shares issuable to Handsome Reward Limited upon exercise of options within 60 days after the date of January 31, 2023, and (iv) 362,016 Class A Ordinary Shares issuable to Handsome Reward Limited upon vesting of restricted shares within 60 days after January 31, 2023.
- (4) Includes 150,331,434 Class A ordinary shares beneficially owned by BlackRock, Inc., over which BlackRock, Inc. has sole dispositive power, as of December 31, 2022. BlackRock, Inc. is a Delaware corporation listed on the NYSE. The principal business address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055, United States of America. The calculation of BlackRock's voting power is based on 133,259,677 Class A ordinary shares, over which BlackRock, Inc. has sole voting power, as of December 31, 2022. The above information is based on the Schedule 13G filed by BlackRock, Inc. on February 1, 2023. The percentage of total ordinary shares and the percentage of aggregate voting power for BlackRock Inc. are calculated based on the number of our company's total outstanding shares as of January 31, 2023 and assuming BlackRock Inc.'s shareholding does not change since December 31, 2022.

As of January 31, 2023, to our knowledge, approximately 41.6% of our total issued and outstanding ordinary shares were held by three record shareholders in the United States, including approximately 41.3% held by The Bank of New York Mellon, the depository of our ADS program. The number of beneficial owners of ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States. For instance, BlackRock Inc. is an ADS holder in the United States that beneficially owns 150,331,434 Class A ordinary shares as of December 31, 2022 according to the Schedule 13G filed by it, but is not a record holder of our ordinary shares. Please see footnote (4) of the above table for more details. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

Weighted Voting Rights Structure

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 our company. We issued Class A ordinary shares represented by our ADSs in our initial public offering in 2005.

Pursuant to our articles of association, the directors of our board may, from time to time subject to their fiduciary duties to act in the best interests of our company and for a proper purpose, cause our 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.

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. See "Item 3.D. Key Information—Risk Factors—Risks Related to Our ADSs and Class A Ordinary shares—Our dual-class ordinary share structure with different voting rights could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial." Upon the conversion of all the issued and outstanding Class B ordinary shares as at January 31, 2023 into Class A ordinary shares, our company would issue 541,380,320 Class A ordinary shares, representing approximately 19.4% of the

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total number of issued and outstanding Class A ordinary shares as at January 31, 2023 (without taking into account any allotment and issuance of Shares pursuant to the exercise of options or the vesting of share awards that have been or may be granted from time to time and any issuance or repurchase of Shares and/or ADSs that we may make).

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. If at any time Robin Yanhong Li and his Affiliates (as defined in our articles of association) collectively own less than 5% of the total number of the issued and outstanding Class B Ordinary Shares, each issued and outstanding Class B Ordinary Share shall be automatically and immediately converted into one Class A ordinary share, and no Class B Ordinary Shares shall be issued by our company thereafter.

Class B ordinary shares shall also be automatically and immediately converted into an equal number of Class A ordinary shares:

- (1) upon any sale, pledge, transfer, assignment or disposition of such Class B ordinary shares by a holder thereto to any person or entity which is not an Affiliate (as defined in our articles of association) of such holder; or
- (2) where, within 6 months after by a transfer by a holder of Class B ordinary shares to an Affiliate of such holder, there is a change of the beneficial ownership of the Class B ordinary shares held by the Affiliate.

Apart from the aforementioned (1) and (2), a change in the beneficial ownership of Class B ordinary shares shall not cause a conversion of Class B ordinary shares to Class A ordinary shares.

	<u>Number of Class A Ordinary Shares</u>	<u>Number of Class B Ordinary Shares</u>	<u>Approximate percentage of voting rights⁽³⁾</u>
As at January 31, 2023, WVR beneficiaries were the following:			
Robin Yanhong Li	18,958,800	439,200,000	57.6%
Melissa Ma	340,320	98,080,000	12.8%
Shimoda Holdings, LLC ⁽¹⁾	4,000,000	4,000,000	0.6%
Integrity Partners V, LLC ⁽²⁾	—	100,320	0.0%
Total	23,299,120	541,380,320	71.0%

Notes:

- (1) To our knowledge, Shimoda Holdings, LLC holds 500,000 ADSs and 4,000,000 Class B ordinary shares of our company. Shimoda Holdings, LLC is affiliated with an early stage investor that invested in our company before our U.S. IPO in 2005.
- (2) To our knowledge, Integrity Partners V, LLC holds 100,320 Class B ordinary shares of our company and was not a record shareholder of any Class A ordinary shares as at January 31, 2023. Integrity Partners V, LLC is affiliated with an early stage investor that invested in our company before our U.S. IPO in 2005.
- (3) On the basis that Class A ordinary shares entitle the Shareholder to one vote per share and Class B ordinary shares entitle the Shareholder to 10 votes per share.

Mr. Robin Yanhong Li, the chairman and chief executive officer of our company, owns shares in his personal capacity and through Handsome Reward Limited. Ms. Melissa Ma is the spouse of Mr. Li and holds shares in her personal capacity. To the best knowledge of our company, each of Shimoda and Integrity and their respective ultimate beneficial owners are independent third parties of and are not core connected persons of our company, and their respective ultimate beneficial owners do not have a role in our company's business and operations.

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

Not applicable.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

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

B. Related Party Transactions

See “Item 4.C. Information on the Company—Organizational Structure—Contractual Arrangements with the Variable Interest Entities and the Nominee Shareholders.”

Our subsidiaries, the variable interest entities, and the subsidiaries of the variable interest entities have engaged, during the ordinary course of business, in a number of customary transactions with each other. All of these inter-company balances have been eliminated in consolidation.

See “Item 3.D. Key Information—Risk Factors—Risks Related to Our Business Industry— Termination or other changes of related party transactions in the ordinary course of business may have an adverse impact on our results of operations and financial performance” for risks associated with the termination or other changes of related party transactions.

Amounts due from related parties

As of December 31, 2020, 2021 and 2022, we had RMB4.2 billion, RMB4.9 billion and RMB5.5 billion (US\$797 million), respectively, due from related parties.

Amounts due to related parties

As of December 31, 2020, 2021 and 2022, we had RMB4.9 billion, RMB5.0 billion and RMB5.2 billion (US\$749 million), respectively, due to related parties.

Loan transactions with Du Xiaoman

In August 2018, we completed the divestiture of Du Xiaoman, following which we recognized our non-controlling equity interest in Du Xiaoman as an equity method investment and Du Xiaoman became a related party.

In 2018, we provided three term loans to Du Xiaoman in an aggregate amount of RMB3.8 billion with terms ranging from two to five years for working capital purposes. These loans bear interest rates ranging from 4.28% to 5.00% in 2018, and 0% to 5.00% since 2019. Du Xiaoman repaid one term loan in the principal amount of RMB500 million in October 2020. The aggregate principal amount outstanding as of February 28, 2023 was RMB3.3 billion (US\$485 million).

In 2018, Du Xiaoman provided us with two term loans in an aggregate amount of RMB3.4 billion with terms of three and five years, respectively, for general corporate purposes. The interest rates for these loans were 3.78% and 4.28%, respectively, in 2018, and have been adjusted to 0% since 2019 based on the amended agreements. The aggregate principal amount outstanding as of February 28, 2023 was RMB3.4 billion (US\$487 million).

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Loan transactions with Jidu Auto

In 2022, we provided three term loans to Jidu Auto in an aggregate amount of RMB600 million (US\$87 million) with term of one year for working capital purposes. The interest rates for these loans were 3.465%. Jidu Auto had fully repaid the three term loans in January 2023. Jidu Auto is a joint venture that we established with Zhejiang Geely Holding Group (Geely).

Other related party transactions

Related Party A

In 2020, 2021 and 2022, related party transactions with Related Party A, which is one of our equity investees, were in the total amount of RMB204 million, RMB315 million and RMB158 million (US\$23 million), respectively, and mainly comprised of the online marketing services that we provided to Related Party A.

Related Party B

In 2020, 2021 and 2022, related party transactions with Related Party B, which is one of our equity investees, were in the total amount of RMB678 million, RMB888 million and RMB889 million (US\$129 million), respectively, and comprised of the online marketing services, cloud service and other services that we provided to Related Party B.

Related Party C

In 2021 and 2022, related party transactions with Related Party C, over which we can significantly influence its management or operating policies, were in the total amount of RMB2.0 billion and RMB2.2 billion (US\$314 million), respectively, and mainly comprised of online marketing services sold to the party.

Related Party D

In 2021 and 2022, related party transactions with Related Party D, which is one of our equity investees, were in the total amount of RMB123 million and RMB257 million (US\$37 million), respectively, and mainly comprised of intelligent driving services and other services that we provided to Related Party D.

Other related parties

In 2020, 2021 and 2022, with the approval from our board of directors, we reimbursed Mr. Robin Yanhong Li the fees and expenses incurred in connection with his use of an aircraft beneficially owned by his family member for our business purposes. The hourly rate for use of the aircraft was determined based on an analysis of market rates for the charter of comparable aircrafts. The service charges for the use of the aircraft for 2020, 2021 and 2022 were insignificant.

Share Options and Restricted Shares Grants

Please refer to “Item 6.B. Directors, Senior Management and Employees—Compensation.”

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

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

Legal Proceedings

From time to time, we have been involved in litigation, administrative proceedings or other disputes regarding, among other things, copyright and trademark infringement, defamation, unfair competition, labor disputes, contract disputes and anti-monopoly inquiries. Our search results provide links to materials, and our P4P, Baidu Wenku, Baidu Post, Baidu Wiki, Baidu Knows, Baidu Feed, Baidu Drive, iQIYI and certain other products or services may contain materials, in which others may allege to own copyrights, trademarks or image rights or which others may claim to be defamatory or objectionable.

In 2022, 3,349 complaints were filed against us before various courts in China, and the aggregate amount of the damages sought in these complaints totals approximately RMB1.2 billion (US\$175 million). As of December 31, 2022, 3,349 cases against us were pending before various courts in China. The aggregate amount of damages sought under these pending cases is approximately RMB1.2 billion (US\$177 million). As of December 31, 2022, 6 cases against us were pending before various courts outside China. Some of these proceedings are in a preliminary stage with undetermined damages sought.

In November 2018, an individual, together with his related company, filed a complaint alleging acts of defamation and libel, commercial disparagement, tortious interference with prospective business relations, intentional infliction of emotional distress and civil conspiracy against, among others, us and Robin Yanhong Li in his capacity as our chairman and chief executive officer, in the Supreme Court of New York. The complaint alleged, among other things, that the defendants published articles containing false and defamatory statements concerning the plaintiffs, and sought damages in an aggregate amount of US\$11 billion, including purported punitive damages of US\$10 billion. The defendants moved the complaint to the U.S. District Court for the Eastern District of New York and filed motions to dismiss the complaint. The plaintiff voluntarily dismissed that complaint, and then added us and Mr. Li as defendants to the Second State Court Lawsuit. We filed motions to dismiss that complaint, which were not opposed. The Plaintiff filed a notice of voluntary discontinuance of the complaint in the Second State Court Lawsuit, and subsequently filed a nearly identical complaint in the U.S. District Court for the Eastern District of New York. In January 2020, the U.S. District Court for the Eastern District of New York dismissed that complaint in its entirety with prejudice, and the time for plaintiff to appeal that dismissal has expired. In February 2020, the Supreme Court of New York granted defendants' motions to discontinue the Second State Court Lawsuit with prejudice. No appeal of that order has been filed to date. We believe these claims to be without merit and intend to continue to defend ourselves vigorously.

Separately, in April 2020, we and certain of our current and former officers were named as defendants in a federal putative securities class action captioned *Ikeda v. Baidu Inc., et al.*, No. 5:20-cv-02768-LHK (U.S. District Court for the Northern District of California, Amended Complaint filed Sept. 18, 2020) alleging, in sum and substance, that our disclosures were materially false or misleading as they misrepresented Baidu's ability to monitor and filter illicit or improper content on its platform, and failed to disclose alleged investigations and violations of the regulatory requirements of mainland China relating to the monitoring or filtering of illicit or improper content online. The case alleges claims under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. In April 2021, the U.S. District Court for the Northern District of California granted defendants' motion to dismiss in its entirety, and in May 2021, plaintiffs voluntarily dismissed this action in its entirety with prejudice.

For many of the above-mentioned legal proceedings, we are currently unable to estimate the reasonably possible loss or a range of reasonably possible loss as the proceedings are in the early stages, or there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among different jurisdictions. As a result, there is considerable uncertainty regarding the timing or ultimate resolution of such proceedings, which includes eventual loss, fine, penalty or business impact, if any, and therefore, an estimate for the reasonably possible loss or a range of reasonably possible loss cannot be made. With respect to the limited number of proceedings for which we are able to estimate the reasonably possible loss or the range of reasonably possible loss, such estimates are immaterial. However, we believe that such proceedings, individually and in the aggregate, when finally resolved, are not reasonably likely to have a material and adverse effect on our results of operations, financial position and cash flows.

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's Division of Enforcement requested iQIYI to produce certain financial, operating, and other documents and records primarily related to the allegations in the Wolfpack Report. In particular, the SEC requested that iQIYI voluntarily provide it with documents and information relating to, among other things, iQIYI's organizational charts, accounting policies, and financial books and records from 2018 to 2020, 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. 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 iQIYI's audit committee. iQIYI's internal review within the agreed scope has been substantially completed and did not uncover any evidence that would substantiate the allegations in the Wolfpack Report. The SEC has also sought the production of certain documents and records from iQIYI related to such internal review and other related information. iQIYI has cooperated with the SEC. Although no further information was requested from iQIYI since early 2021, 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.

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. In June 2020, one of the complaints (captioned *Shiferaw v. iQIYI, Inc. et al.*, No. 1:20-cv-03115) was voluntarily dismissed by Plaintiffs. In May 2021, the remaining complaints were consolidated in the U.S. District Court for the Eastern District of New York under the caption *In re iQIYI, Inc. Securities Litigation*, No. 1:20-CV-01830 (the "iQIYI Action"). In June 2021, lead plaintiffs in the consolidated action filed the consolidated amended complaint, naming iQIYI, its current and former officers, underwriters in its initial public offering, our company and certain of our officers as defendants. The consolidated amended complaint alleges that defendants made material misstatements and omissions in documents filed with the SEC and in other public statements regarding certain of the key allegations contained in the Wolfpack Report, in violation of Sections 11 and 15 of the Securities Act of 1933, Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. The parties completed briefing on defendants' motions to dismiss the consolidated amended complaint on September 29, 2021. However, in light of the common questions of law and fact at issue in this case and a related action under the caption *In re Baidu Inc. Securities Litigation*, 20-cv-03794 (U.S. District Court for the Eastern District of New York), the court terminated the motion to dismiss without prejudice and ordered motion-to-dismiss briefing for the two cases to be completed by March 3, 2023 under a new briefing schedule. The coordinated motion-to-dismiss briefing has now been completed under the new schedule, and we await a decision from the court on these motions.

Starting in August 2020, we and certain of our current officers were named as defendants in two federal putative securities class actions captioned *Alagappan v. Baidu Inc., et al.*, No. 1:20-cv-03794 (U.S. District Court for the Eastern District of New York, filed Aug. 19, 2020) and *Nampally v. Baidu Inc., et al.*, No. 1:20-cv-04430 (U.S. District Court for the Eastern District of New York, filed Sept. 21, 2020). In April 2022, the two complaints were consolidated in the U.S. District Court for the Eastern District of New York under the caption *In re Baidu Inc. Securities Litigation*, 20-cv-03794 (the "Baidu Action"). In June 2022, the lead plaintiffs in the consolidated action filed the consolidated amended complaint, naming our company and certain of our officers as defendants. The consolidated amended complaint alleges that the defendants made material misstatements and omissions in documents filed with the SEC and in other public statements regarding certain of the key allegations contained in the Wolfpack Report, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. In light of the common questions of law and fact at issue in the Baidu Action and the iQIYI Action, the parties were directed to propose, and the court granted a schedule for the coordinated briefing of motions to dismiss in the Baidu Action and iQIYI Action. Under the coordinated briefing

schedule, on March 3, 2023, the parties completed briefing on: (i) a motion by all defendants to dismiss both actions for failure to allege any actionable misrepresentation or omission; (ii) a motion by all defendants in the iQIYI Action to dismiss the iQIYI Action on any additional grounds unique to them; and (iii) a motion by all defendants in the Baidu Action to dismiss the Baidu Action on any additional grounds unique to them. We await a decision from the court on these motions. This consolidated action otherwise remains at a preliminary stage.

We and iQIYI will have to defend against these putative securities class action lawsuits, as applicable, including any appeals of such lawsuits should our or iQIYI's initial defense be unsuccessful. Because all of the ongoing securities class actions against iQIYI or us are in their preliminary stages, we cannot predict the timing, outcome or consequences of these class actions. In the event that our or iQIYI's initial defense of these lawsuits is unsuccessful, we cannot assure you that we or iQIYI will prevail in any appeal. Any adverse outcome of these cases, including any plaintiff's appeal of a judgment in these lawsuits, could have a material adverse effect on our or iQIYI's business, financial condition, results of operation, cash flows and reputation. Similarly, although no further information was requested from iQIYI since early 2021, we are currently 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. The litigation or SEC investigation process may utilize a significant portion of our or iQIYI's resources and divert management's attention from the day-to-day operations, all of which could harm our business.

Dividend Policy

Baidu, Inc., our holding company in the Cayman Islands, has never declared or paid any dividends on our ordinary shares, nor do we have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has complete discretion as to whether to distribute dividends, subject to Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount of our dividends will depend upon our future operations and earnings, capital requirements and surplus, financial condition, contractual restrictions and other factors that our board of directors may deem relevant. If we pay any dividends, our depository will distribute such dividends to our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

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

Item 9. The Offer and Listing

A. Offering and Listing Details

Our ADSs have been listed on The Nasdaq Global Market since August 5, 2005. Our ADSs currently trade on The Nasdaq Global Select Market under the symbol "BIDU." Prior to May 12, 2010, one ADS represented one Class A ordinary share. On May 12, 2010, we effected a change of the ADS to Class A ordinary share ratio from 1 ADS representing 1 Class A ordinary share to 10 ADSs representing 1 Class A ordinary share. The ratio change has the same effect as a 10-for-1 ADS split. On March 1, 2021, our shareholders approved and effected a

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change to our authorized share capital by 1-to-80 subdivision of shares. Concurrently, we effected a proportionate change in ADS to Class A ordinary share ratio from 10 ADSs representing 1 Class A ordinary share to each ADS representing 8 Class A ordinary shares.

Our Class A ordinary shares have been listed on the Hong Kong Stock Exchange since March 23, 2021 under the stock code “9888.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on Nasdaq since August 5, 2005 under the symbol “BIDU.”

Our Class A ordinary shares have been listed on the Hong Kong Stock Exchange since March 23, 2021 under the stock code “9888.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The following are summaries of material provisions of our fourth amended and restated memorandum and articles of association, as well as the Companies Act (As Revised) insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

The Registered Office of our company is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands or at such other place as our board of directors may from time to time decide. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Act (As Revised), as amended from time to time, or any other law of the Cayman Islands.

Board of Directors

See “Item 6.C. Directors, Senior Management and Employees—Board Practices—Board of Directors.”

Ordinary Shares

General. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. All of our issued and outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are nonresidents of the Cayman Islands may freely hold and vote their shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Act.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder (as defined in our articles of association), such Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares. In addition, if at any time our chairman and chief executive officer, Robin Yanhong Li, and his affiliates collectively own less than 5% of the total number of the issued and outstanding Class B ordinary shares, each issued and outstanding Class B ordinary share shall be automatically and immediately converted into one share of Class A ordinary share, and we shall not issue any Class B ordinary shares thereafter.

Voting Rights. All of our shareholders have the right to receive notice of shareholders' meetings and to attend, speak and vote at such meetings. In respect of matters requiring shareholders' vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to 10 votes. A shareholder may participate at a shareholders' meeting in person, by proxy or by telephone conference or other communications equipment by means of which all the shareholders participating in the meeting can communicate with each other. At any shareholders' meeting, a resolution put to the vote of the meeting shall be decided on a poll conducted by the chairman of the meeting.

A quorum for a shareholders' meeting consists of one or more shareholders holding at least one third of the paid up voting share capital present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. We shall hold a general meeting of shareholders as our annual general meeting and shall specify the meeting as such in the notices calling it. Our board of directors may call extraordinary general meetings, and they must on shareholders' requisition convene an extraordinary general meeting. A shareholder requisition is a requisition of shareholders holding at the date of deposit of the requisition not less than ten percent (10%) of the voting power represented by the issued shares of our company which as at that date carries the right of voting at general meetings of our company, on a one vote per share basis. Advance notice of at least 14 calendar days is required for the convening of our annual general meeting and other shareholders' meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast in a general meeting. A special resolution is required for matters such as a change of name. Holders of the ordinary shares may effect certain changes by ordinary resolution, including consolidating and dividing all or any of our share capital into shares of larger amount than our existing share capital and canceling any shares.

Transfer of Shares. Subject to the restrictions of our memorandum and articles of association, as applicable, any of our shareholders may transfer any or all of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in their absolute discretion (except with respect to a transfer from a shareholder to its affiliate(s)), decline to register any transfer of shares without assigning any reason thereof. If our board of directors refuses to register a transfer they shall notify the transferee within two months of such refusal.

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Notwithstanding the foregoing, if a transfer complies with the holder's transfer obligations and restrictions set forth under applicable law (including but not limited to U.S. securities law provisions related to insider trading) and our articles of association, our board of directors shall promptly register such transfer. Further, any director is authorized to confirm in writing addressed to the registered office to authorize a share transfer and to instruct that the register of members be updated accordingly; *provided* that the transfer complies with the holder's transfer obligations and restrictions set forth under applicable law and our articles of association and such holder is not the director who authorizes the transfer or an entity affiliated with such director. Any director is authorized to execute a share certificate in respect of such shares for and on behalf of our company.

The registration of transfers may be suspended at such time and for such periods as our board of directors may from time to time determine; *provided, however*, that the registration of transfers shall not be suspended for more than 45 days in any year.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of ordinary shares may be distributed among the holders of the ordinary shares as determined by the liquidator, subject to sanction of a special resolution of our company. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by such shareholders respectively.

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

Redemption of Shares. Subject to the provisions of the Companies Act and our articles of association, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner as our board of directors may determine.

Repurchase of Shares. Subject to the provisions of the Companies Act and our articles of association, our board of directors may authorize repurchase of our shares in accordance with the manner of purchase specified in our articles of association without seeking shareholder approval.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

Inspection of Books and Records. No holders of our ordinary shares who is not a director shall have any right of inspecting any of our accounts, books or documents except as conferred by the Companies Act or authorized by the directors or by us in general meeting. However, we will make this annual report, which contains our audited financial statements, available to shareholders and ADS holders. See "Item 10.H. Additional Information—Documents on Display."

Preferred Shares

Our board of directors has the authority, without shareholder approval, to issue up to a total of 800,000,000 preferred shares in one or more series. Our board of directors may establish the number of shares to be included in each such series and may set the designations, preferences, powers and other rights of the shares of a series of preferred shares. While the issuance of preferred shares provides us with flexibility in connection with possible acquisitions or other corporate purposes, it could, among other things, have the effect of delaying, deferring or preventing a change of control transaction and could adversely affect the market price of our ADSs. We have no current plan to issue any preferred shares.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

See “Item 4.B. Information on the Company—Business Overview—Regulations—Regulations on Foreign Exchange.”

E. Taxation

The following summary of the material Cayman Islands, People’s Republic of China and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws.

Cayman Islands Tax Considerations

According to Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Mainland China Tax Considerations

If we are considered a mainland China resident enterprise under the EIT Law, our shareholders and ADS holders who are deemed non-resident enterprises may be subject to the 10% EIT on the dividends payable by us or any gains realized from the transfer of our shares or ADSs, if such income is deemed derived from mainland China; *provided* that (i) such foreign enterprise investor has no establishment or premises in mainland China, or (ii) it has establishment or premises in mainland China but its income derived from mainland China has no real connection with such establishment or premises. Furthermore, if we are considered a mainland China resident enterprise and relevant PRC tax authorities consider the dividends we pay with respect to our shares or ADSs and the gains realized from the transfer of our shares or ADSs to be income derived from sources within mainland China, it is also possible that such dividends and gains earned by non-resident individuals may be subject to the 20% mainland China individual income tax. It is uncertain whether, if we are considered a mainland China resident enterprise, holders of our shares or ADSs would be able to claim the benefit of tax treaties or arrangements entered into between mainland China and other jurisdictions.

If we are required under the tax law of mainland China to withhold mainland China income tax on our dividends payable to our non-resident shareholders and ADS holders, or if any gains realized from the transfer of our shares or ADSs by our non-resident shareholders and ADS holders are subject to the EIT or the individual income tax, your investment in our shares or ADSs could be materially and adversely affected.

U.S. Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations under present law of the ownership and disposition of the ADSs or ordinary shares. This summary applies only to investors that are U.S. Holders (as defined below) and that hold the ADSs or ordinary shares as capital assets. This discussion is based on the tax laws of the United States as in effect on the date of this annual report on Form 20-F and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report on Form 20-F, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax considerations described below.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- financial institutions;
- insurance companies;
- broker dealers;
- persons that elect to mark their securities to market;
- tax-exempt entities;
- persons liable for the alternative minimum tax;
- regulated investment companies;
- certain expatriates or former long-term residents of the United States;
- governments or agencies or instrumentalities thereof;
- persons holding an ADS or ordinary share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own ADSs or ordinary shares representing 10% or more of our stock (by vote or value);
- persons who are required to recognize income for U.S. federal income tax purposes no later than when such income is taken into account in applicable financial statements;
- persons whose functional currency is other than the U.S. dollar; or
- persons who acquired our ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation.

U.S. Holders are urged to consult their tax advisors about the application of the U.S. federal tax rules to their particular circumstances as well as the state, local and foreign tax consequences to them of ownership and disposition of our ADSs or ordinary shares.

The discussion below of the U.S. federal income tax consequences will apply if you are a “U.S. Holder.” You are a “U.S. Holder” if you are the beneficial owner of our ADSs or ordinary shares and you are, for U.S. federal income tax purposes,

- a citizen or individual resident of the United States;
- a corporation (or other entity subject to tax as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States, any State or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or

- a trust that (i) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This discussion does not consider the tax treatment of partnerships or other pass-through entities that hold the ADSs or ordinary shares, or of persons who hold the ADSs or ordinary shares through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of the ADSs or ordinary shares, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with their terms. If you hold our ADSs, you will be treated as the holder of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state, local or foreign tax laws or the Medicare tax on certain net investment income. The IRS may disagree with the discussion herein, and its determination may be upheld by a court.

Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares

Subject to the passive foreign investment company rules discussed below, the gross amount of all our distributions to you with respect to the ADSs or ordinary shares will be included in your gross income as dividend income on the date of receipt by the depository, in the case of our ADSs, or by you, in the case of ordinary shares, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (computed under U.S. federal income tax principles). Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution paid will generally be treated as a “dividend” for U.S. federal income tax purposes. Dividends paid by us will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from U.S. corporations.

With respect to non-corporate U.S. Holders (including individual U.S. Holders), dividends may be taxed at the lower applicable capital gains rate provided that (i) the ADSs or ordinary shares are readily tradable on an established securities market in the United States or we are eligible for the benefit of the income tax treaty between the United States and mainland China, or the Treaty, (ii) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or for the preceding taxable year, (iii) certain holding period requirements are met and (iv) such non-corporate U.S. Holders are not under an obligation to make related payments with respect to positions in substantially similar or related property. For this purpose, ADSs listed on the Nasdaq Global Select Market will generally be considered to be readily tradable on an established securities market in the United States. You should consult your tax advisor regarding the availability of the lower rate for dividends paid with respect to our ADSs or ordinary shares.

For U.S. foreign tax credit purposes, dividends paid on the ADSs or ordinary shares will generally be treated as income from foreign sources and will generally constitute passive category income. If mainland China withholding taxes apply to dividends paid to you with respect to the ADSs or ordinary shares, you may be able to obtain a reduced rate of mainland China withholding taxes under the Treaty. In addition, subject to certain conditions and limitations, mainland China withholding taxes on dividends that are non-refundable under the Treaty may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. If you do not elect to claim a foreign tax credit, you may instead claim a deduction for U.S. federal income tax purposes in respect of such withholding, but only for a year in which you elect to do so for all creditable foreign income taxes. You should consult your tax advisor regarding the creditability of any mainland China tax.

Sale, Exchange or Other Disposition of the ADSs or Ordinary Shares

Subject to the passive foreign investment company rules discussed below, you will recognize gain or loss on any sale, exchange or other taxable disposition of an ADS or ordinary share equal to the difference between the amount realized for the ADS or ordinary share and your tax basis in the ADS or ordinary share. The gain or loss will generally be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the ADS or ordinary share for more than one year, you will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes, which will generally limit the availability of foreign tax credits. However, in the event we are deemed to be a mainland China “resident enterprise” under mainland China tax law, we may be eligible for the benefits of the Treaty. In such event, if mainland China tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares, a U.S. Holder that is eligible for the benefits of the Treaty may elect to treat such gain as mainland China source income. U.S. Holders should consult their tax advisors regarding the creditability of any mainland China tax.

Passive Foreign Investment Company

A non-U.S. corporation, such as our own, is considered a PFIC for any taxable year if either (i) at least 75% of its gross income is passive income, or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the “asset test”). We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the shares. Although the law in this regard is not entirely clear, we treat the variable interest entities as being owned by us for U.S. federal income tax purposes because we control their management decisions and we are entitled to receive economic benefits that could potentially be significant to them and, as a result, we consolidate their results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of the variable interest entities for U.S. federal income tax purposes, we would likely be treated as a PFIC for our current taxable year and for subsequent taxable years.

Assuming that we are the owner of the VIEs for U.S. federal income tax purposes, and based on the market price of our ADSs and ordinary shares, the value of our assets, and the composition of our assets and income, we believe that we were not a PFIC for our taxable year ended December 31, 2022. No assurance can be given that we will not become a PFIC in the current taxable year or foreseeable taxable years, because the determination of whether we will be or become a PFIC is a factual determination made annually that will depend, in part, upon the composition of our income and assets. Fluctuations in the market price of our ordinary shares and/or ADSs may cause us to be classified as a PFIC for the current or future taxable years because the value of our assets for purposes of the asset test, including the value of our goodwill and other unbooked intangibles, may be determined by reference to the market price of our ordinary shares and/or ADSs from time to time (which may be volatile). If our market capitalization subsequently declines, we may be or become classified as a PFIC for the current taxable year or future taxable years. Furthermore, the composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets. Under circumstances where our revenue from activities that produce passive income significantly increase relative to our revenue from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase. In addition, based on the nature of our business and activities, it is possible that the IRS may challenge our classification of certain income and assets as non-passive, which may result in our company being or becoming a PFIC in the current taxable year.

If we are a PFIC for any year during which you hold the ADSs or ordinary shares, we will generally continue to be treated as a PFIC for all succeeding years during which you hold such ADSs or ordinary shares. However, if we cease to be a PFIC, you may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the ADSs or ordinary shares, as applicable, provided that you have not made a mark-to-market election, as described below.

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If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge under proposed regulations) of the ADSs or ordinary shares, unless you make a mark-to-market election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we became a PFIC, will be treated as ordinary income, and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for you for such year and would be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to each such other taxable year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

Alternatively, a U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election for such stock of a PFIC to elect out of the tax treatment discussed in the two preceding paragraphs. The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter, or “regularly traded,” on a qualified exchange or other market, as defined in applicable Treasury regulations. Our ADSs, but not our ordinary shares, are listed on the Nasdaq Global Select Market, which is a qualified exchange for these purposes. Our ordinary shares are listed on the Hong Kong Stock Exchange, which is expected to meet the requirements of a qualified exchange or market for these purposes. We anticipate that our ADSs and ordinary shares should qualify as being regularly traded, but no assurances may be given in this regard. Assuming that the ADSs and ordinary shares are regularly traded, if you are a holder of our ADSs or ordinary shares, it is expected that the mark-to-market election would be available to you were we to become a PFIC. If you make a valid mark-to-market election for the ADSs or ordinary shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the ADSs as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. Such deductions, however, are allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or ordinary shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss realized on the actual sale or disposition of the ADSs or ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs. Your basis in the ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts. If you make such a mark-to-market election, tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us (except that the lower applicable capital gains rate would not apply).

Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the general PFIC rules described above with respect to such U.S. Holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

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Alternatively, a U.S. Holder may avoid the PFIC tax consequences described above in respect to its ADSs and ordinary shares by making a timely “qualified electing fund,” or QEF, election. To comply with the requirements of a QEF election, a U.S. Holder must receive certain information from us. Because we do not intend to provide such information, however, such election will not be available to you with respect to the ADSs or ordinary shares.

If you hold our ADSs or ordinary shares in any year in which we are a PFIC, you will be required to file an annual information report containing such information as the U.S. Treasury may require.

You are urged to consult your tax advisor regarding the application of the PFIC rules to your investment in our ADSs or ordinary shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act, and are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year, which is December 31. All information filed with the SEC can be obtained over the internet at the SEC’s website at www.sec.gov. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish The Bank of New York Mellon, the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders’ meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders’ meeting received by the depository from us.

In accordance with Nasdaq Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at <http://ir.baidu.com>. In addition, we will provide hardcopies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

We intend to submit the annual report provided to security holders in electronic format pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as an exhibit to a current report on Form 6-K.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Our exposure to interest rate risk primarily relates to excess cash invested in short-term instruments, long-term investments and bank facilities that have a floating rate of interest.

Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates, or we may suffer losses in principal if we have to sell securities which have declined in market value due to changes in interest rates. For example, as of December 31, 2022, we had RMB120.8 billion (US\$17.5 billion) short-term investments, with a weighted average duration of 0.5 year. A hypothetical one percentage point (100 basis-point) increase in interest rates would have resulted in a decrease of RMB493 million (US\$71 million) in the fair value of our short-term investments as of December 31, 2022. We have not been, and do not expect to be, exposed to material interest rate risks relating to our investment in short-term instruments, and therefore have not used any derivative financial instruments to manage such interest risk exposure. Our exposure to interest rate risk also arises from our bank facilities that have a floating rate of interest. The costs of floating rate borrowings may be affected by the fluctuations in the interest rates. We manage this risk through the use of interest rate swap contracts. In connection with the loan facilities entered into in April 2021, we entered into two interest rate swap agreements, which effectively convert the term loans from a variable interest rate to a fixed rate, thereby managing our exposure to changes in market interest rates under the term loans. See “Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources.”

Foreign Exchange Risk

Most of our revenues and costs are denominated in RMB, while a portion of our cash and cash equivalents, restricted cash, short-term investments, long-term investments, long-term time deposits and held-to-maturity investments, long-term loans, notes payable and convertible senior notes are denominated in U.S. dollars. Any significant revaluation of RMB against the U.S. dollar may materially affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ADS in U.S. dollars. See “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—Fluctuation in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.” In addition, we commenced operation in Japan in late 2007. We may need to make capital injections into our Japan operation by converting U.S. dollars into Japanese Yen, and we have JPY revenue and expenses that may need to translate JPY into U.S. dollars, which will expose us to the fluctuations in the exchange rate between the U.S. dollar and the Japanese Yen. We have not used any derivative financial instruments to hedge exposure to foreign exchange risk. The value of your investment in our ADSs or Class A ordinary shares will be affected by the exchange rate between U.S. dollar and Renminbi or Hong Kong dollar and Renminbi, as applicable, because the value of our business is effectively denominated in RMB, while our ADSs or Class A ordinary shares will be traded in U.S. dollars or Hong Kong dollars, as applicable.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People’s Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, repaying indebtedness denominated in U.S. dollars, or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

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As of December 31, 2022, we had RMB-denominated cash and cash equivalents, restricted cash and short-term investments of RMB146.3 billion, and U.S. dollar-denominated cash and cash equivalents, restricted cash and short-term investments of US\$5.5 billion. Assuming we had converted RMB146.3 billion into U.S. dollars at the exchange rate of RMB6.8972 for US\$1.00 as of December 31, 2022, our U.S. dollar cash balance would have been US\$26.7 billion. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US\$24.6 billion instead. In addition, we had U.S. dollar-denominated long-term loans (including current portion), notes payable (including current portion) and convertible senior notes (including current portion) of US\$11.4 billion as of December 31, 2022. A hypothetical 10% increase in the exchange rate of the U.S. dollar against the RMB would have resulted in an increase of RMB7.9 billion (US\$1.1 billion) in the value of our U.S. dollar-denominated long-term loans (including current portion), notes payable (including current portion) and convertible senior notes (including current portion) as of December 31, 2022.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

The Bank of New York Mellon is the depository of our ADS program. A holder of ADSs may have to pay certain fees of The Bank of New York Mellon, as depository, and certain taxes, registration and transfer charges and fees and governmental charges and fees. The depository collects fees for delivery and surrender of ADSs directly from holders depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to holders by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deductions from cash distributions or by directly billing holders or by charging the book-entry system accounts of participants acting for them. The depository may generally refuse to deliver ADSs or deposited shares or to forward any distributions until its fees for those services are paid. The Depository's Office is located at 240 Greenwich Street, New York, New York 10286.

Persons depositing or withdrawing shares must pay:

US\$5.00 or less per 100 ADSs (or portion thereof)

US\$5.00 or less per 100 ADS (or portion thereof)

US\$0.02 or less per ADS (or portion thereof)

A fee equivalent to the fee that would be payable if securities distributed to ADS holders had been shares and the shares had been deposited for issuance of ADSs

For:

- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
- Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
- Any cash distribution to ADS holders
- Distribution of securities distributed to holders of deposited securities which are distributed by the depository to ADS holders

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Persons depositing or withdrawing shares must pay:

US\$0.02 or less per ADS (or portion thereof) per calendar year (to the extent that a fee of \$0.02 was not charged as a result of any cash distribution during that calendar year)

Expenses of the depositary

Registration or transfer fees

Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

For:

- Depository services
- Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
- Converting foreign currency to U.S. dollars
- Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
- As necessary
- As necessary

Fees and Other Payments Made by the Depositary to Us

The depositary has agreed to reimburse us annually. In 2023, we expect to receive certain insignificant amount of reimbursement from the depositary.

Conversion between Class A ordinary shares and ADSs

Dealings and Settlement of Class A Ordinary Shares in Hong Kong

Our Class A ordinary shares commenced trading on the Hong Kong Stock Exchange in board lots of 50 Class A ordinary shares on March 23, 2021. Dealings in our Class A ordinary shares on the Hong Kong Stock Exchange are conducted in Hong Kong dollars.

The transaction costs of dealings in our Class A ordinary shares on the Hong Kong Stock Exchange include:

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
- Securities and Futures Commission of Hong Kong, or SFC, transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.2% of the value of the transaction, with 0.1% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and

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- the Hong Kong share registrar will charge between HK\$2.50 to HK\$20.00, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor who has deposited his or her Class A ordinary shares in his or her stock account or in his or her designated CCASS participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his or her broker or custodian before the settlement date.

Conversion between Class A Ordinary Shares Trading in Hong Kong and ADSs

In connection with the initial public offering of Class A ordinary shares in Hong Kong, or the Hong Kong IPO, we have established a branch register of members in Hong Kong, or the Hong Kong share register, which will be maintained by our Hong Kong share registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members, or the Cayman share register, will continue to be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited.

All Class A ordinary shares offered in the Hong Kong IPO are registered on the Hong Kong share register in order to be listed and traded on the Hong Kong Stock Exchange. As described in further detail below, holders of Class A ordinary shares registered on the Hong Kong share register will be able to deposit these ordinary shares into ADSs, and vice versa.

Depositing Class A Ordinary Shares Trading in Hong Kong for delivery of ADSs

An investor who holds Class A ordinary shares registered in Hong Kong and who intends to convert them to ADSs to trade on Nasdaq must deposit or have his or her broker deposit the Class A ordinary shares with the depositary's Hong Kong custodian, The Hong Kong and Shanghai Banking Corporation Limited, Hong Kong, or the custodian, in exchange for ADSs.

A deposit of Class A ordinary shares trading in Hong Kong in exchange for ADSs involves the following procedures:

- If Class A ordinary shares have been deposited with CCASS, the investor must transfer ordinary shares to the depositary's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed ADS delivery form to the custodian via his or her broker.
- If Class A ordinary shares are held outside CCASS, the investor must arrange for the registration of a transfer of his or her Class A ordinary shares into the depositary's name and delivery of evidence of that registration to the custodian, and must sign and deliver an ADS delivery form to the depositary.
- Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, the depositary will register the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs as instructed in the ADS delivery form.

For Class A ordinary shares deposited in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class A ordinary shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS issuances. The investor will be unable to trade the ADSs until the procedures are completed.

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Surrender of ADSs for Delivery of Class A Ordinary Shares Trading in Hong Kong

An investor who holds ADSs and wishes to receive Class A ordinary shares that trade on the Hong Kong Stock Exchange must cancel the ADSs the investor holds and withdraw Class A ordinary shares from our ADS program and cause his or her broker or other financial institution to trade such Class A ordinary shares on the Hong Kong Stock Exchange.

An investor that holds ADSs indirectly through a broker or other financial institution should follow the procedure of the broker or financial institution and instruct the broker to arrange for cancellation of the ADSs, and transfer of the underlying Class A ordinary shares from the depository's account with the custodian within the CCASS system to the investor's Hong Kong stock account.

For investors holding ADSs directly, the following steps must be taken:

- To withdraw Class A ordinary shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depository (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depository. Those instructions must have a Medallion signature guarantee.
- Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, the depository will instruct the custodian to deliver Class A ordinary shares underlying the canceled ADSs to the CCASS account designated by an investor.
- If an investor prefers to receive Class A ordinary shares outside CCASS, he or she must so indicate in the instruction delivered to the depository.

For Class A ordinary shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class A ordinary shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Class A ordinary shares on the Hong Kong Stock Exchange until the procedures are completed.

Temporary delays may arise. For example, the transfer books of the depository may from time to time be closed to ADS cancellations. In addition, completion of the above steps and procedures for delivery for Class A ordinary shares in a CCASS account is subject to there being a sufficient number of Class A ordinary shares on the Hong Kong share register to facilitate a withdrawal from the ADS program directly into the CCASS system. We are not under any obligation to maintain or increase the number of Class A ordinary shares on the Hong Kong share register to facilitate such withdrawals.

Depository Requirements

Before the depository delivers ADSs or permits withdrawal of Class A ordinary shares, the depository may require:

- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including completion and presentation of transfer documents.

The depository may refuse to deliver, transfer, or register issuances, transfers and cancellations of ADSs generally when the transfer books of the depository or our Hong Kong share registrar are closed or at any time if the depository or we determine it advisable to do so.

All costs attributable to the transfer of ordinary shares to effect a withdrawal from or deposit of Class A ordinary shares into our ADS program will be borne by the investor requesting the transfer or deposit. In

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particular, holders of ordinary shares and ADSs should note that the Hong Kong share registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class A ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of ordinary shares and ADSs must pay up to US\$5.00 per 100 ADSs (or portion thereof) for each issuance of ADSs and each cancellation of ADSs, as the case may be, in connection with the deposit of Class A ordinary shares into, or withdrawal of ordinary shares from, the ADS facility.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

None.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, as of December 31, 2022, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Our management evaluated the effectiveness of our internal control over financial reporting, as required by Rule 13a-15(c) of the Exchange Act, based on criteria established in the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2022.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our independent registered public accounting firm, Ernst & Young Hua Ming LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2022, as stated in its report, which appears on page F-5 of this annual report on Form 20-F.

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Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Brent Callinicos, an independent director (under the standards set forth in Nasdaq Stock Market Rule 5605(a)(2) and Rule 10A-3 under the Exchange Act) and chairman of our audit committee, is an audit committee financial expert.

Item 16B. Code of Ethics

In July 2005, our board of directors adopted a code of business conduct and ethics that applies to our directors, officers, employees and advisors. We have posted a copy of our code of business conduct and ethics on our website at <http://ir.baidu.com>.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst & Young Hua Ming LLP, our principal external auditors, for the periods indicated.

	2021 (RMB in thousands)	2022 (RMB in thousands)
Audit fees ⁽¹⁾	44,520	35,786
Audit-related fees ⁽²⁾	11,076	6,499

(1) "Audit fees" means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual statements, as well as assistance with and review of documents filed with the SEC, including the issuance of comfort letters in connection with our global offering and secondary listing of our shares on the Hong Kong Stock Exchange in fiscal year 2021.

(2) "Audit-related Fees" represents the aggregate fees billed in each of the fiscal years listed for the assurance and related services rendered by our principal auditors that are reasonably related to the performance of the audit or review of our financial statements and not reported under "Audit Fees."

All audit and non-audit services provided by our independent auditors must be pre-approved by our audit committee. Our audit committee has adopted a combination of two approaches in pre-approving proposed services: general pre-approval and specific pre-approval. With general approval, the engagement to render services is entered into pursuant to pre-approval policies and procedures established by the audit committee. The policies and procedures are detailed as to the particular service (not broad categories), and the audit committee is informed of each specific service quarterly. With specific approval, the audit committee pre-approves the specific engagement to be rendered. Unless a type of service has received general pre-approval, it will require specific pre-approval by our audit committee. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by our audit committee.

Requests or applications to provide services that require specific approval by our audit committee will be submitted to the audit committee by both our independent auditors and our chief financial officer and must include an assessment as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

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Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In May 2020, our board of directors authorized a share repurchase program, or the 2020 share repurchase program, under which we may repurchase up to US\$1.0 billion of our ADSs or shares, effective until July 1, 2021. In August 2020, our board of directors approved a change to the 2020 share repurchase program, increasing the repurchase authorization from US\$1.0 billion to US\$3.0 billion and extending the effective time through December 31, 2022. In December 2020, our board of directors approved a further increase in the repurchase authorization from US\$3.0 billion to US\$4.5 billion. In February 2023, our board of directors authorized a new share repurchase program, or the 2023 share repurchase program, under which we may repurchase up to US\$5.0 billion of our ADSs or shares, effective until December 31, 2025.

The table below is a summary of our repurchases in 2022, which were all conducted in the open market pursuant to the 2020 share repurchase program, as amended. The 2020 share repurchase program has expired as of December 31, 2022 and no shares may be purchased under the 2020 share repurchase program thereafter. As of the date of this annual report, no shares have been repurchased under the 2023 share repurchase program.

Period	Total Number of ADSs Purchased	Average Price Paid Per ADS	Total Number of ADSs Purchased as Part of the Publicly Announced Plan	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the 2020 Plan as of December 31, 2022
September 2022	1,420,663	\$ 129.68	1,420,663	US\$1,417,465,502
October 2022	742,762	\$ 118.32	742,762	US\$1,329,580,762
Total	2,163,425	\$125.78	2,163,425	US\$1,329,580,762

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Nasdaq Stock Market Rule 5615(a)(3) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. In the third quarter of 2018, our board of directors approved a 2018 share incentive plan. We relied on home country practice exemption and did not convene a shareholder meeting to approve the 2018 share incentive plan. Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, has provided a letter to the Nasdaq Stock Market certifying that under Cayman Islands law, we are not required to obtain shareholder approval in respect of the adoption of a stock option or other equity compensation arrangement, or an amendment to the stock option or other equity compensation plan.

Other than the practice described above, there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under Nasdaq Stock Market Rules.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

In April 2022, we were conclusively listed by the SEC as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. Our auditor, a registered public accounting firm that the PCAOB was unable to inspect or investigate completely in 2021, issued the audit report for us for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB

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issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 20-F.

As of the date of this annual report, to our knowledge, (i) no governmental entities in the Cayman Islands or in China own shares of Baidu, Inc. or the VIEs in China, (ii) the governmental entities in China do not have a controlling financial interest in Baidu, Inc. or the VIEs, (iii) none of the members of the board of directors of Baidu, Inc. or our operating entities, including the VIEs, is an official of the Chinese Communist Party, and (iv) none of the currently effective memorandum and articles of association (or equivalent organizing document) of Baidu, Inc. or the VIEs contains any charter of the Chinese Communist Party.

PART III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of Baidu, Inc., its subsidiaries and the variable interest entities are included at the end of this annual report.

Item 19. Exhibits

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	Fourth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.1 of Form 6-K furnished with the Securities and Exchange Commission on December 7, 2021)
2.1	Registrant's Specimen American Depositary Receipt (incorporated by reference to Exhibit 1 of the prospectus filed with the Securities and Exchange Commission on January 5, 2009 pursuant to Rule 424(b)(3) under the Securities Act)
2.2	Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated by reference to Exhibit 4.2 of Amendment No. 5 to our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on August 2, 2005)
2.3	Form of Deposit Agreement among the Registrant, the depository and holder of the American Depositary Receipts (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)
2.4	Indenture dated November 28, 2012 between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to Form 6-K furnished with the Securities and Exchange Commission on November 28, 2012)
2.5	First Supplemental Indenture dated November 28, 2012 between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.2 to Form 6-K furnished with the Securities and Exchange Commission on November 28, 2012)
2.6	Form of 3.500% Notes due 2022 (incorporated by reference to Exhibit 4.2 to Form 6-K furnished with the Securities and Exchange Commission on November 28, 2012)

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<u>Exhibit Number</u>	<u>Description of Document</u>
2.7	<u>Second Supplemental Indenture dated August 6, 2013 between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.5 to Form 6-K furnished with the Securities and Exchange Commission on August 6, 2013)</u>
2.8	<u>Third Supplemental Indenture dated June 9, 2014 between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.5 to Form 6-K furnished with the Securities and Exchange Commission on June 9, 2014)</u>
2.9	<u>Fourth Supplemental Indenture dated June 30, 2015 between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to Form 6-K furnished with the Securities and Exchange Commission on July 2, 2015)</u>
2.10	<u>Form of 4.125% Notes due 2025 (incorporated by reference to Exhibit 4.1 to Form 6-K furnished with the Securities and Exchange Commission on July 2, 2015)</u>
2.11	<u>Fifth Supplemental Indenture dated July 6, 2017 between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to Form 6-K furnished with the Securities and Exchange Commission on July 7, 2017)</u>
2.12	<u>Form of 2.875% Notes due 2022 (incorporated by reference to Exhibit 4.1 to Form 6-K furnished with the Securities and Exchange Commission on July 7, 2017)</u>
2.13	<u>Form of 3.625% Notes due 2027 (incorporated by reference to Exhibit 4.1 to Form 6-K furnished with the Securities and Exchange Commission on July 7, 2017)</u>
2.14	<u>Sixth Supplemental Indenture dated March 29, 2018 between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.5 to Form 6-K furnished with the Securities and Exchange Commission on November 15, 2018)</u>
2.15	<u>Form of 3.875% Notes due 2023 (incorporated by reference to Exhibit 4.5 to Form 6-K furnished with the Securities and Exchange Commission on November 15, 2018)</u>
2.16	<u>Form of 4.375% Notes due 2028 (incorporated by reference to Exhibit 4.5 to Form 6-K furnished with the Securities and Exchange Commission on November 15, 2018)</u>
2.17	<u>Seventh Supplemental Indenture dated November 14, 2018 between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.8 to Form 6-K furnished with the Securities and Exchange Commission on November 15, 2018)</u>
2.18	<u>Form of 4.375% Notes due 2024 (incorporated by reference to Exhibit 4.8 to Form 6-K furnished with the Securities and Exchange Commission on November 15, 2018)</u>
2.19	<u>Form of 4.875% Notes due 2028 (incorporated by reference to Exhibit 4.8 to Form 6-K furnished with the Securities and Exchange Commission on November 15, 2018)</u>
2.20	<u>Eighth Supplemental Indenture, dated as of April 7, 2020, between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.11 to Form 6-K furnished with the Securities and Exchange Commission on April 7, 2020)</u>
2.21	<u>Form of 3.075% Notes due 2025 (incorporated by reference to Exhibit 4.11 to Form 6-K furnished with the Securities and Exchange Commission on April 7, 2020)</u>
2.22	<u>Form of 3.425% Notes due 2030 (incorporated by reference to Exhibit 4.11 to Form 6-K furnished with the Securities and Exchange Commission on April 7, 2020)</u>
2.23	<u>Ninth Supplemental Indenture, dated as of October 9, 2020, between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.3 to Form 6-K furnished with the Securities and Exchange Commission on October 9, 2020)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
2.24	Form of 1.72% Notes due 2026 (incorporated by reference to Exhibit 4.3 to Form 6-K furnished with the Securities and Exchange Commission on October 9, 2020)
2.25	Form of 2.375% Notes due 2030 (incorporated by reference to Exhibit 4.3 to Form 6-K furnished with the Securities and Exchange Commission on October 9, 2020)
2.26	Tenth Supplemental Indenture, dated as of August 23, 2021, between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 2.26 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2022)
2.27	Form of 1.625% Notes due 2027 (incorporated by reference to Exhibit 2.27 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2022)
2.28	Form of 2.375% Notes due 2031 (incorporated by reference to Exhibit 2.28 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2022)
2.29	Indenture dated December 4, 2018 between iQIYI, Inc. and Citicorp International Limited, as trustee, and form of 3.75% Notes due 2023 (incorporated herein by reference to Exhibit 4.67 to iQIYI, Inc.'s annual report on Form 20-F (File No. 001-38431) filed with the SEC on March 15, 2019)
2.30	Indenture dated March 29, 2019 between iQIYI, Inc. and Citicorp International Limited, as trustee, and form of 2.00% Notes due 2025 (incorporated herein by reference to Exhibit 4.61 to iQIYI, Inc.'s annual report on Form 20-F (File No. 001-38431) filed with the SEC on March 12, 2020)
2.31	Description of Securities of the Registrant (incorporated by reference to Exhibit 2.31 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2022)
2.32	Description of the Registrant's US\$750,000,000 3.50% Notes Due 2022 (incorporated herein by reference to (i) the section titled "Description of Debt Securities" in the Registrants' registration statement on Form F-3 (File No. 333-184757) filed with the Securities and Exchange Commission on November 5, 2012 and (ii) the section titled "Description of the Notes" in the prospectus supplement , in the form filed by the Registrant with the Securities and Exchange Commission on November 20, 2012 pursuant to Rule 424(b) under the Securities Act of 1933, as amended)
2.33	Description of the Registrant's US\$750,000,000 3.00% Notes Due 2020 and US\$500,000,000 4.13% Notes Due 2025 (incorporated herein by reference to (i) the section titled "Description of Debt Securities" in the Registrants' registration statement on Form F-3 (File No. 333-184757) filed with the Securities and Exchange Commission on November 5, 2012 and (ii) the section titled "Description of the Notes" in the prospectus supplement , in the form filed by the Registrant with the Securities and Exchange Commission on June 22, 2015 pursuant to Rule 424(b) under the Securities Act of 1933, as amended)
2.34	Description of the Registrant's US\$900,000,000 2.88% Notes Due 2022 and US\$600,000,000 3.63% Notes Due 2027 (incorporated herein by reference to (i) the section titled "Description of Debt Securities" in the Registrants' registration statement on Form F-3 (File No. 333-218972) filed with the Securities and Exchange Commission on June 26, 2017 and (ii) the section titled "Description of the Notes" in the prospectus supplement , in the form filed by the Registrant with the Securities and Exchange Commission on June 28, 2017 pursuant to Rule 424(b) under the Securities Act of 1933, as amended)

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<u>Exhibit Number</u>	<u>Description of Document</u>
2.35	Description of the Registrant’s US\$1,000,000,000 3.88% Notes Due 2023 and US\$500,000,000 4.38% Notes Due 2028 (incorporated herein by reference to (i) the section titled “Description of Debt Securities” in the Registrants’ registration statement on Form F-3 (File No. 333-218972) filed with the Securities and Exchange Commission on June 26, 2017 and (ii) the section titled “Description of the Notes” in the prospectus supplement , in the form filed by the Registrant with the Securities and Exchange Commission on March 22, 2018 pursuant to Rule 424(b) under the Securities Act of 1933, as amended)
2.36	Description of the Registrant’s US\$600,000,000 4.38% Notes Due 2024 and US\$400,000,000 4.88% Notes Due 2028 (incorporated herein by reference to (i) the section titled “Description of Debt Securities” in the Registrants’ registration statement on Form F-3 (File No. 333-218972) filed with the Securities and Exchange Commission on June 26, 2017 and (ii) the section titled “Description of the Notes” in the prospectus supplement , in the form filed by the Registrant with the Securities and Exchange Commission on November 8, 2018 pursuant to Rule 424(b) under the Securities Act of 1933, as amended)
2.37	Description of the Registrant’s US\$300,000,000 1.625% Notes Due 2027 and US\$700,000,000 2.375% Notes Due 2031 (incorporated herein by reference to (i) the section titled “Description of Debt Securities” in the Registrants’ registration statement on Form F-3 (File No. 333-249314) filed with the Securities and Exchange Commission on October 5, 2020 and (ii) the section titled “Description of the Notes” in the prospectus supplement , in the form filed by the Registrant with the Securities and Exchange Commission on August 19, 2021 pursuant to Rule 424(b) under the Securities Act of 1933, as amended)
4.1	2000 Option Plan (amended and restated effective December 16, 2008) (incorporated by reference to Exhibit 99.3 of Form 6-K furnished with the Securities and Exchange Commission on December 17, 2008)
4.2	2008 Share Incentive Plan (incorporated by reference to Exhibit 99.4 of Form 6-K furnished with the Securities and Exchange Commission on December 17, 2008)
4.3	Form of Indemnification Agreement between the Registrant and the Registrant’s directors (incorporated by reference to Exhibit 10.3 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)
4.4	Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant (incorporated by reference to Exhibit 10.4 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)
4.5	Translation of Exclusive Technology Consulting and Services Agreement dated March 22, 2005 between Baidu Online and Baidu Netcom and the supplementary agreement dated April 22, 2010 (incorporated by reference to Exhibit 4.6 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 29, 2012)
4.6	Translation of Operating Agreement dated March 22, 2005 between Baidu Online and Baidu Netcom (incorporated by reference to Exhibit 99.4 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)
4.7	Translation of Software License Agreement dated March 22, 2005 between Baidu Online and Baidu Netcom (incorporated by reference to Exhibit 99.5 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)
4.8	Translation of Web Layout Copyright License Agreement dated March 1, 2004 between Baidu Online and Baidu Netcom and the supplementary agreement dated August 9, 2004 (incorporated by reference to Exhibit 99.8 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.9	<u>Translation of Proxy Agreement dated August 9, 2004 among Baidu Online, Baidu Netcom, Robin Yanhong Li and Eric Yong Xu (incorporated by reference to Exhibit 99.9 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)</u>
4.10	<u>English summary of the form of Exclusive Technology Consulting and Services Agreement/ Exclusive Business Cooperation Agreement between a subsidiary of the Registrant and a variable interest entity (incorporated by reference to Exhibit 4.10 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2022)</u>
4.11	<u>English summary of the form of Operation Agreement among a subsidiary of the Registrant, a variable interest entity and the shareholders of such variable interest entity (incorporated by reference to Exhibit 4.11 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2022)</u>
4.12	<u>English summary of the form of Web Layout Copyright License Agreement, Software License Agreement and Trademark License Agreement between a subsidiary of the Registrant and a variable interest entity (incorporated by reference to Exhibit 4.12 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019)</u>
4.13	<u>English summary of the form of Proxy Agreement/Power of Attorney among a subsidiary of the Registrant, a variable interest entity and the shareholders of the variable interest entity (incorporated by reference to Exhibit 4.13 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2022)</u>
4.14	<u>English summary of the form of Equity Pledge Agreement between a subsidiary of the Registrant and the shareholder of a variable interest entity (incorporated by reference to Exhibit 4.14 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2022)</u>
4.15	<u>English summary of the form of Exclusive Equity Purchase Option Agreement among a subsidiary of the Registrant, a variable interest entity, the shareholders of a variable interest entity and an offshore Holding company (if applicable) (incorporated by reference to Exhibit 4.15 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2022)</u>
4.16	<u>English summary of the form of Loan Agreement between a subsidiary of the Registrant and the shareholder of a variable interest entity (incorporated by reference to Exhibit 4.16 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2022)</u>
4.17	<u>Translation of the Supplementary Agreement to Exclusive Technology Consulting and Services Agreement dated June 23, 2006 between Baidu Online and Beijing Perusal, dated as of April 22, 2010 (incorporated by reference to Exhibit 4.25 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 29, 2012)</u>
4.18	<u>Translation of the Web Layout Copyright License Agreement dated June 23, 2006 between Baidu Online and Beijing Perusal (incorporated by reference to Exhibit 4.27 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 29, 2011)</u>
4.19	<u>Translation of the supplementary agreements, dated March 11, 2010 and April 22, 2010 to the Software License Agreement dated March 22, 2005 between Baidu Online and Baidu Netcom (incorporated by reference to Exhibit 4.48 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 29, 2011)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.20	<u>Translation of the supplementary agreement dated March 1, 2010 to the Web Layout Copyright License Agreement dated March 1, 2004 between Baidu Online and Baidu Netcom and the supplementary agreement dated August 9, 2004 (incorporated by reference to Exhibit 4.50 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 29, 2011)</u>
4.21	<u>Translation of the supplementary agreement dated April 22, 2010 to the Operating Agreement dated March 22, 2005 between Baidu Online and Baidu Netcom (incorporated by reference to Exhibit 4.51 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 29, 2011)</u>
4.22	<u>Translation of the supplementary agreement to the Loan Agreement among Robin Yanhong Li, Baidu Netcom and Baidu Online dated September 6, 2011 (incorporated by reference to Exhibit 4.65 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 29, 2012)</u>
4.23	<u>Translation of the supplementary agreement to the Software License Agreement between Baidu Online and Baidu Netcom dated January 30, 2011 (incorporated by reference to Exhibit 4.68 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 29, 2012)</u>
4.24	<u>Translation of the supplementary agreement to the Web Layout Copyright License Agreement between Baidu Online and Baidu Netcom dated January 30, 2011 (incorporated by reference to Exhibit 4.69 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 29, 2012)</u>
4.25	<u>Translation of the supplementary agreement to the Web Layout Copyright License Agreement between Baidu Online and Baidu Netcom dated August 15, 2013 (incorporated by reference to Exhibit 4.64 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2014)</u>
4.26	<u>Translation of the supplementary agreement to the Software License Agreement between Baidu Online and Baidu Netcom dated August 15, 2013 (incorporated by reference to Exhibit 4.65 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2014)</u>
4.27	<u>Translation of the supplementary agreement to the Web Layout Copyright License Agreement between Baidu Online and Beijing Perusal dated August 15, 2013 (incorporated by reference to Exhibit 4.66 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2014)</u>
4.28	<u>Translation of the Termination Agreements among Baidu Online, Beijing Perusal, Jiping Liu and Yazhu Zhang, former individual shareholders of Beijing Perusal, dated March 15, 2016 and May 3, 2016, respectively (incorporated by reference to Exhibit 4.34 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017)</u>
4.29	<u>Translation of the Amended and Restated Loan Agreements between Baidu Online and Zhixiang Liang, and between Baidu Online and Xiaodong Wang, both dated June 20, 2016 (incorporated by reference to Exhibit 4.35 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017)</u>
4.30	<u>Translation of the Equity Transfer Agreements between Jiping Liu and Zhixiang Liang, between Jiping Liu and Xiaodong Wang, and between Yazhu Zhang and Xiaodong Wang, all dated May 3, 2016 (incorporated by reference to Exhibit 4.36 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.31	<u>Translation of Proxy Agreement among Zhixiang Liang and Baidu Online and of Proxy Agreement among Xiaodong Wang and Baidu Online, both dated May 3, 2016 (incorporated by reference to Exhibit 4.37 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017).</u>
4.32	<u>Translation of the Operating Agreement among Baidu Online, Beijing Perusal, Zhixiang Liang, and Xiaodong Wang, dated May 3, 2016 (incorporated by reference to Exhibit 4.38 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017).</u>
4.33	<u>Translation of the Amended and Restated Equity Pledge Agreements between Baidu Online and Zhixiang Liang, and between Baidu Online and Xiaodong Wang, both dated June 20, 2016 (incorporated by reference to Exhibit 4.39 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017).</u>
4.34	<u>Translation of the Amended and Restated Exclusive Equity Purchase and Transfer Option Agreements among Baidu Online, Zhixiang Liang and Beijing Perusal, and among Baidu Online, Xiaodong Wang and Beijing Perusal, both dated June 20, 2016 (incorporated by reference to Exhibit 4.40 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017).</u>
4.35	<u>Translation of Irrevocable Power of Attorney issued by Zhixiang Liang, the individual shareholder of Beijing Perusal, dated May 3, 2016 (incorporated by reference to Exhibit 4.41 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017).</u>
4.36	<u>Translation of Irrevocable Power of Attorney issued by Xiaodong Wang, the individual shareholder of Beijing Perusal, dated May 3, 2016 (incorporated by reference to Exhibit 4.42 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017).</u>
4.37	<u>Translation of the Termination Agreement of Current Control Contracts among Baidu Online, Baidu Netcom, Robin Yanhong Li and Zhan Wang dated June 13, 2016 (incorporated by reference to Exhibit 4.43 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017).</u>
4.38	<u>Translation of the Amended and Restated Loan Agreement between Baidu Online and Hailong Xiang dated January 18, 2017 (incorporated by reference to Exhibit 4.44 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017).</u>
4.39	<u>Translation of the Amended and Restated Loan Agreement between Baidu Online and Robin Yanhong Li dated January 18, 2017 (incorporated by reference to Exhibit 4.45 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017).</u>
4.40	<u>Translation of the Equity Transfer Agreement between Than Wang and Hailong Xiang dated June 13, 2016 (incorporated by reference to Exhibit 4.46 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017).</u>
4.41	<u>Translation of the Proxy Agreement among Robin Yanhong Li, Hailong Xiang and Baidu Online dated June 13, 2016 (incorporated by reference to Exhibit 4.47 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017).</u>
4.42	<u>Translation of the Operating Agreement among Baidu Online, Baidu Netcom, Robin Yanhong Li, Hailong Xiang dated June 13, 2016 (incorporated by reference to Exhibit 4.48 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017).</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.43	<u>Translation of the Amended and Restated Equity Pledge Agreement between Baidu Online and Hailong Xiang dated January 18, 2017 (incorporated by reference to Exhibit 4.49 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017)</u>
4.44	<u>Translation of the Amended and Restated Equity Pledge Agreement between Baidu Online and Robin Yanhong Li dated January 18, 2017 (incorporated by reference to Exhibit 4.50 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017)</u>
4.45	<u>Translation of the Amended and Restated Exclusive Equity Purchase and Transfer Option Agreement among Baidu Online, Hailong Xiang and Baidu Netcom dated January 18, 2017 (incorporated by reference to Exhibit 4.51 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017)</u>
4.46	<u>Translation of the Amended and Restated Exclusive Equity Purchase and Transfer Option Agreement among Baidu Online, Robin Yanhong Li and Baidu Netcom dated January 18, 2017 (incorporated by reference to Exhibit 4.52 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017)</u>
4.47	<u>Translation of Irrevocable Power of Attorney issued by Robin Yanhong Li, an individual shareholder of Baidu Netcom, dated June 13, 2016 (incorporated by reference to Exhibit 4.53 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017)</u>
4.48	<u>Translation of Irrevocable Power of Attorney issued by Hailong Xiang, an individual shareholder of Baidu Netcom, dated June 13, 2016 (incorporated by reference to Exhibit 4.54 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017)</u>
4.49	<u>Standstill Agreement between Baidu, Inc. and Ctrip.com International, Ltd. dated October 26, 2015 (incorporated by reference to Exhibit 3 of our Report on Schedule 13D filed with the Securities and Exchange Commission with respect to Ctrip.com International, Ltd. on November 4, 2015)</u>
4.50	<u>Registration Rights Agreement between Baidu Holdings Limited and Ctrip.com International, Ltd. dated October 26, 2015 (incorporated by reference to Exhibit 4 of our Report on Schedule 13D filed with the Securities and Exchange Commission with respect to Ctrip.com International, Ltd. on November 4, 2015)</u>
4.51	<u>US\$2,000,000,000 Facilities Agreement between the Registrant and other parties thereto dated June 8, 2016 (incorporated by reference to Exhibit 4.68 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017)</u>
4.54	<u>Share Purchase Agreement among Baidu Holdings Limited, Baidu (Hong Kong) Limited, 91 Wireless Websoft Limited and certain investors party thereto, dated April 28, 2018 and as amended on August 21, 2018 (incorporated by reference to Exhibit 4.54 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019)</u>
4.55	<u>Amended and Restated Shareholders Agreement among Baidu Holdings Limited, Baidu (Hong Kong) Limited, Duxiaoman (Cayman) Limited and certain investors party thereto, dated November 17, 2018 (incorporated by reference to Exhibit 4.55 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019)</u>
4.56	<u>2018 Share Incentive Plan (incorporated by reference to Exhibit 4.56 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.58	<u>Translation of the Amended and Restated Loan Agreement between Baidu Online and Hailong Xiang dated May 7, 2018 (incorporated by reference to Exhibit 4.58 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019).</u>
4.59	<u>Translation of the Amended and Restated Loan Agreement between Baidu Online and Robin Yanhong Li dated May 7, 2018 (incorporated by reference to Exhibit 4.59 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019).</u>
4.60	<u>Translation of the Proxy Agreement between Robin Yanhong Li and Baidu, Inc. dated March 31, 2018 (incorporated by reference to Exhibit 4.60 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019).</u>
4.61	<u>Translation of the Proxy Agreement between Hailong Xiang and Baidu, Inc. dated March 31, 2018 (incorporated by reference to Exhibit 4.61 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019).</u>
4.62	<u>Translation of the Amended and Restated Exclusive Equity Purchase and Transfer Option Agreement among Baidu, Inc., Baidu Netcom, Baidu Online and Hailong Xiang dated May 7, 2018 (incorporated by reference to Exhibit 4.62 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019).</u>
4.63	<u>Translation of the Amended and Restated Exclusive Equity Purchase and Transfer Option Agreement among Baidu, Inc., Baidu Netcom, Baidu Online and Robin Yanhong Li dated May 7, 2018 (incorporated by reference to Exhibit 4.63 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019).</u>
4.64	<u>Translation of Irrevocable Power of Attorney issued by Robin Yanhong Li, an individual shareholder of Baidu Netcom, March 31, 2018 (incorporated by reference to Exhibit 4.64 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019).</u>
4.65	<u>Translation of Irrevocable Power of Attorney issued by Hailong Xiang, an individual shareholder of Baidu Netcom, dated March 31, 2018 (incorporated by reference to Exhibit 4.65 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019).</u>
4.66	<u>Translation of the Amended and Restated Equity Pledge Agreement between Baidu Online and Hailong Xiang dated May 7, 2018 (incorporated by reference to Exhibit 4.66 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019).</u>
4.67	<u>Translation of the Amended and Restated Equity Pledge Agreement between Baidu Online and Robin Yanhong Li dated May 7, 2018 (incorporated by reference to Exhibit 4.67 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019).</u>
4.69	<u>Translation of the Loan Agreements between Baidu Online and Zhixiang Liang, and between Baidu Online and Xiaodong Wang, both dated March 31, 2018 (incorporated by reference to Exhibit 4.69 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019).</u>
4.70	<u>Translation of Proxy Agreements between Zhixiang Liang and Baidu, Inc., and between Xiaodong Wang and Baidu, Inc., dated March 31, 2018 (incorporated by reference to Exhibit 4.70 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019).</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.71	<u>Translation of Irrevocable Power of Attorney issued by Zhixiang Liang, an individual shareholder of Beijing Perusal, March 31, 2018 (incorporated by reference to Exhibit 4.71 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019)</u>
4.72	<u>Translation of Irrevocable Power of Attorney issued by Xiaodong Wang, an individual shareholder of Beijing Perusal, March 31, 2018 (incorporated by reference to Exhibit 4.72 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019)</u>
4.73	<u>Translation of the Exclusive Equity Purchase and Transfer Option Agreement among Baidu, Inc., Baidu Online, Zhixiang Liang and Beijing Perusal, dated March 31, 2018 (incorporated by reference to Exhibit 4.73 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019)</u>
4.74	<u>Translation of the Exclusive Equity Purchase and Transfer Option Agreement among Baidu, Inc., Baidu Online, Xiaodong Wang and Beijing Perusal, dated March 31, 2018 (incorporated by reference to Exhibit 4.74 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019)</u>
4.75	<u>Translation of the Termination Agreement of Current Control Contracts among Baidu Online, Beijing Perusal, Zhixiang Liang, Xiaodong Wang, and Baidu, Inc. dated June 28, 2018 (incorporated by reference to Exhibit 4.75 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2019)</u>
4.76	<u>Translation of the Amended and Restated Loan Agreement between Baidu Online and Robin Yanhong Li dated July 10, 2019 (incorporated by reference to Exhibit 4.83 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 13, 2020)</u>
4.77	<u>Translation of the Amended and Restated Exclusive Equity Purchase and Transfer Option Agreement among Baidu, Inc., Baidu Netcom, Baidu Online and Robin Yanhong Li dated July 10, 2019 (incorporated by reference to Exhibit 4.84 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 13, 2020)</u>
4.78	<u>Translation of the Amended and Restated Equity Pledge Agreement between Baidu Online and Robin Yanhong Li dated July 10, 2019 (incorporated by reference to Exhibit 4.85 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 13, 2020)</u>
4.79	<u>Translation of the Termination Agreement of Current Control Contracts among Baidu, Inc., Baidu Online, Baidu Netcom, Robin Yanhong Li and Hailong Xiang dated August 20, 2019 (incorporated by reference to Exhibit 4.86 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 13, 2020)</u>
4.80	<u>Translation of Proxy Agreement between Shanshan Cui and Baidu, Inc., dated August 20, 2019 (incorporated by reference to Exhibit 4.87 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 13, 2020)</u>
4.81	<u>Translation of the Operating Agreement among Baidu Online, Baidu Netcom, Shanshan Cui, and Robin Yanhong Li, dated August 20, 2019 (incorporated by reference to Exhibit 4.88 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 13, 2020)</u>
4.82	<u>Translation of the Loan Agreement between Baidu Online and Shanshan Cui dated August 20, 2019 (incorporated by reference to Exhibit 4.89 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 13, 2020)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.83	<u>Translation of the Exclusive Equity Purchase and Transfer Option Agreement among Baidu, Inc., Baidu Online, Shanshan Cui and Baidu Netcom dated August 20, 2019 (incorporated by reference to Exhibit 4.90 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 13, 2020)</u>
4.84	<u>Translation of the Equity Pledge Agreement between Baidu Online and Shanshan Cui dated August 20, 2019 (incorporated by reference to Exhibit 4.91 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 13, 2020)</u>
4.85	<u>Amended and Restated Share Purchase Agreement among the Buyer as defined therein, Baidu (Hong Kong) Limited, JOYY Inc. and certain investors party thereto, dated February 7, 2021 (incorporated by reference to Exhibit 4.85 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 9, 2021)</u>
4.86	<u>Translation of Termination Agreement among Baidu Online, Beijing Perusal, Zhixiang Liang, Lu Wang and our company, dated October 30, 2019 (incorporated by reference to Exhibit 4.86 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 9, 2021)</u>
4.87	<u>Translation of Operating Agreement among Baidu Online, Beijing Perusal, Zhixiang Liang and Shanshan Cui, dated October 30, 2019 (incorporated by reference to Exhibit 4.87 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 9, 2021)</u>
4.88	<u>Translation of Loan Agreement between Baidu Online and Shanshan Cui, dated October 30, 2019 (incorporated by reference to Exhibit 4.88 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 9, 2021)</u>
4.89	<u>Translation of Proxy Agreement between our company and Shanshan Cui, dated October 30, 2019 (incorporated by reference to Exhibit 4.89 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 9, 2021)</u>
4.90	<u>Translation of Exclusive Equity Purchase and Transfer Option Agreement among our company, Baidu Online, Shanshan Cui and Beijing Perusal, dated October 30, 2019 (incorporated by reference to Exhibit 4.90 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 9, 2021)</u>
4.91	<u>Translation of Pledge Agreement between Baidu Online and Shanshan Cui, dated October 30, 2019 (incorporated by reference to Exhibit 4.91 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 9, 2021)</u>
4.92	<u>Translation of Irrevocable Power of Attorney issued by Zhixiang Liang, an individual shareholder of Beijing Perusal, dated October 30, 2019 (incorporated by reference to Exhibit 4.92 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 9, 2021)</u>
4.93	<u>Translation of Irrevocable Power of Attorney issued by Shanshan Cui, an individual shareholder of Beijing Perusal, dated October 30, 2019 (incorporated by reference to Exhibit 4.93 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 9, 2021)</u>
4.94	<u>Translation of Exclusive Technology Consulting and Services Agreement, effective on December 1, 2011, between Beijing QIYI Century and Beijing Xinlian Xinde Advertisement Media Co., Ltd. (later renamed as Beijing iQIYI) (incorporated herein by reference to Exhibit 10.49 to the registration statement on Form F-1 (File No. 333-223263) filed by iQIYI, Inc. with the SEC on February 27, 2018)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.95	<u>Translation of Software Licensing Agreement, effective on December 1, 2011, between Beijing QIYI Century and Beijing Xinlian Xinde Advertisement Media Co., Ltd. (later renamed as Beijing iQIYI) (incorporated herein by reference to Exhibit 10.50 to the registration statement on Form F-1 (File No. 333-223263) filed by iQIYI, Inc. with the SEC on February 27, 2018)</u>
4.96	<u>Translation of Trademark Licensing Agreement, effective on December 1, 2011, between Beijing QIYI Century and Beijing Xinlian Xinde Advertisement Media Co., Ltd. (later renamed as Beijing iQIYI) (incorporated herein by reference to Exhibit 10.51 to the registration statement on Form F-1 (File No. 333-223263) filed by iQIYI, Inc. with the SEC on February 27, 2018)</u>
4.97	<u>Translation of Business Cooperation Agreement, effective on December 1, 2011, between Beijing QIYI Century and Beijing Xinlian Xinde Advertisement Media Co., Ltd. (later renamed as Beijing iQIYI) (incorporated herein by reference to Exhibit 10.52 to the registration statement on Form F-1 (File No. 333-223263) filed by iQIYI, Inc. with the SEC on February 27, 2018)</u>
4.98	<u>Translation of Amended and Restated Shareholder Voting Rights Trust Agreement between Beijing QIYI Century and Xiaohua Geng, dated January 30, 2013 (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1 (File No. 333-223263) filed by iQIYI, Inc. with the SEC on February 27, 2018)</u>
4.99	<u>Translation of Amended and Restated Share Pledge Agreement between Beijing QIYI Century and Xiaohua Geng, dated January 30, 2013 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 (File No. 333-223263) filed by iQIYI, Inc. with the SEC on February 27, 2018)</u>
4.100	<u>Translation of Commitment Letter issued by iQIYI, and Beijing QIYI Century, dated January 30, 2013 (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-223263) filed by iQIYI, Inc. with the SEC on February 27, 2018)</u>
4.101	<u>Translation of Amended and Restated Exclusive Purchase Option Agreement among iQIYI, Beijing QIYI Century, Beijing iQIYI and Xiaohua Geng, dated January 30, 2013 (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form F-1 (File No. 333-223263) filed by iQIYI, Inc. with the SEC on February 27, 2018)</u>
4.102	<u>Translation of Amended and Restated Loan Agreement between Beijing QIYI Century and Xiaohua Geng, dated January 30, 2013 (incorporated herein by reference to Exhibit 10.11 to the registration statement on Form F-1 (File No. 333-223263) filed by iQIYI, Inc. with the SEC on February 27, 2018)</u>
4.103	<u>Translation of Amended and Restated Business Operation Agreement among Beijing QIYI Century, Beijing iQIYI and Xiaohua Geng, dated January 30, 2013 (incorporated herein by reference to Exhibit 10.12 to the registration statement on Form F-1 (File No. 333-223263) filed by iQIYI, Inc. with the SEC on February 27, 2018)</u>
4.104	<u>Translation of Irrevocable Power of Attorney issued by Beijing QIYI Century, dated January 30, 2013 (incorporated herein by reference to Exhibit 10.13 to the registration statement on Form F-1 (File No. 333-223263) filed by iQIYI, Inc. with the SEC on February 27, 2018)</u>
4.105	<u>Translation of Spousal Consent Letter issued by the spouse of Xiaohua Geng, dated September 26, 2016 (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1 (File No. 333-223263) filed by iQIYI, Inc. with the SEC on February 27, 2018)</u>
4.106	<u>US\$3,000,000,000 Facilities Agreement between the Registrant and other parties thereto dated April 2, 2021 (incorporated by reference to Exhibit 4.106 of Form 6-K furnished with the Securities and Exchange Commission on August 18, 2021)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.107*	Investment Agreement, dated August 30, 2022, between iQIYI, PAGAC IV-1 (Cayman) Limited and PAG Pegasus Fund LP
4.108*	Deed of Amendment to the Investment Agreement, by and among iQIYI, PAGAC IV-1 (Cayman) Limited, and PAG Pegasus Fund LP, dated as of December 30, 2022
4.109*	Indenture, dated December 30, 2022, between iQIYI and Citicorp International Limited, as trustee
8.1*	List of Principal Subsidiaries and Variable Interest Entities
11.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 99.14 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Maples and Calder (Hong Kong) LLP
15.2*	Consent of Han Kun Law Offices
15.3*	Consent of Ernst & Young Hua Ming LLP
101.INS*	Inline XBRL Instance Document—this instance document does not appear in the Interactive Data File because its XBRL tags embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

** Furnished herewith

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Baidu, Inc.

By: /s/ Robin Yanhong Li

Name: Robin Yanhong Li

Title: Chairman and Chief Executive Officer

Date: March 22, 2023

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BAIDU, INC.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Baidu, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Baidu, Inc. (the Company) as of December 31, 2021 and 2022, the related consolidated statements of comprehensive income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 22, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment assessment of equity method investments and equity investments accounted for using the measurement alternative

Description of the Matter

As described in Notes 2, 4 and 26 to the consolidated financial statements, as of December 31, 2022, the Company's consolidated balance of equity method investments and equity investments accounted for using the measurement alternative was RMB25,940 million (US\$3,761 million) and RMB9,249 million (US\$1,341 million), respectively. For the year ended December 31, 2022, the Company recognized impairment losses of RMB569 million (US\$82 million) and RMB2,456 million (US\$356 million) for equity method investments and equity investments accounted for using the measurement alternative, respectively.

The Company evaluates its equity method investments for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable. Factors considered by the Company when determining whether an equity method investment has been other-than-temporarily-impaired, include, but are not limited to, the length of the time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the investee and the Company's intent and ability to retain the investment until the recovery of its cost. An impairment loss is recognized in earnings when the decline in value is determined to be other-than-temporary. For equity investments accounted for using the measurement alternative, the Company makes a qualitative assessment considering impairment indicators to evaluate whether investments are impaired at each reporting date. If a qualitative assessment indicates that an investment is impaired, the Company estimates the investment's fair value and recognizes an impairment loss if the fair value is less than the investment's carrying value.

Auditing the Company's impairment assessment was complex and highly judgmental due to the significant judgment involved in (i) management's assessment of whether indicators of impairment existed, and if so, determining whether (ii) a decline in value of equity method investments was other-than-temporary and (iii) investments in equity investments accounted for using the measurement alternative were impaired. In addition, auditing the fair value of the Company's investments in investees without observable market prices was highly judgmental due to the subjectivity of the unobservable inputs used by management in the valuation methodologies to determine the fair value for these investments, such

as selection of comparable companies and multiples, expected volatility, discount for lack-of-marketability and probability of exit events as it relates to liquidation and redemption preferences, when applicable. These unobservable inputs and resulting fair value estimates may be affected by unexpected changes in future market or economic conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's impairment review processes for equity method investments and equity investments accounted for using the measurement alternative. For example, we tested controls over management's identification and review of impairment indicators for these investments, and as necessary, management's review of the subsequent determination of whether impairment existed and the measurement of fair value.

To test the impairment assessment of equity method investments and equity investments accounted for using the measurement alternative, we performed audit procedures that included, among others, evaluating management's assessment as to whether indicators of impairment existed and investments were impaired by considering the financial condition and operating results of the investees, as well as other relevant market information. For equity method investments, we also evaluated management's determination as to whether an indicated impairment was other-than-temporary, considering factors such as the duration and magnitude of the decline in value and the Company's intent and ability to retain the investment until the recovery of its cost. We tested the completeness, accuracy and relevance of the underlying data used by management in the valuation models to determine fair value. With the assistance of our internal valuation specialists, we evaluated the appropriateness of the valuation methodologies used by management to determine the fair value of investments and tested the unobservable inputs used in the valuation methodologies by comparing certain assumptions to industry, business and market data/information available from third-party sources. We also independently developed our unobservable inputs and compared them to the Company's results, and involved our internal valuation specialists to assist with the application of these procedures.

/s/ Ernst & Young Hua Ming LLP

We have served as the Company's auditor since 2007.
Beijing, The People's Republic of China
March 22, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Baidu, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Baidu, Inc.'s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Baidu, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2022, the related consolidated statements of comprehensive income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2022, and the related notes and our report dated March 22, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young Hua Ming LLP

Beijing, The People's Republic of China
March 22, 2023

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BAIDU, INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in millions of Renminbi (“RMB”), and in millions of U.S. Dollars (“US\$”), except for number of shares and per share data)

	Notes	As of December 31,		
		2021 RMB	2022 RMB	2022 US\$
ASSETS				
Current assets:				
Cash and cash equivalents		36,850	53,156	7,707
Restricted cash		10,821	11,330	1,643
Short-term investments, net of allowance of RMB338 and RMB277 (US\$40) as of December 31, 2021 and 2022, respectively	4	143,243	120,839	17,520
Accounts receivable, net of allowance of RMB2,069 and RMB2,554 (US\$370) as of December 31, 2021 and 2022, respectively	8	9,981	11,733	1,701
Amounts due from related parties	24	1,368	5,432	788
Other current assets, net	9	11,052	10,360	1,501
Total current assets		213,315	212,850	30,860
Non-current assets:				
Fixed assets, net	10	23,027	23,973	3,476
Licensed copyrights, net	6	7,258	6,841	992
Produced content, net	7	10,951	13,002	1,885
Intangible assets, net	11	1,689	1,254	182
Goodwill	11	22,605	22,477	3,259
Long-term investment, net	4	59,418	55,297	8,017
Long-term time deposits and held-to-maturity investments	5	7,914	23,629	3,426
Amounts due from related parties	24	3,487	60	9
Deferred tax assets, net	17	2,372	2,129	309
Operating lease right-of-use assets	16	12,065	10,365	1,503
Other non-current assets	9	15,933	19,096	2,768
Total non-current assets		166,719	178,123	25,826
Total assets		380,034	390,973	56,686
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY				
Current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB30,592 and RMB30,368 (US\$4,402) as of December 31, 2021 and 2022, respectively):				
Short-term loans	13	4,168	5,343	775
Accounts payable and accrued liabilities	12	41,384	38,014	5,512
Customer deposits and deferred revenue		13,706	13,116	1,902
Deferred income		97	72	10
Long-term loans, current portion	13	2	—	—
Convertible senior notes, current portion	15	—	8,305	1,204
Notes payable, current portion	14	10,505	6,904	1,001
Amounts due to related parties	24	1,764	5,067	735
Operating lease liabilities	16	2,862	2,809	407
Total current liabilities		74,488	79,630	11,546
Non-current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB6,286 and RMB6,663 (US\$965) as of December 31, 2021 and 2022, respectively):				
Deferred income		129	159	23
Deferred revenue		223	331	48
Amounts due to related parties	24	3,268	99	14
Long-term loans	13	12,629	13,722	1,990
Notes payable	14	43,120	39,893	5,784
Convertible senior notes	15	12,652	9,568	1,387
Deferred tax liabilities	17	3,286	2,898	420
Operating lease liabilities	16	5,569	4,810	697
Other non-current liabilities		718	2,058	299
Total non-current liabilities		81,594	73,538	10,662
Total liabilities		156,082	153,168	22,208
Commitments and contingencies	19			
Redeemable noncontrolling interests	20	7,148	8,393	1,217
Equity				
Class A Ordinary Shares, par value US\$0.00000625 per share, 66,000,000,000 shares authorized, and 2,205,032,472 shares and 2,254,485,072 shares issued and outstanding as of December 31, 2021 and December 31, 2022, respectively	21	—	—	—
Class B Ordinary Shares, par value US\$0.00000625 per share, 2,832,000,000 shares authorized, and 559,300,320 shares and 542,100,320 shares issued and outstanding as of December 31, 2021 and December 31, 2022, respectively	21	—	—	—
Additional paid-in capital		73,888	79,855	11,578
Treasury stock	21	(7,581)	(5,264)	(763)
Retained earnings	21	145,160	148,341	21,507
Accumulated other comprehensive (loss) income	21	(8)	546	79
Total Baidu, Inc. shareholders' equity		211,459	223,478	32,401
Noncontrolling interests		5,345	5,934	860
Total equity		216,804	229,412	33,261
Total liabilities, redeemable noncontrolling interests and equity		380,034	390,973	56,686

The accompanying notes are an integral part of the consolidated financial statements.

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BAIDU, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in millions of Renminbi (“RMB”), and in millions of U.S. Dollars (“US\$”), including number of shares, except for per share (or ADS) data)

	Notes	For the Years Ended December 31,			
		2020 RMB	2021 RMB	2022 RMB	2022 US\$
Revenues:					
Online marketing services		72,840	80,695	74,711	10,832
Others		34,234	43,798	48,964	7,099
Total revenues	25	107,074	124,493	123,675	17,931
Operating costs and expenses:					
Cost of revenues		55,158	64,314	63,935	9,269
Selling, general and administrative		18,063	24,723	20,514	2,975
Research and development		19,513	24,938	23,315	3,380
Total operating costs and expenses		92,734	113,975	107,764	15,624
Operating profit		14,340	10,518	15,911	2,307
Other income (loss):					
Interest income		5,358	5,551	6,245	905
Interest expense		(3,103)	(3,421)	(2,913)	(422)
Foreign exchange (loss) gain, net		(660)	100	(1,484)	(215)
Share of losses from equity method investments	4	(2,248)	(932)	(1,910)	(277)
Others, net	4	9,403	(1,038)	(5,737)	(832)
Total other income (loss), net		8,750	260	(5,799)	(841)
Income before income taxes		23,090	10,778	10,112	1,466
Income taxes	17	4,064	3,187	2,578	374
Net income		19,026	7,591	7,534	1,092
Less: net loss attributable to noncontrolling interests		(3,446)	(2,635)	(25)	(4)
Net income attributable to Baidu, Inc.		22,472	10,226	7,559	1,096
Earnings per share for Class A and Class B ordinary shares (Note):					
Basic	22	8.19	3.58	2.50	0.36
Diluted		8.12	3.51	2.48	0.36
Earnings per ADS (1 ADS equals 8 Class A ordinary shares) (Note):					
Basic	22	65.54	28.64	20.02	2.90
Diluted		64.98	28.07	19.85	2.88
Weighted average number of Class A and Class B ordinary shares outstanding (in millions) (Note):					
Basic	22	2,732	2,758	2,782	2,782
Diluted		2,756	2,814	2,809	2,809
Other comprehensive income (loss):					
Foreign currency translation adjustments	21	1,936	(88)	(751)	(109)
Unrealized losses on available-for-sale investments, net of reclassification		(161)	(190)	(392)	(57)
Unrealized gains on derivatives		—	149	1,266	184
Other comprehensive income (loss), net of tax		1,775	(129)	123	18
Comprehensive income		20,801	7,462	7,657	1,110
Less: comprehensive loss attributable to noncontrolling interests		(3,253)	(2,557)	(456)	(66)
Comprehensive income attributable to Baidu, Inc.		24,054	10,019	8,113	1,176

Note: Basic and diluted earnings per share and the number of shares for the year ended December 31, 2020 had been retrospectively adjusted for the Share Subdivision that took effect on March 1, 2021 as detailed in Notes 1 and 22.

The accompanying notes are an integral part of the consolidated financial statements.

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BAIDU, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions of Renminbi (“RMB”), and in millions of U.S. Dollars (“US\$”))

	For the Years Ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
Cash flows from operating activities:				
Net income	19,026	7,591	7,534	1,092
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation of fixed assets and computer parts	5,772	5,884	6,477	939
Amortization and impairment of intangible assets	544	471	467	68
Deferred income tax, net	115	(449)	(99)	(14)
Share-based compensation	6,728	7,056	6,788	984
Allowance for credit losses	679	989	701	102
Investment and interest income	(11,966)	(3,930)	4,010	581
Amortization and impairment of licensed copyrights	11,864	10,083	7,781	1,128
Amortization and impairment of produced content	4,534	6,121	5,359	777
Impairment of other assets	2,928	4,445	3,058	443
Share of losses from equity method investments	2,248	932	1,910	277
Gain on disposal of subsidiaries	—	(45)	(868)	(126)
Loss (gain) on disposal of fixed assets	71	(81)	(58)	(8)
Barter transaction revenue	(1,376)	(1,244)	(876)	(127)
Accretion on convertible senior notes and asset-backed debt securities	501	618	146	21
Other non-cash expenses	739	372	598	88
Changes in operating assets and liabilities, net of effects of acquisitions and disposals:				
Accounts receivable	(1,660)	(2,144)	(2,369)	(343)
Amounts due from related parties	125	(695)	264	38
Licensed copyrights	(10,528)	(9,731)	(6,144)	(891)
Produced content	(6,728)	(10,492)	(7,391)	(1,072)
Other assets	(351)	(3,644)	965	139
Customer deposits and deferred revenue	1,177	622	(460)	(67)
Accounts payable and accrued liabilities and Other non-current liabilities	208	7,141	(1,450)	(209)
Deferred income	(293)	(29)	16	2
Amounts due to related parties	(157)	281	(189)	(27)
Net cash provided by operating activities	24,200	20,122	26,170	3,794
Cash flows from investing activities:				
Acquisition of fixed assets	(5,084)	(10,896)	(8,286)	(1,201)
Acquisition of businesses, net of cash acquired	(2,396)	(247)	(14)	(2)
Acquisition of intangible assets	(247)	(344)	(107)	(16)
Purchases of time deposit and held-to-maturity investments	(159,197)	(171,526)	(173,934)	(25,218)
Maturities of time deposit and held-to-maturity investments	134,299	156,700	178,831	25,928
Purchases of available-for-sale investments	(133,008)	(25,575)	(7,587)	(1,100)
Sales and maturities of available-for-sale investments	135,606	25,895	9,288	1,347
Purchases of equity investments	(4,467)	(3,395)	(3,628)	(526)
Proceeds from disposal of equity investments	6,523	9,908	1,984	288
Disposal of subsidiaries' shares	(486)	—	270	39
Loans provided to third parties	(5)	(810)	—	—
Loans provided to related parties	—	—	(859)	(125)
Repayment of loans provided to third parties	—	810	—	—
Repayment of loans provided to related parties	917	—	—	—
Prepayments made for the acquisition of businesses	—	(12,035)	—	—
Other investing activities	(7)	71	98	14
Net cash used in investing activities	(27,552)	(31,444)	(3,944)	(572)

The accompanying notes are an integral part of the consolidated financial statements.

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BAIDU, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Amounts in millions of Renminbi (“RMB”), and in millions of U.S. Dollars (“US\$”))

	For the Years Ended December 31,			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
Cash flows from financing activities:				
Proceeds from short-term loans	3,559	4,487	6,273	909
Repayments of short-term loans	(3,223)	(3,365)	(5,084)	(737)
Proceeds from long-term loans	—	12,673	—	—
Repayments of long-term loans	(709)	(7,277)	(11,451)	(1,660)
Repayment of loans borrowed from related parties	(356)	—	—	—
Proceeds from issuance of long-term notes, net of issuance costs	13,346	6,440	—	—
Repayment of long-term notes	(5,378)	—	—	—
Proceeds from issuance of convertible senior notes, net of issuance costs	5,151	633	3,449	500
Repayments of convertible senior notes	—	(4,751)	—	—
Proceeds from issuance of subsidiaries’ shares	4,662	684	1,227	178
Repurchase of ordinary shares	(13,054)	(7,581)	(1,925)	(279)
Proceeds from exercise of share options	228	335	200	29
Proceeds from issuance of redeemable noncontrolling interests	1,669	4,935	1,212	176
Acquisition of redeemable noncontrolling interests and noncontrolling interests in a subsidiary	—	(880)	(86)	(12)
Proceeds from Hong Kong listing, net of issuance costs	—	19,873	—	—
Return of equity to noncontrolling interest shareholders	—	(2,701)	—	—
Other financing activities	(230)	(109)	(205)	(30)
Net cash provided by/(used in) financing activities	5,665	23,396	(6,390)	(926)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(212)	(943)	1,729	251
Net increase in cash, cash equivalents and restricted cash	2,101	11,131	17,565	2,547
Cash, cash equivalents and restricted cash at the beginning of the year	34,439	36,540	47,671	6,912
Cash, cash equivalents and restricted cash at the end of the year	36,540	47,671	65,236	9,459
Supplemental disclosures:				
Interest paid	2,204	2,542	2,690	390
Income taxes paid	3,608	3,253	3,525	511
Non-cash investing and financing activities:				
Acquisition of fixed assets included in accounts payable and accrued liabilities	984	1,843	1,000	145
Reconciliation of cash, cash equivalents and restricted cash:				
Cash and cash equivalents	35,782	36,850	53,156	7,707
Restricted cash	758	10,821	11,330	1,643
Long-term restricted cash (<i>Note</i>)	—	—	750	109
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	36,540	47,671	65,236	9,459

Note: Long-term restricted cash was included in “Other non-current assets” in the consolidated balance sheet as of December 31, 2022.

The accompanying notes are an integral part of the consolidated financial statements.

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BAIDU, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in millions of Renminbi ("RMB"), except for number of shares)

	Attributable to Baidu, Inc.								Total shareholders' equity RMB
	Ordinary shares		Treasury Stock		Additional paid-in capital RMB	Retained earnings RMB	Accumulated other comprehensive (loss) income RMB	Noncontrolling interests RMB	
	Number of shares (Note)	Amount RMB	Number of shares	Amount RMB					
Balances at December 31, 2019	2,766,630,000	—	—	—	38,714	126,268	(1,383)	8,107	171,706
Cumulative effect of accounting change	—	—	—	—	—	(314)	—	(43)	(357)
Net income	—	—	—	—	—	22,472	—	(3,446)	19,026
Other comprehensive income	—	—	—	—	—	—	1,582	193	1,775
Business combinations	—	—	—	—	—	—	—	798	798
Issuance of shares by the Company's subsidiaries to noncontrolling interests	—	—	—	—	2,260	—	—	2,397	4,657
Exercise of share-based awards	38,595,040	—	—	—	302	—	—	—	302
Share-based compensation	—	—	—	—	5,749	—	—	645	6,394
Dividends payable by the Company's subsidiaries	—	—	—	—	—	—	—	(70)	(70)
Return of equity to noncontrolling interest shareholders	—	—	—	—	—	—	—	(2,704)	(2,704)
Accretion of redeemable noncontrolling interests	—	—	—	—	—	(88)	—	(39)	(127)
Repurchase and retirement of ordinary shares	(126,096,000)	—	—	—	—	(13,054)	—	—	(13,054)
Equity component of convertible senior notes issued by iQIYI, net of issuance costs	—	—	—	—	208	—	—	187	395
Others	—	—	—	—	(20)	—	—	20	—
Balances at December 31, 2020	2,679,129,040	—	—	—	47,213	135,284	199	6,045	188,741
Net income	—	—	—	—	—	10,226	—	(2,635)	7,591
Other comprehensive loss	—	—	—	—	—	—	(207)	78	(129)
Issuance of ordinary shares, net of issuance costs	95,000,000	—	—	—	19,873	—	—	—	19,873
Issuance of shares by the Company's subsidiaries to noncontrolling interests	—	—	—	—	279	—	—	432	711
Acquisition of redeemable noncontrolling interests and noncontrolling interests	—	—	—	—	(692)	—	—	727	35
Exercise of share-based awards	47,547,280	—	—	—	292	—	—	—	292
Share-based compensation	—	—	—	—	6,895	—	—	613	7,508
Dividends paid and payable by the Company's subsidiaries	—	—	—	—	—	—	—	(51)	(51)
Accretion of redeemable noncontrolling interests	—	—	—	—	—	(350)	—	(41)	(391)
Repurchase of ordinary shares	(57,343,528)	—	57,343,528	(7,581)	—	—	—	—	(7,581)
Reclassification from mezzanine equity to ordinary shares	—	—	—	—	—	—	—	153	153
Equity component of convertible senior notes issued by iQIYI, net of issuance costs	—	—	—	—	25	—	—	24	49
Others	—	—	—	—	3	—	—	—	3
Balances at December 31, 2021	2,764,332,792	—	57,343,528	(7,581)	73,888	145,160	(8)	5,345	216,804

Note: The number of shares for the year ended December 31, 2020 has been retrospectively adjusted for the Share Subdivision that took effect on March 1, 2021 as detailed in Notes 1 and 22.

The accompanying notes are an integral part of the consolidated financial statements.

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BAIDU, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)

(Amounts in millions of Renminbi ("RMB") except for number of shares)

	Attributable to Baidu, Inc.										
	Ordinary shares		Treasury Stock		Additional paid-in capital		Retained earnings		Accumulated other comprehensive (loss) income	Noncontrolling interests	Total shareholders' equity
	Number of shares (Note)	Amount RMB	Number of shares	Amount RMB	Additional paid-in capital RMB	Retained earnings RMB	Accumulated other comprehensive (loss) income RMB	Noncontrolling interests RMB			
Balances at December 31, 2021	2,764,332,792	—	57,343,528	(7,581)	73,888	145,160	(8)	5,345	216,804		
Cumulative effect of accounting change (Note 15)	—	—	—	—	(738)	398	13	(309)	(636)		
Net income	—	—	—	—	—	7,559	—	(25)	7,534		
Other comprehensive income	—	—	—	—	—	—	541	(431)	110		
Issuance of shares by the Company's subsidiaries to noncontrolling interests	—	—	—	—	224	—	—	1,024	1,248		
Acquisition of noncontrolling interests	—	—	—	—	(3)	—	—	(83)	(86)		
Exercise of share-based awards	49,560,000	—	(25,242,088)	4,242	132	(4,199)	—	—	175		
Share-based compensation	—	—	—	—	6,354	—	—	412	6,766		
Dividends paid and payable by the Company's subsidiaries	—	—	—	—	—	—	—	(20)	(20)		
Accretion of redeemable noncontrolling interests	—	—	—	—	—	(591)	—	(2)	(593)		
Disposal of subsidiaries' shares	—	—	—	—	—	14	—	23	37		
Repurchase of ordinary shares	(17,307,400)	—	17,307,400	(1,925)	—	—	—	—	(1,925)		
Others	—	—	—	—	(2)	—	—	—	(2)		
Balances at December 31, 2022	2,796,585,392	—	49,408,840	(5,264)	79,855	148,341	546	5,934	229,412		
Balances at December 31, 2022, in US\$	—	—	—	(763)	11,578	21,507	79	860	33,261		

Note: The number of shares for the year ended December 31, 2020 has been retrospectively adjusted for the Share Subdivision that took effect on March 1, 2021 as detailed in Notes 1 and 22.

The accompanying notes are an integral part of the consolidated financial statements

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BAIDU, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. ORGANIZATION AND BASIS OF PRESENTATION

Baidu, Inc. (“Baidu” or the “Company”) was incorporated under the laws of the Cayman Islands on January 18, 2000. The Company, its subsidiaries, variable interest entities (“VIEs”) and subsidiaries of the VIEs are hereinafter collectively referred to as the “Group.”

As of December 31, 2022, the Company has subsidiaries incorporated in countries and jurisdictions including mainland China, Hong Kong, Japan, Cayman Islands and British Virgin Islands (“BVI”). As of December 31, 2022, the Company also effectively controls a number of VIEs through the Primary Beneficiaries, as defined below. The VIEs include:

- Beijing Baidu Netcom Science Technology Co., Ltd. (“Baidu Netcom”), controlled by the Company;
- Beijing Perusal Technology Co., Ltd. (“Beijing Perusal”), controlled by the Company;
- Beijing iQIYI Science & Technology Co., Ltd. (“Beijing iQIYI”), and other VIEs controlled by iQIYI, Inc. (“iQIYI VIEs”); and
- Other VIEs controlled by the Company or the Company’s subsidiaries.

The Group’s operations are consisting of Baidu Core and iQIYI. Baidu Core offers online marketing services, and other services including cloud services and other growth initiatives including intelligent driving, Xiaodu smart devices, etc. iQIYI is an innovative market-leading online entertainment service in China and offers membership services, online advertising services, content distribution and other services. iQIYI’s platform features iQIYI original content, as well as a comprehensive library of other professionally produced content (PPC), professional user generated content (PUGC) and user-generated content. The Group’s principal geographic market is in mainland China. The Company does not conduct any substantive operations of its own, but conducts its primary business operations through its subsidiaries incorporated in mainland China and contractual arrangements with the variable interest entities based in mainland China.

The Group’s internet content services, value-added telecommunication-based services, internet map services, online audio and video services, and mobile application distribution businesses in mainland China have been conducted through the applicable VIEs in order to comply with the laws and regulations of mainland China, which restrict and impose conditions on foreign direct investment in companies involved in the provision of such businesses. To comply with these foreign ownership restrictions, the Group operates its websites and primarily provides services subject to such restriction in mainland China through the VIEs, the mainland China legal entities that were established or whose equity shares were held by the individuals authorized by the Group. The paid-in capital of the VIEs was mainly funded by the Company or its subsidiaries through loans extended to the authorized individuals who were the shareholders of the VIEs. The Company or its subsidiaries has entered into proxy agreements/shareholder voting rights trust agreements/ powers of attorney and exclusive equity purchase and transfer option agreement or exclusive purchase option agreement with the VIEs and nominee shareholders of the VIEs, which give the Primary Beneficiaries the power to direct the activities that most significantly affect the economic performance of the VIEs and to acquire the equity interests in the VIEs when permitted by the laws of mainland China, respectively. Certain exclusive agreements have been entered into with the VIEs through the Primary Beneficiaries or their wholly-owned subsidiaries in mainland China, which obligate the Primary Beneficiaries to absorb losses or receive economic benefits of the VIEs’ that could potentially be significant to the VIEs or entitle the Primary Beneficiaries to receive economic benefits from the VIEs that could potentially be significant to the VIEs. In addition, the Group has entered into certain agreements with the shareholders of the VIEs through the Primary Beneficiaries or their wholly-owned subsidiaries, including loan agreements for the paid-in capital of the VIEs and equity pledge agreements for the equity interests in the VIEs held by the shareholders of the VIEs.

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BAIDU, INC. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022

The shareholders of the VIEs effectively assigned all of their voting rights underlying their equity interest in the VIEs to the Primary Beneficiaries. In addition, through the other exclusive agreements, which consist of exclusive equity purchase and transfer option agreements/exclusive purchase option agreements, commitment letters, operating agreements/business operation agreements, exclusive technology consulting and services agreements and license agreements, the Primary Beneficiaries, by themselves or their wholly-owned subsidiaries in mainland China, demonstrate their ability and intention to continue to exercise the ability to absorb losses or receive economic benefits that could potentially be significant to the VIEs. The VIEs are subject to operating risks, which determine the variability of the Company's interest in those entities. Based on these contractual arrangements, the Company consolidates the VIEs as required by Accounting Standards Codification ("ASC") Topic 810, *Consolidation*.

Unrecognized revenue-producing assets held by the VIEs include certain internet content provisions and other licenses, domain names and trademarks. The internet content provisions and other licenses, which are held by the VIEs that provide the relevant services, are required under the relevant laws of mainland China, rules and regulations for the operation of Internet businesses in mainland China, and therefore are integral to the Company's operations.

The principal terms of the agreements entered into amongst the VIEs, their respective shareholders and the Primary Beneficiaries are further described below.

Proxy Agreements/Shareholder Voting Rights Trust Agreements/Powers of Attorney

Pursuant to the proxy agreement between the Company and the shareholders of Baidu Netcom, the shareholders of Baidu Netcom agreed 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. The shareholders of Baidu Netcom have each 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 would be in effect for an unlimited term unless terminated in writing by the Company. The power of attorney would be in effect for as long as the shareholders of Baidu Netcom hold any equity interests in Baidu Netcom.

Each of the proxy agreements or shareholder voting rights trust agreements amongst the Company or other subsidiaries and the shareholders of Beijing Perusal and other VIEs 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 will be in effect for as long as the shareholder of Beijing Perusal or other VIEs, including iQIYI VIEs, holds any equity interests in Beijing Perusal or other VIEs, including iQIYI VIEs, as the case may be.

Exclusive Equity Purchase and Transfer Option Agreements/ Exclusive Purchase Option Agreements

Pursuant to the exclusive equity purchase and transfer option agreement amongst the shareholders of Baidu Netcom, the Company and Baidu Online, the shareholders of Baidu Netcom irrevocably granted the Company or its designated person(s) (including Baidu Online) an exclusive option to purchase, to the extent permitted under the laws of mainland China, 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 laws of mainland China. The shareholders of Baidu Netcom 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)

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have sole discretion to decide when to exercise the option, whether in part or in full. Any and all dividends and other capital distributions made by Baidu Netcom to its shareholders must be repaid to the Company in full amount. The Company or its designated person(s) (including Baidu Online) also have the exclusive right to cause the shareholders of Baidu Netcom to transfer their equity interest in Baidu Netcom to the Company or any designated third party. The Company would provide unlimited financial support to Baidu Netcom if, in the normal operation of business, Baidu Netcom would become in need of any form of reasonable financial support. 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 given that Baidu Netcom provides sufficient proof for its loss and incapacity to repay. In addition, the shareholders of Baidu Netcom must appoint the candidates recommended by Baidu Online as their representatives on Baidu Netcom's board of directors. The agreement will terminate when the shareholders of Baidu Netcom have transferred 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 agreement/exclusive purchase option agreement 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 original term of the amended and restated exclusive purchase option agreement amongst iQIYI, Beijing QIYI Century, Beijing iQIYI and its shareholder is ten years, which has been extended to November 22, 2032, and can be further renewed at iQIYI's discretion.

Exclusive Technology Consulting and Services Agreements

Pursuant to the exclusive technology consulting and services agreement between Baidu Online and Baidu Netcom, Baidu Online has the exclusive right to provide technology consulting and services related to, among other things, the maintenance of servers, software development, design of advertisements, and e-commerce technical services to Baidu Netcom. 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.

Each of the exclusive technology consulting and services agreements between Baidu Online or other subsidiaries and Beijing Perusal or other VIEs, including iQIYI VIEs, contains substantially the same terms as those described above, except the basis of determining the service fees may differ and that the original 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 for another ten years to November 23, 2031 in December 2020, and can be further renewed at the discretion of Beijing QIYI Century.

Operating Agreements/Business Operation Agreements

Pursuant to the operating agreement amongst Baidu Online, Baidu Netcom and the shareholders of Baidu Netcom, Baidu Online provides guidance and instructions on Baidu Netcom's daily operations, financial affairs and employment and dismissal of staff. 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

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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 Baidu Online or Baidu Netcom 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 original term of the agreement dated January 30, 2013 is ten years, which has been extended for another ten years to January 30, 2033 in December 2020, and can be further renewed at Beijing QIYI Century's discretion.

Loan Agreements

Pursuant to loan agreements amongst the shareholders of Baidu Netcom and Baidu Online Network Technology (Beijing) Co., Ltd. ("Baidu Online"), one of the Company's subsidiaries, Baidu Online provided interest-free loans in an aggregate amount of RMB13.4 billion (US\$1.9 billion) to the 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 shareholders' equity interest in Baidu Netcom to Baidu Online or its designated person. The term of the loan agreements will expire on July 9, 2029 and August 19, 2029, and can be extended with the written consent of both parties before its expiration.

Pursuant to loan agreements amongst the shareholders of Baidu Perusal and Baidu Online, the amount of loans extended to the respective shareholders of Beijing Perusal is RMB3.2 billion (US\$464 million). The term of the loan agreements will expire on March 30, 2028 and October 29, 2029, and can be extended with the written consent of both parties before its expiration. Each of the loan agreements amongst Baidu Online or other subsidiaries and the respective shareholders of Beijing Perusal or other VIEs, including iQIYI VIEs, contains substantially the same terms as those described above, except that the amount of the loans and the contract expiration date varies. The term of the loan agreement amongst Beijing QIYI Century Science & Technology Co., Ltd ("Beijing QIYI Century", a wholly-owned foreign enterprise of iQIYI) and the shareholder of Beijing iQIYI expires on June 23, 2021 originally, which was extended in December 2020 for another ten years to June 23, 2031 and can be further extended upon the written notification from Beijing QIYI Century.

Equity Pledge Agreements

Pursuant to the equity pledge agreement between Baidu Online and the shareholders of Baidu Netcom, the shareholders of Baidu Netcom pledged all of their equity interests in Baidu Netcom to Baidu Online to guarantee their obligations under the loan agreement and Baidu Netcom's performance of its obligations under the exclusive technology consulting and services agreement. If Baidu Netcom or its 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 shareholders of Baidu Netcom agreed 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 Baidu Netcom and its shareholders have completed all their respective obligations under the exclusive technology consulting and services agreement and the loan agreement, but such agreement will expire two years after expiration of the term of the obligations of Baidu Netcom and its shareholders under the exclusive technology consulting and service agreement and the loan agreements if they fail to fulfill such obligations thereunder.

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

Business Cooperation Agreement

Pursuant to the business cooperation agreement amongst 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 platform, 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 original term of this agreement is ten years, which has been extended for another ten years to November 23, 2031, and can be further renewed at Beijing QIYI Century's discretion.

License Agreements

Baidu Online and Baidu Netcom entered into a software license agreement and a web layout copyright license agreement (collectively, the "License Agreements"). Pursuant to the License Agreements between Baidu Online and Baidu Netcom, 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 were renewed since their original expiration and would 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.

Baidu Online entered into web layout copyright license agreements with Beijing Perusal. Each of the license agreements between Baidu Online and Beijing Perusal or other VIEs contains substantially the same terms as those described above. Each of the web layout copyright license agreements were renewed in 2013 and would 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.

Pursuant to the trademark license agreement and the software usage license agreement amongst 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 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 five years after its initial term, and was extended for another ten years to December 1, 2031, and is further renewable at the discretion of Beijing QIYI Century.

Commitment Letters

Pursuant to the commitment letter dated January 30, 2013, under the condition that Beijing iQIYI remains as a variable interest entity of iQIYI under United States generally accepted accounting principles ("U.S. GAAP") and the relevant contractual arrangements remain in effect, iQIYI commits to provide unlimited financial support

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to Beijing iQIYI, if Beijing iQIYI requires any form of reasonable financial support for its normal business operations. If Beijing iQIYI incurs any losses and as a result cannot repay its loans from iQIYI and Beijing QIYI Century, one of iQIYI's subsidiaries, iQIYI and Beijing QIYI Century would unconditionally forgive their loans to Beijing iQIYI, if Beijing iQIYI provides sufficient proof for its loss and incapacity to repay.

The commitment letters executed by other iQIYI VIEs contain terms similar to the terms described above.

Through the contractual arrangements, the shareholders of the VIEs effectively assigned their full voting rights to the Company or its subsidiaries, which gives the Company or its subsidiaries the power to direct the activities that most significantly impact the VIEs' economic performance. The Company or its subsidiaries obtain the ability to approve decisions made by the VIEs and the ability to acquire the equity interests in the VIEs when permitted by the laws of mainland China. The Company or its subsidiaries are obligated to absorb losses or receive economic benefits of the VIEs that could potentially be significant to the VIEs through providing unlimited financial support to the VIEs or are entitled to receive economic benefits from the VIEs that could potentially be significant to the VIEs through the exclusive technology consulting and service fees. As a result of these contractual agreements, the Company or its subsidiaries are determined to be the primary beneficiary of the VIEs and consolidates the VIEs as required by ASC Topic 810, *Consolidation*.

Through the contractual arrangements, the shareholders of the iQIYI VIEs effectively assigned all of their voting rights underlying their equity interest in iQIYI VIEs to iQIYI. In addition, through the other exclusive agreements, which consist of the operation agreements, business cooperating agreements, exclusive technology consulting and services agreements and trademark and software usage license agreements, iQIYI, through its wholly-owned subsidiaries in mainland China, have the right to receive economic benefits from iQIYI VIEs that potentially could be significant to iQIYI VIEs. Lastly, through the commitment letters, iQIYI has the obligation to absorb losses of iQIYI VIEs that could potentially be significant to iQIYI VIEs. Therefore, iQIYI is considered the primary beneficiary of iQIYI VIEs and consolidates iQIYI VIEs and their subsidiaries.

In the opinion of the Company's legal counsel, (i) the ownership structure relating to the VIEs of the Company is in compliance with the laws and regulations of mainland China; (ii) the contractual arrangements with the VIEs and their shareholders constituted legal, valid and binding obligations of such party, and is enforceable against such party in accordance with their respective terms; and (iii) the execution, delivery and performance by the VIEs and their shareholders, and the contractual arrangements as a whole, do not result in any violation of the provisions of the articles of association and business licenses of the VIEs, and any violation of any current laws and regulations of mainland China.

However, uncertainties in the PRC legal system could cause the Company's current ownership structure to be found in violation of any existing and/or future laws or regulations of mainland China and could limit the Company's ability, through the Primary Beneficiaries, to enforce its rights under these contractual arrangements. Furthermore, shareholders of the VIEs may have interests that are different with those of the Company, which could potentially increase the risk that they would seek to breach the existing terms of the aforementioned agreements.

On January 1, 2020, the Foreign Investment Law came into effect and became the principal laws and regulations governing foreign investment in mainland China. The Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, but it contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. There are uncertainties regarding the interpretation of the Foreign Investment Law with respect to the contractual arrangements as a form of foreign investment. Since the VIEs' internet content services, value-added telecommunication-based services, internet map services, online audio and

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video services and mobile application distribution businesses in mainland China are included in the negative list or subject to the restrictions on foreign investment, if any of the VIEs would be deemed as a foreign invested enterprise, the Company's current organizational structure could be in violation of existing and/or future laws or regulations of mainland China and could limit the Company's ability, through the Primary Beneficiaries, to enforce its rights under these contractual arrangements with the VIEs and the Company's ability to conduct business through the VIEs could be severely limited.

In addition, if the current organizational structure or any of the contractual arrangements were found to be in violation of any existing and/or future laws or regulations of mainland China, the Company may be subject to penalties, which may include but not be limited to, the cancellation or revocation of the Company's business and operating licenses, being required to restructure the Company's operations or discontinue the Company's operating activities. The imposition of any of these or other penalties may cause the Company to lose its right to direct the activities that most significantly impact the VIEs and/or the right to receive economic benefits that could potentially be significant to the VIEs based on the contractual arrangements, which may result in the Company no longer being able to consolidate the financial results of the VIEs in the consolidated financial statements.

Furthermore, shareholders of the VIEs may have interests that are different with those of the Company, which could potentially increase the risk that they would seek to breach the existing terms of the aforementioned agreements.

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The following tables set forth the financial statement balances and amounts of the VIEs and their subsidiaries included in the consolidating financial statements after the elimination of intercompany balances and transactions among VIEs and their subsidiaries within the Group.

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
(In millions)			
Assets			
Cash and cash equivalents	2,879	3,781	548
Short-term investments, net	2,986	4,650	674
Accounts receivable, net	7,490	8,408	1,219
Others	8,074	8,487	1,230
Total current assets	21,429	25,326	3,671
Fixed assets, net	8,905	7,624	1,105
Intangible assets, net	1,614	1,209	175
Licensed copyrights, net	2,289	1,952	283
Produced content, net	10,426	12,534	1,817
Long-term investments, net	22,998	18,157	2,633
Long-term time deposits and held-to-maturity investments	—	300	43
Investments in subsidiaries	106	—	—
Operating lease right-of-use assets	7,076	5,460	792
Others	10,697	10,829	1,569
Total non-current assets	64,111	58,065	8,417
Total	85,540	83,391	12,088
Liabilities			
Accounts payable and accrued liabilities	18,352	15,749	2,283
Customer deposits and deferred revenue	6,050	7,387	1,071
Operating lease liabilities	2,619	2,554	370
Others	3,571	4,678	678
Total current third-party liabilities	30,592	30,368	4,402
Operating lease liabilities	5,253	4,565	662
Others	1,033	2,098	303
Total non-current third-party liabilities	6,286	6,663	965
Amounts due to the entities within Baidu ⁽¹⁾	19,744	18,743	2,718
Total	56,622	55,774	8,085

Note:

(1) It represents the elimination of intercompany balances among Baidu, Inc., our subsidiaries and the VIEs and VIEs' subsidiaries.

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The carrying amounts of the assets, liabilities and the results of operations of the VIEs and their subsidiaries are presented in aggregate due to the similarity of the purpose and design of the VIEs and their subsidiaries, the nature of the assets in these VIEs and their subsidiaries and the type of the involvement of the Company in these VIEs and their subsidiaries.

	For the years ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
	(In millions)			
Total revenues	52,666	61,380	62,121	9,007
Net income (loss)	2,091	(220)	212	31
Net cash provided by operating activities	4,616	4,121	2,938	426
Net cash used in investing activities	(8,382)	(7,551)	(1,898)	(275)
Net cash provided by/(used in) financing activities	3,859	3,999	(64)	(9)

As of December 31, 2022 there was no pledge or collateralization of the VIEs' assets that can only be used to settle obligations of the VIEs, other than aforementioned in the equity pledge agreements and collateralization of a VIE's office building or restricted cash for iQIYI's short-term loans (Note 13). The amount of the net assets of the VIEs was RMB27.6 billion (US\$4.0 billion) as of December 31, 2022. The creditors of the VIEs' third-party liabilities did not have recourse to the general credit of the Company in normal course of business. The Company did not provide or intend to provide financial or other supports not previously contractually required to the VIEs during the years presented.

Basis of Presentation

The consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP").

Effective on March 1, 2021, each share of Class A ordinary shares, Class B ordinary shares and preferred shares of a par value of US\$0.00005 each in the share capital of the Company (including authorized issued and unissued Class A ordinary shares, Class B ordinary shares and preferred shares) was sub-divided into 80 shares of a par value of US\$0.00000625 each (the "Share Subdivision"). Following the Share Subdivision, the authorized share capital of the Company became US\$43,520 divided into 66,000,000,000 Class A ordinary shares of a par value of US\$0.00000625 each, 2,832,000,000 Class B ordinary shares of a par value of US\$0.00000625 each and 800,000,000 preferred shares of a par value of US\$0.00000625 each. The number of issued and unissued Class A ordinary shares, Class B ordinary shares and preferred shares as disclosed elsewhere in the consolidated financial statements are presented on a basis after taking into account the effects of the Share Subdivision and have been retrospectively adjusted, where applicable. Simultaneously with the Share Subdivision, the change in ratio of the Company's ADS to Class A ordinary share (the "ADS Ratio Change") also became effective. Following the ADS Ratio Change, each ADS now represents eight Class A ordinary shares. Previously, ten ADSs represented one Class A ordinary share. Given that the ADS Ratio Change was exactly proportionate to the Share Subdivision, no new ADSs were issued to any ADS holder and the total number of the Company's outstanding ADSs remains unchanged immediately after the Share Subdivision and the ADS Ratio Change became effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, VIEs and subsidiaries of the VIEs. All inter-company transactions and balances between the Company, its subsidiaries,

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VIEs and subsidiaries of the VIEs have been eliminated upon consolidation. The Group included the results of operations of the acquired businesses from their respective dates of acquisition.

Comparative Information

The Group separately discloses “Long-term time deposits and held-to-maturity investments” in the consolidated balance sheet as of December 31, 2022 and the comparative information has been adjusted to conform with the current year’s presentation to facilitate comparison.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Management evaluates estimates, including those related to the standalone selling prices of performance obligations and amounts of variable considerations of revenue contracts, the allowance for credit losses of accounts receivable, contract assets, receivables from online payment agencies, amounts due from related parties and debt securities, fair values of certain debt and equity investments, future viewership consumption patterns and useful lives of licensed copyrights and produced content, future revenues generated by the broadcasting and sublicensing rights of content assets (licensed and produced), ultimate revenue of produced content predominantly monetized on its own, fair values of licensed copyrights and produced contents monetized as a film group or individually, fair value of nonmonetary content exchanges, the useful lives of our property and equipment, impairment of long-lived assets, long-term investments and goodwill, the purchase price allocation and fair value of pre-existing equity interests, noncontrolling interests and redeemable noncontrolling interests, deferred tax valuation allowance, the fair value of share-based awards and estimated forfeitures for share-based awards among others. Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

Change in Accounting Estimate

In 2021, the Group reviewed and revised the estimated useful life of its servers from four years to five years. As a result of these revisions, depreciation expense decreased by RMB982 million, net income increased by RMB814 million, and basic and diluted net earnings per Class A and Class B ordinary share increased by RMB0.28 and RMB0.28, respectively, for the year ended December 31, 2021.

Currency Translation for Financial Statements Presentation

Translations of amounts from RMB into U.S. dollars (US\$) for the convenience of the reader have been calculated at the exchange rate of RMB6.8972 per US\$1.00 on December 30, 2022, the last business day in fiscal year 2022, as published on the website of the United States Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at such rate.

Foreign Currency

The Company’s functional currency is the US\$. The Company’s subsidiaries, VIEs and subsidiaries of the VIEs determine their functional currencies based on the criteria of ASC Topic 830, *Foreign Currency Matters*. The Group uses the RMB as its reporting currency. The Group uses the exchange rate as of the balance sheet date to translate its assets and liabilities and the average daily exchange rate for each month to translate its income and

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expense items to reporting currency. Any translation gains (losses) are recorded in other comprehensive income (loss). Transactions denominated in foreign currencies are measured and recorded into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies other than functional currency are remeasured into the functional currency at the exchange rates prevailing at the balance sheet date. Exchange gains and losses are included in earnings as a component of “Other income, net.”

Segment Reporting

As of December 31, 2021 and 2022, the Group had two reportable segments, Baidu Core and iQIYI. Baidu Core mainly provides search-based, feed-based and other online marketing services, as well as products and services from its new AI initiatives. iQIYI is an online entertainment service provider that offers original, professionally produced and partner-generated content on its platform. In early April 2018, iQIYI completed its initial public offering (“IPO”) on the Nasdaq Global Market.

The Group’s chief executive officer, who has been identified as the chief operating decision maker (“CODM”), reviews the operating results of Baidu Core and iQIYI, to allocate resources and assess the Group’s performance. Accordingly, the financial statements include segment information which reflects the current composition of the reportable segments in accordance with ASC Topic 280, *Segment Reporting*.

Business Combinations

The Group accounts for its business combinations using the purchase method of accounting in accordance with ASC Topic 805, *Business Combinations*. The purchase method of accounting requires that the consideration transferred to be allocated to the assets, including separately identifiable assets and liabilities the Group acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total cost of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interests in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the re-measurement gain or loss, if any, is recognized in “Others, net” in the consolidated statements of comprehensive income.

The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and noncontrolling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity’s current business model and industry comparisons.

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Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents

Cash and cash equivalents primarily consist of cash, money market funds, investments in interest bearing demand deposit accounts, time deposits and highly liquid investments with original maturities of three months or less from the date of purchase and are stated at cost which approximates their fair value.

Restricted cash

Restricted cash mainly represents amounts deposited and held in escrow for the acquisition of YY live which has not been closed yet and restricted deposits used as security against convertible senior notes.

In the event that the obligation to maintain such restricted deposits is expected to be terminated within the next twelve months, these deposits are classified as current assets, included in “Restricted cash” in the consolidated balance sheets. Otherwise, they are classified as non-current assets, included in “Other non-current assets” in the consolidated balance sheets.

Accounts Receivable and Contract Assets, net

Accounts receivable are recognized and carried at the original invoiced amount less an allowance for credit losses. The Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer is recognized as a contract asset. The Group maintains an allowance for credit losses in accordance with ASC Topic 326, *Credit Losses* (“ASC 326”) and records the allowance for credit losses as an offset to accounts receivable and contract assets, and the estimated credit losses charged to the allowance is classified as “Selling, general and administrative” in the consolidated statements of comprehensive income. The Group assesses collectability by reviewing accounts receivable and contract assets on a collective basis where similar characteristics exist, primarily based on similar business line, service or product offerings and on an individual basis when the Group identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Group considers historical collectability based on past due status, the age of the accounts receivable balances and contract assets balances, credit quality of the Group’s customers based on ongoing credit evaluations, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect the Group’s ability to collect from customers.

Receivables from Online Payment Agencies, net

Receivables from online payment agencies are funds due from the third-party online payment service providers for clearing transactions and are included in “Other current assets, net” on the consolidated balance sheets. Funds were paid or deposited by customers or users through these online payment agencies for services provided by the Group. The Group considers and monitors the credit worthiness of the third-party payment service providers and recognizes credit losses based on ongoing credit evaluations. Receivable balances are written off when they are deemed uncollectible. As of December 31, 2021 and 2022, allowance for credit losses provided for the receivables from online payment agencies were insignificant.

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Investments

Short-term investments

All highly liquid investments with original maturities less than twelve months are classified as short-term investments. Investments that are expected to be realized in cash during the next twelve months are also included in short-term investments.

The Group accounts for short-term debt investments in accordance with ASC Topic 320, *Investments – Debt Securities* (“ASC 320”). The Group classifies the short-term investments in debt securities as held-to-maturity, trading or available-for-sale, whose classification determines the respective accounting methods stipulated by ASC 320. Dividend and interest income, including amortization of the premium and discount arising at acquisition, for all categories of investments in securities are included in earnings. Any realized gains or losses on the sale of the short-term investments are determined on a specific identification method, and such gains and losses are reflected in earnings during the period in which gains or losses are realized.

Securities that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and stated at amortized cost less allowance for credit losses.

Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities, in accordance with ASC 320. Unrealized holding gains and losses for trading securities are included in earnings.

Debt investments not classified as trading or as held-to-maturity are classified as available-for-sale debt securities, which are reported at fair value, with unrealized gains and losses recorded in “Accumulated other comprehensive income (loss)” on the consolidated balance sheets.

The allowance for credit losses of the held-to-maturity debt securities reflects the Group’s estimated expected losses over the contractual lives of the held-to-maturity debt securities and is charged to “Others, net” in the consolidated statements of comprehensive income. Estimated allowance for credit losses is determined by considering reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions. As of December 31, 2021 and 2022, the allowance for credit losses provided for the held-to-maturity debt securities held by the Group was RMB338 million and RMB277 million (US\$40 million), respectively.

Long-term investments

The Group’s long-term investments consist of equity method investments, equity investments with readily determinable fair value, equity investments without readily determinable fair value, equity investments in private equity funds, other investments accounted for at fair value and available-for-sale debt investments.

Investments in entities in which the Group can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC Topic 323, *Investments-Equity Method and Joint Ventures* (“ASC 323”). Under the equity method, the Group initially records its investment at cost and the difference between the cost of the equity investee and the amount of the underlying equity in the net assets of the equity investee is accounted for as if the investee were a consolidated subsidiary. The Group subsequently adjusts the carrying amount of its investment to recognize the Group’s proportionate share of each equity investee’s net income or loss into earnings after the date of investment and its share of each equity investee’s movement in accumulated other comprehensive income or loss is recognize in other comprehensive income (loss). When calculating its proportionate share of each equity investee’s net

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income or loss, the Group adjusts the net income or loss of equity investee to include accretion of preferred stock that is classified in temporary equity in the investee's financial statements, into earnings. The Group will discontinue applying the equity method if an investment (plus additional financial support provided to the investee, if any) has been reduced to zero. When the Group has other investments in its equity-method investee and is not required to advance additional funds to that investee, the Group would continue to report its share of equity method losses in its consolidated statements of comprehensive income after its equity-method investment in ordinary shares has been reduced to zero, to the extent of and as an adjustment to the adjusted basis of the Group's other investments in the investee. Such losses are first applied to those investments of a lower liquidation preference before being further applied to the investments of a higher liquidation preference. The Group adopted a one-quarter lag in reporting for its share of equity income/(loss) in majority of its equity method investees.

The Group evaluates its equity method investments for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable. Factors considered by the Group when determining whether an investment has been other-than-temporarily-impaired, include, but are not limited to, the length of the time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the investee, and the Group's intent and ability to retain the investment until the recovery of its cost. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary and is allocated to the individual net assets underlying equity method investments in the following order: 1) reduce any equity method goodwill to zero; 2) reduce the individual basis differences related to the investee's long-lived assets pro rata based on their amounts relative to the overall basis difference at the impairment date; and 3) reduce the individual basis difference of the investee's remaining assets in a systematic and rational manner.

For equity investments in private equity funds, over which the Group does not have the ability to exercise significant influence, are measured using the net asset value per share based on the practical expedient in ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820") ("NAV practical expedient").

For equity securities without readily determinable fair value and do not qualify for the NAV practical expedient, the Group elects to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. Significant judgments are required to determine (i) whether observable price changes are orderly transactions and identical or similar to an investment held by the Group; and (ii) the selection of appropriate valuation methodologies and underlying assumptions, including expected volatility and the probability of exit events as it relates to liquidation and redemption features used to measure the price adjustments for the difference in rights and obligations between instruments. Equity securities with readily determinable fair values are measured at fair value, and any changes in fair value are recognized in "Others, net" in the consolidated statements of comprehensive income.

For equity investments measured at fair value with changes in fair value recorded in earnings, the Group does not assess whether those securities are impaired. For equity investments that the Group elects to use the measurement alternative, the Group makes a qualitative assessment considering impairment indicators to evaluate whether investments are impaired at each reporting date. Impairment indicators considered include, but are not limited to, a significant deterioration in the earnings performance or business prospects of the investee, including factors that raise significant concerns about the investee's ability to continue as a going concern, a significant adverse change in the regulatory, economic, or technologic environment of the investee and a significant adverse change in the general market condition of either the geographical area or the industry in which the investee operates. If a qualitative assessment indicates that the investment is impaired, the entity has to estimate the investment's fair

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value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the Group recognizes an impairment loss in earnings equal to the difference between the carrying value and fair value.

In accordance with ASC Subtopic 946-320, *Financial Services—Investment Companies, Investments—Debt and Equity Securities* (“ASC 946-320”), the Group accounts for long-term equity investments in unlisted companies held by consolidated investment companies at fair value. These investments were initially recorded at their transaction price net of transaction costs, if any. Fair values of these investments are re-measured at each reporting date in accordance with ASC 820.

Available-for-sale debt investments are convertible debt instruments issued by private companies and investments in preferred shares that are currently redeemable at the Group's option, which are measured at fair value. Interest income is recognized in earnings. All other changes in the carrying amount of these debt investments are recognized in other comprehensive income (loss).

Long-term time deposit and held-to-maturity investments

Long-term time deposits and held-to-maturity securities are mainly deposits in commercial banks and wealth management products issued by commercial banks and other financial institutions with maturities of greater than one year.

Investments in debt securities with maturities of greater than one year that the Group has positive intent and ability to hold to maturity are classified as long-term held-to-maturity investments and stated at amortized cost less allowance for credit losses.

Fair Value Measurements of Financial Instruments

Financial instruments are in the form of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, amounts due from and due to related parties, other receivables, long-term investments, the carrying values of the aforementioned financial instruments included in current assets and liabilities approximate their respective fair values because of their general short maturities. The carrying amounts of long-term loans approximate fair values as the related interest rates currently offered by financial institutions for similar debt instruments of comparable maturities. The fair value of long-term investments, notes payable and convertible senior notes that are not reported at fair value are disclosed in Note 26.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the shorter of the estimated useful lives of the assets or the term of the related lease, as follows:

Office building	– 43 to 45 years
Office building related facility, machinery and equipment	– 10 to 15 years
Computer equipment	– 3 to 5 years
Office equipment	– 3 to 5 years
Vehicles	– 5 years
Leasehold improvements	– over the shorter of lease terms or estimated useful lives of the assets

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Fixed assets have no estimated residual value except for the office building and its related facility, machinery and equipment, which mainly have an estimated residual value of 4% of the cost.

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterments that extend the useful life of fixed assets are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in earnings. All direct and indirect costs that are related to the construction of fixed assets and incurred before the assets are ready for their intended use are capitalized as construction in progress. Construction in progress is transferred to specific fixed assets items and depreciation of these assets commences when they are ready for their intended use.

Interest costs are capitalized if they are incurred during the acquisition, construction or production of a qualifying asset and such costs could have been avoided if expenditures for the assets have not been made. Capitalization of interest costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Interest costs are capitalized until the assets are ready for their intended use. Interest costs capitalized for the years ended December 31, 2020, 2021 and 2022 were insignificant.

Licensed Copyrights, net

Licensed copyrights consist of professionally-produced content such as films, television series, variety shows and other video content acquired from external parties. The license fees are capitalized and, unless prepaid, a corresponding liability is recorded when the cost of the content is known, the content is accepted by the Group in accordance with the conditions of the license agreement and the content is available for its first showing on the Group's platforms. Licensed copyrights are presented on the consolidated balance sheets as current and non-current based on estimated time of usage.

The Group's licensed copyrights include the right to broadcast and, in some instances, the right to sublicense. The broadcasting right, refers to the right to broadcast the content on its own platforms and the sublicensing right, refers to the right to sublicense the underlying content to external parties. When licensed copyrights include both broadcasting and sublicensing rights, the content costs are allocated to these two rights upon initial recognition, based on the relative proportion of the estimated total revenues that will be generated by each right over its estimated useful lives.

For the right to broadcast the contents on its own platforms that generates online advertising and membership services revenues, based on factors including historical and estimated future viewership patterns, the content costs are amortized using an accelerated method by content categories over the shorter of each content's contractual period or estimated useful lives within ten years, beginning with the month of first availability. Content categories accounting for most of the Group's content include newly released drama series, newly released movies, animations, library drama series and library movies. Estimates of future viewership consumption patterns and estimated useful lives are reviewed periodically, at least on an annual basis and revised, if necessary. Revisions to the amortization patterns are accounted for as a change in accounting estimate prospectively in accordance with ASC Topic 250, *Accounting Changes and Error Corrections* ("ASC 250"). For the right to sublicense the content to external parties that generates direct content distribution revenues, the content costs are amortized based on its estimated usage pattern and recorded as cost of revenues.

Produced Content, net

The Group produces original content in-house and collaborates with external parties. Produced content primarily consists of films, episodic series, variety shows and animations. The costs incurred in the physical production of

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original content include direct production costs, production overhead and acquisition costs. Produced content also includes cash expenditures made to acquire a proportionate share of certain rights to films including profit sharing, distribution and/or other rights. Exploitation costs are expensed as incurred. Participation costs are accrued using the individual-film-forecast-computation method, which recognizes the costs in the same ratio as the associated ultimate revenue. Production costs for original content that are predominantly monetized in a film group are capitalized. Production costs for original content predominantly monetized on its own are capitalized to the extent that they are recoverable from total revenues expected to be earned (“ultimate revenue”); otherwise, they are expensed as cost of revenues. Ultimate revenue estimates include revenue expected to be earned from all sources, including exhibition, licensing, or exploitation of produced content if the Group has demonstrated a history of earning such revenue. The Group estimates ultimate revenue to be earned during the estimated useful lives of produced content based on anticipated release patterns and historical results of similar produced content, which are identified based on various factors, including cast and crew, target audience and popularity. The capitalized production costs are reported separately as noncurrent assets with caption of “Produced content, net” on the consolidated balance sheets. Based on factors including historical and estimated future viewership consumption patterns, the Group amortizes film costs for produced content that is predominantly monetized in a film group. For produced content that is monetized on its own, the Group considers historical and estimated usage patterns to determine the pattern of amortization for film costs. Based on the estimated patterns, the Group amortizes produced content using an accelerated method over its estimated useful lives within ten years, beginning with the month of first availability and such costs are included in “Cost of revenues” in the consolidated statements of comprehensive income.

Impairment of licensed copyrights and produced content

The Group’s business model is mainly subscription and advertising based, as such the majority of the Group’s content assets (licensed copyrights and produced content) are predominantly monetized with other content assets, whereas a smaller portion of the Group’s content assets are predominantly monetized at a specific title level such as variety shows and investments in a proportionate share of certain rights to films including profit sharing, distribution and/or other rights. Because the identifiable cash flows related to content launched on the Group’s Mainland China platform are largely independent of the cash flows of other content launched on the Group’s overseas platform, the Group has identified two separate film groups. The Group reviews its film groups and individual content for impairment when there are events or changes in circumstances that indicate the fair value of a film group or individual content may be less than its unamortized costs. Examples of such events or changes in circumstances include, a significant adverse change in technological, regulatory, legal, economic, or social factors that could affect the fair value of the film group or the public’s perception of a film or the availability of a film for future showings, a significant decrease in the number of subscribers or forecasted subscribers, or the loss of a major distributor, a change in the predominant monetization strategy of a film that is currently monetized on its own, actual costs substantially in excess of budgeted costs, substantial delays in completion or release schedules, or actual performance subsequent to release failing to meet expectations set before release such as a significant decrease in the amount of ultimate revenue expected to be recognized.

When such events or changes in circumstances are identified, the Group assesses whether the fair value of an individual content (or film group) is less than its unamortized film costs, determines the fair value of an individual content (or film group) and recognizes an impairment charge for the amount by which the unamortized capitalized costs exceed the individual content’s (or film group’s) fair value. The Group mainly uses a discounted cash flow approach to determine the fair value of an individual content or film group, for which the most significant inputs include the forecasted future revenues, costs and operating expenses attributable to an individual content or the film group and the discount rate. An impairment loss attributable to a film group is

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allocated to individual licensed copyrights and produced content within the film group on a pro rata basis using the relative carrying values of those assets as the Group cannot estimate the fair value of individual contents in the film group without undue cost and effort.

Impact of COVID-19

In 2020, the Group's operations were significantly affected by the COVID-19 pandemic. The Group's online marketing revenues declined compared to the prior period mainly due to weakness in online marketing demand as the customers in certain industries are negatively impacted by COVID-19. The Group's online marketing services been gradually recovering in 2021, underpinned by improved advertiser sentiment, following the effective control of the domestic outbreaks, the resumption of business activities and the gradual recovery of the general economy in China. However, in 2022, there have been outbreaks of COVID-19 cases from time to time, including the COVID-19 Delta and Omicron variant cases, in multiple cities in China. The Group's online marketing revenues in 2022 declined from 2021 primarily due to the resurgence of COVID-19 in certain cities in China. In addition, increased market volatility has contributed to larger fluctuations in the valuation of the Group's equity investments. China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There remains uncertainty as to the future impact of the virus, especially in light of this change in policy. The extent to which the COVID-19 pandemic impacts the Group's long-term results will depend on future developments which are highly uncertain, unpredictable and beyond the Group's control, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future governmental actions that may be taken in response to these developments, such as measures to stimulate the general economy to improve business conditions, especially for SMEs. As a result, certain of the Group's estimates and assumptions, including the allowance for credit losses, the valuation of certain debt and equity investments, long-term investments, content assets and long-lived assets subject to impairment assessments, require significant judgments and involve a higher degree of variability and volatility that could result in material changes to the Group's current estimates in future periods.

Goodwill and Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business combination. The Group assesses goodwill for impairment in accordance with ASC Subtopic 350-20, *Intangibles—Goodwill and Other: Goodwill* ("ASC 350-20"), which requires that goodwill to be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20. As of December 31, 2020, the Group has two reporting units, consisting of Baidu Core and iQIYI. In the fourth quarter of 2021, the Group changed its reporting units to Baidu Core excluding Smart Living Group ("SLG"), SLG and iQIYI, as the discrete financial information of SLG is available and segment management begins to regularly review operating results of SLG. The goodwill was reassigned to the reporting units affected using a relative fair value allocation approach. As of December 31, 2021 and 2022, the Group has three reporting units, consisting of Baidu Core excluding SLG, SLG and iQIYI.

The Group has the option to assess qualitative factors first to determine whether it is necessary to perform the quantitative test in accordance with ASC 350-20. In the qualitative assessment, the Group considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. If the Group believes, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the quantitative impairment test described above is required. Otherwise, no further testing is required. The quantitative

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impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess.

The Group performed qualitative assessments for the reporting unit of Baidu Core excluding SLG in 2021 and 2022. Based on the requirements of ASC 350-20, the Group evaluated all relevant factors including, but not limited to, macroeconomic conditions, industry and market conditions, financial performance, and the share price of the Group. The Group weighed all factors in their entirety and concluded that it was not more-likely-than-not the fair value was less than the carrying amount of Baidu Core excluding SLG, and further impairment testing on goodwill was unnecessary as of December 31, 2021.

Due to the changing market conditions and fluctuations in the share price of the Group, the Group determined to perform quantitative assessment for the reporting unit of Baidu Core excluding SLG in 2022. The Group estimated fair value using the income approach and the market approach. The fair value determined using the income approach was compared with comparable market data and reconciled, as necessary. No impairment loss of goodwill related to the reporting unit of Baidu Core excluding SLG was recorded for the years ended December 31, 2021 and 2022.

The Group performed qualitative assessments for the reporting unit of SLG in 2021 and 2022. Based on the requirements of ASC 350-20, the Group evaluated all relevant factors including, but not limited to, macroeconomic conditions, industry and market conditions, financial performance, and the share price of the Group. The Group weighed all factors in their entirety and concluded that it was not more-likely-than-not the fair value was less than the carrying amount of SLG, and further impairment testing on goodwill was unnecessary as of December 31, 2021 and 2022.

The Group elected to choose to bypass the qualitative assessment and proceeded directly to perform a quantitative test for the reporting unit of iQIYI. Subsequent to iQIYI's IPO, the Group primarily considers the quoted market price of iQIYI's ordinary shares to determine the fair value of the reporting unit. As of December 31, 2021 and 2022, the fair value of iQIYI exceeded its carrying amount, therefore, goodwill related to the iQIYI reporting unit was not impaired and the Group was not required to perform further testing.

Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes revenue growth rates and profitability in estimating future cash flows; determining appropriate discount rates and earnings multipliers based on market data of comparable companies engaged in a similar business under the market approach; and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

On disposal of a portion of reporting unit that constitutes a business, the attributable amount of goodwill is included in the determination of the amount of gain or loss recognized upon disposal. When the Group disposes of a business within the reporting unit, the amount of goodwill disposed is measured on the basis of the relative fair value of the business disposed and the portion of the reporting unit retained.

Intangible assets

Intangible assets with finite lives are carried at cost less accumulated amortization. All intangible assets with finite lives are amortized using the straight-line method over their estimated useful lives.

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Intangible assets have weighted average useful lives from the date of purchase as follows:

Trademarks	– 11 years
Technology	– 5 years
Intellectual property right	– 8 years
Online literature	– 8 years
Others	– 14 years

Intangible assets with indefinite useful life are not amortized and are tested for impairment annually or more frequently, if events or changes in circumstances indicate that they might be impaired in accordance with ASC Subtopic 350-30, *Intangibles-Goodwill and Other: General Intangibles Other than Goodwill* (“ASC 350-30”).

Impairment of Long-Lived Assets Other Than Goodwill

The Group evaluates long-lived assets, such as fixed assets and purchased or internally developed intangible assets with finite lives other than licensed copyrights and produced content, for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable in accordance with ASC Topic 360, *Property, Plant and Equipment*. When such events occur, the Group assesses the recoverability of the asset group based on the undiscounted future cash flows the asset group is expected to generate and recognizes an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset group plus net proceeds expected from disposition of the asset group, if any, is less than the carrying value of the asset group. If the Group identifies an impairment, the Group reduces the carrying amount of the asset group to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values and the impairment loss, if any, is recognized in “Cost of revenues” in the consolidated statements of comprehensive income. The Group uses estimates and judgments in its impairment tests and if different estimates or judgments had been utilized, the timing or the amount of any impairment charges could be different. Asset groups to be disposed of would be reported at the lower of the carrying amount or fair value less costs to sell, and no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

Leases

The Group determines if an arrangement is a lease or contains a lease at lease inception. For operating leases, the Group recognizes an ROU asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. For finance leases, assets are included in “Other non-current assets” on the consolidated balance sheets. As most of the Group’s leases do not provide an implicit rate, the Group estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The Group’s leases often include options to extend and lease terms include such extended terms when the Group is reasonably certain to exercise those options. Lease terms also include periods covered by options to terminate the leases when the Group is reasonably certain not to exercise those options. Lease expense is recorded on a straight-line basis over the lease term.

Revenue Recognition

The Group’s revenues are derived principally from online marketing service and others. Revenue is recognized when control of promised goods or services is transferred to the Group’s customers in an amount of

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consideration to which an entity expects to be entitled to in exchange for those goods or services. Revenue is recorded net of valued added taxes (“VAT”).

The Group’s revenue recognition policies by types are as follows:

Online marketing services

Performance-based online marketing services

The Group’s auction-based pay-for-performance (“P4P”) platform enables customers to bid for priority placement of paid sponsored links and reach users who search for information related to their products or services. P4P online marketing customers can choose from search-based and feed-based online marketing services, and select criteria for their purchase, such as daily spending limit and user profile targeted, including, but not limited to, users from specific regions in China and users online during a specific time period. Revenue is recognized when all of the revenue recognition criteria are met, which is generally when a user clicks on one of the customer-sponsored links or feed-based marketing.

To the extent the Group provides online marketing services based on performance criteria other than cost-per-click, such as the number of downloads (and user registration) of mobile apps and the pre-determined ratios of completed transaction volumes, revenue is recognized when the specified performance criteria are met along with the satisfaction of other applicable revenue recognition criteria.

Baidu Union online marketing services

Baidu Union is a program through which the Group expands distribution of its customers’ sponsored links or advertisements by leveraging the traffic of Baidu Union partners’ online properties. The Group acquires traffic from Baidu Union partners and is responsible for service fulfillment, pricing and bearing inventory risks. The services which the Group provided to customers through Baidu Union partners’ online properties include CPC, other performance-based online marketing services and online display advertising services. These services are provided in the same way to customers as those through Baidu’s own platforms or properties. As principal, the Group recognizes revenue from Baidu Union on a gross basis. Payments made to Baidu Union partners are recorded as traffic acquisition costs, which are included in “Cost of revenues” in the consolidated statements of comprehensive income.

Online display advertising services

The Group provides online display advertising services to its customers by integrating text description, image and/or video, and displaying the advertisement in the search result, in Baidu Feed or on other properties. The Group recognizes revenue on a pro-rata basis over the contractual term for cost per time advertising arrangements, commencing on the start date of the display advertisement, or based on the number of times that the advertisement has been displayed for cost per thousand impressions advertising arrangements.

Collection

Certain customers of online marketing services are required to pay a deposit before using the Group’s services and are sent automated reminders to replenish their accounts when the balance falls below a designated amount. The deposits received are recorded as “Customer deposits and deferred revenue” on the consolidated balance sheets. The amounts due to the Group are deducted from the deposited amounts when users click on the paid sponsored links in the search results or other performance criteria have been satisfied. In addition, the Group offers payment terms to third-party agents and advertisers based on their historical marketing placements and credibility, consistently with industry practice.

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Payment terms and conditions vary by customer and are based on the billing schedule established in the Group's contracts or purchase orders with customers, but the Group generally provides credit terms to customers within one year; therefore, the Group has determined that its contracts do not include a significant financing component.

Sales incentives

The Group provides sales incentives to third-party agents, which are identified as customers, that entitle them to receive price reductions on the online marketing services by meeting certain cumulative consumption requirements. The Group accounts for these incentives granted to customers as variable consideration and net them against revenue. The amount of variable consideration is measured based on the expected value of incentives to be provided to customers.

Others

Video Membership services

The Group offers membership services to subscribing members with various privileges, which primarily include access to exclusive and ad-free streaming of premium content 1080P/4K high-definition video, Dolby Audio, and accelerated downloads and others. When the receipt of membership fees is for services to be delivered over a period of time, the receipt is initially recorded as "Customer deposits and deferred revenue" and revenue is recognized ratably over the membership period as services are rendered. Membership services revenue also includes fees earned from subscribing members for on-demand content purchases and early access to premium content. The Group is the principal in its relationships where partners, including consumer electronics manufacturers (TVs and cell phones), mobile operators, internet service providers and online payment agencies, provide access to the membership services or payment processing services as the Group retains control over its service delivery to its subscribing members. Typically, payments made to the partners, are recorded as cost of revenues. For the sale of the right to other membership services through strategic cooperation with other parties, the Group recognizes revenue on a net basis when the Group does not control the specified services before they are transferred to the customer.

Content distribution

The Group generates revenues from sub-licensing content assets for cash or through nonmonetary exchanges mainly with other online video broadcasting companies. The exclusive licensing agreements the Group enters into with the vendors have a specified license period and provide the Group rights to sub-license these content assets to other parties. The Group enters into a non-exclusive sub-license agreement with a sub-licensee for a period that falls within the original exclusive license period. For cash sub-licensing transactions, the Group is entitled to receive the sub-license fee under the sub-licensing arrangements and does not have any future obligation once it has provided the underlying content to the sub-licensee (which is provided at or before the beginning of the sub-license period). The sub-licensing of content assets represents a license of functional intellectual property which grants a right to use the Group's content assets, and is recognized at the point in time when the content asset is made available for the customer's use and benefit.

The Group also enters into nonmonetary transactions to exchange online broadcasting rights of content assets with other online video broadcasting companies from time to time. The exchanged content assets provide rights for each party to broadcast the content assets received on its own platform only. Each transferring party retains the right to continue broadcasting the exclusive content on its own platform and/or sublicense the rights to the content it surrendered in the exchange. The Group accounts for these nonmonetary exchanges based on the fair

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value of the asset received. Barter sublicensing revenues are recognized in accordance with the same revenue recognition criteria above. The Group estimates the fair value of the content assets received using a market approach based on various factors, including the purchase price of similar non-exclusive and/or exclusive contents, broadcasting schedule, cast and crew, theme, popularity, and box office. The transaction price of barter transaction revenues is calculated on the individual content asset basis. For a significant barter sublicensing transaction, the Group further reviews the fair value by analyzing against the cost of the content assets bartered out and/or engages a third-party valuation firm to assess the reasonableness of its fair value. The attributable cost of sublicensing transactions, whether for cash or through nonmonetary exchanges, is recognized as cost of revenues through the amortization of the sublicensing right component of the exclusive content assets.

Cloud services

The Group provides enterprise and public sector cloud services and personal cloud services, generally on either a subscription or consumption basis. For enterprise and public sector cloud services, the Group offers a full suite of cloud services and solutions, including IaaS (infrastructure as a service), PaaS (platform as a service) and SaaS (software as a service). For personal cloud services, the Group offers Baidu Drive membership services provided to individual customers. Revenue related to enterprise and public sector cloud services provided on a subscription basis is recognized ratably over the contract period. Revenue related to enterprise and public sector cloud services provided on a consumption basis, such as the amount of storage used in a period, is recognized based on the customer's utilization of such resources. Revenue related to personal cloud services is recognized ratably over the membership period as services are rendered and the receipt of membership fees for services to be delivered over a period of time is initially recorded as "Customer deposits and deferred revenue".

The Group provides cloud solutions for customers in specific industries, such as smart transportation, finance, manufacturing, energy, telecom and media. Revenue related to cloud solutions, which mainly include integrated hardware, software licensing and installation service, is recognized over time if one of the following criteria is met: (i) the customer simultaneously receives and consumes the benefits as the Group performs; (ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (iii) the asset delivered has no alternative use and the Group has an enforceable right to payment for performance completed to date. For performance obligations satisfied over time, the Group recognizes revenue over time by measuring the progress toward complete satisfaction of a performance obligation. Otherwise, revenue is recognized at a point in time when a customer obtains control of a promised asset or service and the Group satisfies its performance obligation.

Baidu Apollo auto solutions

Revenue related to Baidu Apollo auto solutions (Apollo Self-Driving services and DuerOS for Auto), which mainly includes software licensing, are recognized when earned in accordance with the terms of the underlying agreement. Generally, revenue is recognized at a point in time when the intellectual property is made available for the customer's use and benefit.

Sales of hardware

The Group mainly sells Xiaodu smart device hardware products via third party agents or directly to end customers. Revenue from the sales of hardware is recognized when control of the goods is transferred to customers, which generally occurs when the products are delivered and accepted by the customers. Revenue is recorded net of sales incentives and return allowance.

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Other revenue recognition related policies

For arrangements that include multiple promised goods or services, primarily for advertisements to be displayed in different spots, placed under different forms and displayed at different times, enterprise and public sector cloud solution services and Baidu Apollo auto solutions, which mainly include hardware, software licensing and installation services, the Group would evaluate all of the performance obligations in the arrangement to determine whether each performance obligation is distinct. For arrangements with multiple distinct performance obligations, each distinct performance obligation is separately accounted for and the total consideration is allocated to each performance obligation based on their relative standalone selling price at contract inception. The Group generally determines standalone selling prices based on the prices charged to customers on a standalone basis or estimates it using an expected cost plus margin approach. For arrangement with multiple components that are not distinct within the context of the contract because they are considered highly interdependent and the customer can only benefit from these promised goods or services in conjunction with one another, the Group accounts for them as one performance obligation.

Timing of revenue recognition may differ from the timing of invoicing to customers. For certain services, customers are required to pay before the services are delivered to the customer. When either party to a revenue contract has performed, the Group recognizes a contract asset or a contract liability on the consolidated balance sheets, depending on the relationship between the entity's performance and the customer's payment.

Contract assets and contract liabilities

Contract liabilities were mainly related to fees for membership services to be provided over the membership period, which were presented as "Customer deposits and deferred revenue" on the consolidated balance sheets. Balances of contract liabilities were RMB6.3 billion and RMB6.8 billion (US\$1.0 billion) as of December 31, 2021 and 2022, respectively. Revenue recognized for the year ended December 31, 2022 that was included in contract liabilities as of January 1, 2022 was RMB5.1 billion (US\$743 million).

Contract assets mainly represent unbilled amounts related to the Group's rights to consideration for advertising services and cloud services delivered and are included in "Other current assets, net" on the consolidated balance sheets. As of December 31, 2021 and 2022, contract assets were RMB2.9 billion and RMB3.4 billion (US\$493 million), net of an allowance for credit losses of RMB85 million and RMB285 million (US\$42 million), respectively. The increase in the balance of contract assets was primarily due to more outstanding cloud service contracts as of December 31, 2022 compared to the prior year for which the Group had commenced to provide but had not completed all specified services in the contract, which corresponds to when the Group has the right to bill its customers.

As of December 31, 2022, total transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied for contracts with an original expected length of more than one year was RMB3.5 billion (US\$503 million), which is expected to be recognized over the next three years.

The Group does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Group recognizes revenue at the amount to which it has the right to invoice for services performed.

The Group's disaggregated revenue disclosures are presented in Note 25.

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Cost of Revenues

Cost of revenues consists primarily of traffic acquisition costs, bandwidth costs, depreciation, content costs, payroll, cost of hardware sold and related costs of operations.

Traffic acquisition costs mainly represent the amounts paid or payable to Baidu Union partners who direct search queries to the Group's websites or distribute the Group's customers' paid links through their properties. These payments are primarily based on revenue sharing arrangements under which the Group pays its Baidu Union partners and other business partners a percentage of the fees it earns from its online marketing customers.

Advertising and Promotional Expenses

Advertising and promotional expenses, including advertisements through various forms of media and kinds of marketing and promotional activities, are included in "Selling, general and administrative" in the consolidated statements of comprehensive income and are expensed when incurred. Advertising and promotional expenses for the years ended December 31, 2020, 2021 and 2022 were RMB8.4 billion, RMB12.2 billion and RMB10.2 billion (US\$1.5 billion), respectively.

Research and Development Expenses

Research and development expenses consist primarily of personnel-related costs. The Group expenses research and development costs as they are incurred, except for (i) costs to develop internal-use software or add significant upgrades and enhancements resulting in additional functionality to internal-use software that meet the capitalization criteria in accordance with ASC Subtopic 350-40, *Intangibles-Goodwill and Other, Internal-Use Software*; and (ii) costs incurred to develop software to be sold/licensed or embedded in its products sold to customers, which are capitalized once technology feasibility is established, which is when a completed detail program design of the product is available in accordance with ASC 950-20, *Costs of Software to be Sold, Leased or Marketed*. Capitalized software development costs have not been material for the periods presented.

Government Subsidies

Government subsidies primarily consist of financial subsidies received from provincial and local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments. For certain government subsidies, there are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. The government subsidies of operating nature with no further conditions to be met are recorded as a reduction of operating expenses in "Selling, general and administrative" in the consolidated statements of comprehensive income when received. The government subsidies with certain operating conditions are recorded as "Deferred income" when received and is recognized as income in "Others, net" or as a reduction of specific operating costs and expenses when the conditions are met for which the grants are intended to compensate. If the government subsidies are related to an asset, it is recognized as a deduction of the carrying amount of the asset when the conditions are met and then recognized ratably over the expected useful life of the related asset as a reduction to the related amortization or depreciation in the consolidated statements of comprehensive income.

For the years ended December 31, 2020, 2021 and 2022, government subsidies recorded as a reduction of operating costs and expenses were RMB383 million, RMB520 million and RMB728 million (US\$106 million), respectively.

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As of December 31, 2021 and 2022, government subsidies recorded as deferred income were RMB226 million and RMB231 million (US\$33 million), respectively.

Adoption of ASU 2021-10

In November 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance* (“ASU 2021-10”), which provides guidance on the disclosure of transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The new guidance is required to be applied either prospectively to all transactions within the scope of ASU 2021-10 that are reflected in financial statements at the date of adoption and new transactions that are entered into after the date of adoption or retrospectively to those transactions. The new guidance is effective for annual periods beginning after December 15, 2021. The Group adopted this guidance on January 1, 2022 with no material impact on its audited consolidated financial statements.

Income Taxes

The Group recognizes income taxes under the liability method. Deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted tax rates in effect for the years in which the differences are expected to reverse. The Group records a valuation allowance against the amount of deferred tax assets that it determines is not more-likely-than-not to be realized. The effect on deferred taxes of a change in tax rates is recognized in earnings in the period that includes the enactment date.

Deferred income taxes are recognized on the undistributed earnings of subsidiaries, which are presumed to be transferred to the parent company and are subject to withholding taxes, unless there is sufficient evidence to show that the subsidiary has invested or will invest the undistributed earnings indefinitely or that the earnings will be remitted in a tax-free liquidation.

The Group applies the provisions of ASC Topic 740, *Income Taxes* (“ASC 740”), in accounting for uncertainty in income taxes. ASC 740 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. As of December 31, 2021 and 2022, the Group has unrecognized tax benefits of RMB670 million and RMB670 million (US\$97 million), respectively, primarily related to the tax-deduction of accrued expenses which were presented in “Other non-current liabilities” in the consolidated balance sheets, if ultimately recognized would impact the annual effective tax rate. It is possible that the amount of unrecognized benefits will change in the next 12 months, however, an estimate of the range of the possible change cannot be made at this moment. The Group has elected to classify interest and penalties related to an uncertain tax position (if and when required) as part of income tax expense in the consolidated statements of comprehensive income. The Group does not expect the amount of unrecognized tax benefits to increase significantly in the next 12 months. In general, the PRC tax authorities have up to five years to conduct examinations of the tax filings of the Company’s PRC subsidiaries. Accordingly, the PRC subsidiaries’ tax years of 2017 – 2022 remain open to examination by the respective tax authorities. The Group may also be subject to the examination of the tax filings in other jurisdictions, which are not material to the consolidated financial statements.

Share-based Compensation

The Group accounts for share-based compensation in accordance with ASC Topic 718, *Compensation-Stock Compensation* (“ASC 718”). The Group has elected to recognize share-based compensation using the straight-line method for all share-based awards issued with no performance conditions. For awards with performance conditions, compensation cost is recognized on an accelerated basis if it is probable that the performance condition will be achieved.

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Forfeitures are estimated based on historical experience and are periodically reviewed. Cancellation of an award accompanied by the concurrent grant of a replacement award is accounted for as a modification of the terms of the cancelled award (“modified awards”). The compensation costs associated with the modified awards are recognized if either the original vesting condition or the new vesting condition is achieved. Total recognized compensation cost for the awards is at least equal to the fair value of the awards at the grant date unless at the date of the modification the performance or service conditions of the original awards are not expected to be satisfied. The incremental compensation cost is measured as the excess of the fair value of the replacement award over the fair value of the cancelled award at the cancellation date. Therefore, in relation to the modified awards, the Group recognizes share-based compensation over the vesting periods of the replacement award, which comprises, (i) the amortization of the incremental portion of share-based compensation over the remaining vesting term and (ii) any unrecognized compensation cost of the original award, using either the original term or the new term, whichever results in higher expenses for each reporting period.

Earnings Per Share (“EPS”)

The Group computes earnings per Class A and Class B ordinary shares in accordance with ASC Topic 260, *Earnings Per Share* (“ASC 260”), using the two-class method. Under the provisions of ASC 260, basic earnings per share is computed using the weighted average number of ordinary shares outstanding during the period except that it does not include unvested ordinary shares subject to repurchase or cancellation. The Company’s outstanding Class A and Class B ordinary shares were retroactively adjusted for the Share Subdivision as disclosed in Notes 1 and 22. The Group adjusts for the accretion of the redeemable noncontrolling interests in the calculation of income available to ordinary shareholders of the Company used in the earnings per share calculation.

Diluted earnings per share is computed using the weighted average number of ordinary shares and, if dilutive, potential ordinary shares outstanding during the period. Potentially dilutive securities such as share options, restricted shares and convertible senior notes have been excluded from the computation of diluted net earnings per share if their inclusion is anti-dilutive. Potential ordinary shares consist of the incremental ordinary shares issuable upon the exercise of nonvested share options and restricted shares and contracts that may be settled in the Group’s stock or cash. The dilutive effect of outstanding share options, restricted shares is reflected in diluted earnings per share by application of the treasury stock method. The computation of the diluted earnings per Class A ordinary share assumes the conversion of Class B ordinary shares to Class A ordinary shares, while diluted earnings per Class B ordinary share does not assume the conversion of such shares. The Group adjusts for the securities issued by subsidiaries and equity method investees in the calculation of income available to ordinary shareholders of the Company used in the diluted earnings per share calculation.

The liquidation and dividend rights of the holders of the Company’s Class A and Class B ordinary shares are identical, except with respect to voting rights. As a result, and in accordance with ASC 260, the undistributed earnings for each year are allocated based on the contractual participation rights of the Class A and Class B ordinary shares as if the earnings for the year had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. Further, as the conversion of Class B ordinary shares is assumed in the computation of the diluted earnings per Class A ordinary share, the undistributed earnings are equal to net income for that computation.

For the purposes of calculating the Group’s basic and diluted earnings per Class A and Class B ordinary shares, the ordinary shares relating to the options that were exercised are assumed to have been outstanding from the date of exercise of such options.

Treasury stock

The Company accounts for treasury stock using the cost method. Under this method, the cost incurred to purchase the shares is recorded in “Treasury stock” on the consolidated balance sheets. At retirement of the

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treasury stock, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury stock over the aggregate par value is charged to retained earnings.

Contingencies

The Group records accruals for certain of its outstanding legal proceedings or claims when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. The Group evaluates, on a quarterly basis, developments in legal proceedings or claims that could affect the amount of any accrual, as well as any developments that would make a loss contingency both probable and reasonably estimable. The Group discloses the amount of the accrual if it is material.

When a loss contingency is not both probable and estimable, the Group does not record an accrued liability but discloses the nature and the amount of the claim, if material. However, if the loss (or an additional loss in excess of the accrual) is at least reasonably possible, then the Group discloses an estimate of the loss or range of loss, unless it is immaterial or an estimate cannot be made. The assessment of whether a loss is probable or reasonably possible, and whether the loss or a range of loss is estimable, often involves complex judgments about future events. Management is often unable to estimate the loss or a range of loss, particularly where (i) the damages sought are indeterminate, (ii) the proceedings are in the early stages, or (iii) there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among different jurisdictions. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including eventual loss, fine, penalty or business impact, if any.

Concentration of Risks

Concentration of credit risk

Financial instruments that potentially subject the Group to significant concentration of credit risk primarily consist of cash and cash equivalents, restricted cash, debt securities, accounts receivable, contract assets, receivables from online payment agencies, amounts due from related parties, long-term time deposits and held-to-maturity investments and long-term restricted cash included in “Other non-current assets”. The carrying amounts of these assets represent the Group’s maximum exposure to credit risk. As of December 31, 2022, the Group has RMB209.7 billion (US\$30.4 billion) in cash and cash equivalents, restricted cash, debt investments and long-term restricted cash, which is held by financial institutions in the PRC and international financial institutions outside of the PRC. In the event of bankruptcy of one of these financial institutions, the Group may not be able to claim its cash and cash equivalents, restricted cash and debt investments back in full. The Group continues to monitor the financial strength of the financial institutions, 85% and 15% of which are held by financial institutions in the mainland China and international financial institutions outside of mainland China, respectively. The Group’s total cash and cash equivalents, restricted cash, and debt investments held at three financial institutions in mainland China, representing 20%, 12% and 11% of the Group’s total cash and cash equivalents, restricted cash, and debt investments as of December 31, 2022, respectively.

PRC state-owned banks, such as Bank of China, are subject to a series of risk control regulatory standards, and PRC bank regulatory authorities are empowered to take over the operation and management when any of those banks faces a material credit crisis. The Group does not foresee substantial credit risk with respect to cash and cash equivalents, restricted cash and short-term investments held at the PRC state-owned banks. Meanwhile, China does not have an official deposit insurance program, nor does it have an agency similar to what was the Federal Deposit Insurance Corporation (FDIC) in the U.S. In the event of bankruptcy of one of the financial

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institutions in which the Group has deposits or investments, it may be unlikely to claim its deposits or investments back in full. The Group selected reputable international financial institutions with high rating rates to place its foreign currencies. The Group regularly monitors the rating of the international financial institutions to avoid any potential defaults. There has been no recent history of default in relation to these financial institutions.

Accounts receivable, contract assets and receivables from online payment agencies are typically unsecured and derived from revenue earned from customers and agencies in the PRC, which are exposed to credit risk. The risk is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances. The Group maintains an allowance for credit losses and actual losses have generally been within management's expectations. As of December 31, 2022, the Group had no single customer with a balance exceeding 10% of the total accounts receivable, contract assets, and receivables from online payment agencies.

No customer generated greater than 10% of total revenues during the years presented.

Amounts due from related parties are typically unsecured. In evaluating the collectability of the amounts due from related parties, the Group considers many factors, including the related parties' repayment history and their credit-worthiness. The Group maintains reserves for estimated credit losses and these losses have generally been within its expectations.

Business and economic risks

The Group participates in the dynamic and competitive high technology industry and believes that changes in any of the following areas could have a material adverse effect on the Group's future financial position, results of operations and cash flows: changes in the overall demand for services and products; changes in business offerings; competitive pressures due to existing and new entrants; advances and new trends in new technologies and industry standards; changes in bandwidth suppliers; changes in certain strategic relationships or customer relationships; regulatory considerations; copyright regulations; cybersecurity regulations; brand maintenance and enhancement; risks associated with the Group's ability to anticipate user preferences and provide high-quality content in a cost-effective manner; risks associated with the Group's ability to attract and retain employees necessary to support its growth and risks related to health epidemics, severe weather conditions and other outbreaks.

The Group's operations could be adversely affected by significant political, economic and social uncertainties and epidemic in mainland China.

Currency convertibility risk

Substantially all of the Group's businesses are transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Foreign exchange transactions, including foreign currency payments, require the approval of the People's Bank of China and/or regulatory institutions.

Foreign currency exchange rate risk

The functional currency and the reporting currency of the Group are the U.S. dollars and the RMB, respectively. The Group's exposure to foreign currency exchange rate risk primarily relates to cash and cash equivalents, restricted cash, short-term investments, long-term investments, long-term time deposits and held-to-maturity

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securities, accounts and notes payable and convertible senior notes denominated in the U.S. dollars. On June 19, 2010, the People's Bank of China announced the end of the RMB's de facto peg to the U.S. dollars, a policy which was instituted in late 2008 in the face of the global financial crisis, to further reform the RMB exchange rate regime and to enhance the RMB's exchange rate flexibility. On March 15, 2014, the People's Bank of China announced the widening of the daily trading band for RMB against U.S. dollars. The depreciation of the U.S. dollars against the RMB was approximately 8.23% in 2022. Most of the revenues and costs of the Group are denominated in RMB, while a portion of cash and cash equivalents, restricted cash, short-term investments, long-term investments, long-term time deposits and held-to-maturity securities, notes payable and convertible senior notes are denominated in the U.S. dollars. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future. Any significant fluctuation of the valuation of RMB may materially affect the Group's cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, the ADS in U.S. dollars.

Derivative Instruments

ASC Topic 815, *Derivatives and Hedging* ("ASC 815"), requires all contracts which meet the definition of a derivative to be recognized on the balance sheet as either assets or liabilities and recorded at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in earnings or in other comprehensive income (loss) depending on the use of the derivative and whether it qualifies for hedge accounting. Changes in fair values of derivatives not qualified as hedges are reported in earnings.

Recent Accounting Pronouncements

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which provides guidance on the acquirer's accounting for acquired revenue contracts with customers in a business combination. The amendments require an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination at the acquisition date in accordance with ASC 606 as if it had originated the contracts. This guidance also provides certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination. The new guidance is required to be applied prospectively to business combinations occurring on or after the date of adoption. This guidance is effective for the Group for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Group does not expect that the adoption of this guidance will have a material impact on its financial position, results of operations and cash flows.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for the Group for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted. The Group does not expect that the adoption of this guidance will have a material impact on its financial position, results of operations and cash flows.

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3. BUSINESS COMBINATIONS

Business combinations in 2020:

During the year ended December 31, 2020, the Group completed several business combinations, total purchase consideration in aggregate was RMB3.5 billion, among which RMB4.0 billion was allocated to goodwill. The Group expects to achieve significant synergies from such acquisitions which it plans to complement its existing businesses. The acquired entities were considered insignificant, both individually and in aggregate. Results of the acquired entities' operations have been included in the Group's consolidated financial statements since the acquisition date.

	RMB
	(In millions)
Purchase consideration	3,499
Net assets acquired, excluding intangible assets and the related deferred tax liabilities	1,515
Intangible assets, net	1,116
Deferred tax liabilities	(229)
Pre-existing equity interests and debt investment	(2,103)
Noncontrolling interests	(798)
Goodwill	3,998
	<u>3,499</u>

The Group's pre-existing equity interests in the acquired entities were remeasured to fair value at the acquisition date. For the year ended December 31, 2020, the Group recognized a net re-measurement gain of RMB123 million in "Others, net" in the consolidated statement of comprehensive income.

Goodwill, which is non-deductible for tax purposes, is primarily attributable to the synergies expected to be achieved from the acquisitions.

Neither the results of operations since the acquisition dates nor the pro forma results of operations of the acquirees were presented because the effects of these business combinations, both individually and in aggregate, were not significant to the Group's consolidated results of operations.

Business combinations in 2021:

During the year ended December 31, 2021, the Group completed several business combinations, total purchase consideration in aggregate was RMB326 million, among which RMB357 million was allocated to goodwill. The Group expects to achieve significant synergies from such acquisitions which it plans to complement its existing businesses. The acquired entities were considered insignificant, both individually and in aggregate. Results of the acquired entities' operations have been included in the Group's consolidated financial statements since the acquisition date.

Goodwill, which is non-deductible for tax purposes, is primarily attributable to the synergies expected to be achieved from the acquisitions.

Neither the results of operations since the acquisition dates nor the pro forma results of operations of the acquirees were presented because the effects of these business combinations, both individually and in aggregate, were not significant to the Group's consolidated results of operations.

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The valuations used in the purchase price allocation described above were determined by the Group with the assistance of independent third-party valuation firm. The valuation reports considered generally accepted valuation methodologies such as the income, market and cost approaches. As the acquirees are all private companies, the fair value estimates of pre-existing equity interests and debt investment or noncontrolling interests are based on significant inputs considered by market participants which mainly include (a) discount rate, (b) projected terminal value based on future cash flows, (c) equity multiples or enterprise value multiples of companies in the same industries and (d) adjustment for lack of control or lack of marketability.

The Group entered into definitive agreements with JOYY Inc. (“JOYY”) and certain of its affiliates, to acquire YY Live on November 16, 2020, and subsequently amended the share purchase agreement (“SPA”) on February 7, 2021. Pursuant to the SPA, the closing of this acquisition is subject to certain conditions, including, among others, obtaining necessary regulatory approvals from governmental authorities.

The Group has not obtained the necessary regulatory approvals with respect to this acquisition from government authorities as of the date of this annual report and there is no assurance that they will be ultimately obtained. Accordingly, the Group believes the closing has not occurred, which is further evidenced by mutual agreement from both JOYY and the Group on multiple occasions since November 16, 2020 to extend the long stop date, which is the closing deadline of the proposed transaction. Therefore, the Group has not consolidated YY Live as of December 31, 2022. The Group and JOYY have currently extended the long stop date indefinitely until the extension is terminated by either party.

As of December 31, 2022, the Group has made aggregate prepayments of US\$1.9 billion (equivalent to RMB12.8 billion) to JOYY, after considering working capital adjustments of US\$0.1 billion, which were recorded as “Other non-current assets” on the consolidated balance sheets; and deposited an aggregate of US\$1.6 billion into several escrow accounts, in accordance with the terms set forth in the share purchase agreement that was recorded as “Restricted cash” on the consolidated balance sheet.

The Group has assessed the recoverability of such other non-current assets as of December 31, 2022 and believes that such amounts are recoverable, either in the form of the YY Live business if the acquisition is ultimately closed, or by way of return of the prepayment and release of the escrowed amounts should the proposed transaction ultimately be terminated and unwound.

4. INVESTMENTS

Short-term Investments

As of December 31, 2021 and 2022, the Group’s short-term investments comprised of only debt securities. Short-term held-to-maturity securities were mainly deposits in commercial banks with maturities less than one year and wealth management products issued by commercial banks and other financial institutions for which the Group has the positive intent and ability to hold those securities to maturity. The short-term available-for-sale securities include wealth management products issued by commercial banks and other financial institutions which are not classified as trading securities or as held-to-maturity securities.

During the years ended December 31, 2020, 2021 and 2022, the Group recorded interest income from its short-term investments of RMB4.7 billion, RMB4.5 billion and RMB4.5 billion (US\$647 million) in the consolidated statements of comprehensive income, respectively.

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Short-term investments classification as of December 31, 2021 and 2022 were shown as below:

	As of December 31, 2021					
	Cost or Amortized cost less allowance for credit losses RMB	Gross unrecognized holding gains RMB	Gross unrecognized holding losses RMB	Gross unrealized gains RMB	Gross unrealized losses RMB	Fair value RMB
Held-to-maturity debt investments	140,686	898	—	—	—	141,584
Available-for-sale debt investments	2,547	—	—	10	—	2,557

	As of December 31, 2022						
	Cost or Amortized cost less allowance for credit losses RMB	Gross unrecognized holding gains RMB	Gross unrecognized holding losses RMB	Gross unrealized gains RMB	Gross unrealized losses RMB	Fair value	
Held-to-maturity debt investments	119,984	631	(151)	—	—	120,464	17,466
Available-for-sale debt investments	847	—	—	8	—	855	124

Long-term Investments

The following table sets forth a breakdown of the categories of long-term investments held by the Group as of the dates indicated:

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
Equity investments at fair value with readily determinable fair value	16,375	12,100	1,754
Equity investments without readily determinable fair value using the NAV practical expedient	957	945	137
Equity investments without readily determinable fair value using the measurement alternative	10,788	9,249	1,341
Available-for-sale debt investments	2,262	2,447	355
Equity method investments	24,808	25,940	3,761
Investments accounted for at fair value	4,228	4,616	669
Total long-term investments	59,418	55,297	8,017

Equity investments at fair value with readily determinable fair value

Equity investments at fair value with readily determinable fair value represent investments in the equity securities of publicly listed companies, for which the Group does not have significant influence.

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Equity investments without readily determinable fair value

The Group accounted for private equity funds of which the Group does not have the ability to exercise significant influence using the NAV practical expedient in accordance with ASC 820. For equity investments without readily determinable fair value and do not qualify for the NAV practical expedient, the Group elected to use the measurement alternative to measure such investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any in accordance with ASC 321. Impairment charges recognized on equity investments without readily determinable fair value were RMB2,310 million, RMB4,259 million and RMB2,456 million (US\$356 million) for the years ended December 31, 2020, 2021 and 2022, respectively.

The total carrying value of equity investments without readily determinable fair value that do not qualify for the NAV practical expedient held as of December 31, 2021 and 2022 were as follows:

	<u>As of</u> <u>December 31,</u> <u>2021</u> <u>RMB</u>	<u>As of</u> <u>December 31,</u> <u>2022</u> <u>RMB</u> <u>(In millions)</u>	<u>As of</u> <u>December 31,</u> <u>2022</u> <u>US\$</u>
Initial cost basis	13,016	13,741	1,992
Cumulative unrealized gains	3,910	4,026	584
Cumulative unrealized losses (including impairment)	(6,138)	(8,518)	(1,235)
Total carrying value	<u>10,788</u>	<u>9,249</u>	<u>1,341</u>

Total unrealized and realized gains and losses of equity securities without readily determinable fair values that do not qualify for the NAV practical expedient for the years ended December 31, 2020, 2021 and 2022 were as follows:

	<u>For the years ended</u> <u>December 31,</u>			
	<u>2020</u> <u>RMB</u>	<u>2021</u> <u>RMB</u>	<u>2022</u> <u>RMB</u>	<u>2022</u> <u>US\$</u>
	<u>(In millions)</u>			
Gross unrealized gains	4,396	1,062	218	32
Gross unrealized losses (including impairment) ⁽ⁱ⁾	(2,679)	(4,424)	(2,418)	(351)
Net unrealized gains (losses) on equity securities held	1,717	(3,362)	(2,200)	(319)
Net realized gains on equity securities sold	266	—	90	13
Total net gains (losses) recognized	<u>1,983</u>	<u>(3,362)</u>	<u>(2,110)</u>	<u>(306)</u>

- (i) Gross unrealized losses (downward adjustments excluding impairment) were RMB378 million, RMB165 million and nil for the years ended December 31, 2020, 2021 and 2022, respectively.

Equity method investments

The carrying amount of the Group's equity method investments were RMB24.8 billion and RMB25.9 billion (US\$3.8 billion) as of December 31, 2021 and 2022, respectively. For the years ended December 31, 2020, 2021 and 2022, the impairment recognized for equity method investments were RMB297 million, RMB57 million and RMB569 million (US\$82 million), respectively.

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Equity Investment in Trip.com International, Ltd. (“Trip”) (formally known as Ctrip)

As of December 31, 2018, the Group held approximately 19% of Trip’s outstanding shares. The Group was considered to have significant influence over Trip and accounts for such investment as an equity method investment in accordance with ASC 323.

During 2019, the market value of Trip had significantly declined and remained below the carrying value of the investment for a prolonged period of time. Therefore, the Group concluded that the decline in market value of the investment in Trip was other-than-temporary as of September 30, 2019 and an impairment charge of RMB8.9 billion was recorded in the third quarter of 2019. The Group made a corresponding RMB8.9 billion downward adjustment to the equity method goodwill arising from its acquisition of the Trip investment.

In October 2019, the Group disposed an aggregate of 36 million American Depositary Shares of Trip for cash consideration of US\$988 million and recognized a disposal loss of RMB43 million in the year ended December 31, 2019.

After the partial disposal of the investment in Trip, the Group held approximately 12% equity interest in Trip, and the Group can actively participate in the operating and financing policies of Trip through its two seats on Trip’s board of directors with a total of nine members. Accordingly, the Group continues to have significant influence over Trip and accounts for its remaining investment as an equity method investment in accordance with ASC 323. As of December 31, 2022, the Group’s investments in Trip had a fair value of RMB16.4 billion (US\$2.4 billion), based on the closing share price.

The following tables set forth the summarized financial information of Trip:

	As of September 30, ⁽ⁱ⁾		
	2021	2022	2022
	RMB	RMB	US\$
	(In millions)		
Current assets	76,596	67,045	9,422
Non-current assets	124,268	127,253	17,883
Current liabilities	73,517	61,708	8,672
Non-current liabilities	16,418	21,647	3,042
Noncontrolling interests	924	713	100

	For the twelve months ended September 30, ⁽ⁱ⁾			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
	(In millions)			
Total revenues	21,704	20,313	19,706	2,769
Gross profit	16,838	15,916	15,261	2,145
Loss from operations	(827)	(723)	(376)	(53)
Net (loss) income	(2,236)	1,198	(1,596)	(224)
Net (loss) income attributable to Trip	(2,243)	1,288	(1,488)	(209)

(i) The Group adopted a one-quarter lag in reporting its share of equity income (loss) in Trip.

Equity Investment in Jidu Auto Inc. (“Jidu”)

In January 2021, the Group entered into an agreement with Zhejiang Geely Holding Group (“Geely”) to established Jidu to produce intelligent electric vehicles. In 2022, the Group purchased the ordinary shares with

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amount of US\$371 million including common stock of US\$171 million and in-substance common stock of US\$200 million, and preferred shares with amount of US\$193 million. After which, the Group holds an equity interest of 52.30% as of December 31, 2022.

However, considering the substantive participating rights held by Geely, the Group accounts for its investment of the ordinary shares as an equity method investment in accordance with ASC 323. Furthermore, the Group accounts for its investment of the preferred shares as an equity investment without a readily determinable fair value in accordance with ASC 321.

Disposal of financial services business

After finishing a series of legal restructuring and recapitalization of the financial services business (“Du Xiaoman”), the Group retained 41% of Du Xiaoman’s shares on a fully diluted basis, and accounted for it as an equity method investment in accordance with ASC 323, as the Group retained significant influence over Du Xiaoman. The carrying amount of the Du Xiaoman investment in excess of the Group’s proportionate interest in Du Xiaoman was recognized as equity method goodwill of RMB3.5 billion, intangible assets of RMB851 million and related deferred tax liabilities of RMB213 million.

As of December 31, 2021 and 2022, in addition to the aforementioned equity method investments, the Group held other equity method investments through its subsidiaries or VIEs and over which had significant influence.

For the year ended December 31, 2022, equity method investments excluding Trip held by the Group in aggregate have met the significance criteria as defined under Rule 4-08(g) of Regulation S-X. Financial information for the Group’s equity method investments other than Trip are summarized as a group as follow:

	As of September 30, ⁽ⁱ⁾		
	2021	2022	2022
	RMB	RMB	US\$
	(In millions)		
Current assets	125,266	163,889	23,031
Non-current assets	18,512	19,781	2,780
Current liabilities	90,744	117,811	16,556
Non-current liabilities	9,218	15,750	2,213
Noncontrolling interests	1,662	1,721	242

	For the twelve months ended September 30, ⁽ⁱ⁾			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
	(In millions)			
Total revenues	13,981	21,380	22,417	3,150
Gross profit	5,083	7,624	8,664	1,218
(Loss) income from operations	(1,282)	1,238	993	140
Net (loss) income	(832)	2,065	304	43
Net (loss) income attributable to the investees	(891)	2,040	249	35

(i) The Group adopted a one-quarter lag in reporting its share of (loss) income in majority of its equity investees.

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Investments accounted for at fair value

Long-term equity investments in unlisted companies held by consolidated investment companies are accounted for at fair value in accordance with ASC 946-320. These investments are carried at fair value with realized or unrealized gains and losses recorded in “Others, net” in the consolidated statements of comprehensive income.

The methodology used in the determination of fair values for held-to-maturity debt investments, available-for-sale debt investments, equity investments with readily determinable fair values and other investment securities accounted for at fair value are disclosed in Note 26.

Long-term investments classification, excluding equity method investments and equity investments without readily determinable fair value, as of December 31, 2021 and 2022 are shown as below:

	As of December 31, 2021			
	Cost or Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	RMB	RMB	RMB	RMB
	(In millions)			
Equity investments at fair value with readily determinable fair value	15,046	6,046	(4,717)	16,375
Available-for-sale debt investments	2,820	216	(774)	2,262
Investments accounted for at fair value	1,974	2,653	(399)	4,228

	As of December 31, 2022				
	Cost or Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
	RMB	RMB	RMB	RMB	US\$
	(In millions)				
Equity investments at fair value with readily determinable fair value	15,835	2,731	(6,466)	12,100	1,754
Available-for-sale debt investments	3,735	283	(1,571)	2,447	355
Investments accounted for at fair value	2,331	2,855	(570)	4,616	669

Available-for-sale debt investments

Available-for-sale debt investments are convertible debt instruments issued by private companies and an investment in preferred shares that are redeemable at the Group’s option, which are measured at fair value. Investments in preferred shares that are redeemable at the Group’s option have no contractual maturity date.

The following table summarizes the estimated fair value of available-for-sale debt investments with stated contractual dates, classified by the contractual maturity date of the investments:

	As of December 31,		
	2021	2022	2022
	RMB	RMB	US\$
	(In millions)		
Due in 1 year	—	—	—
Due in 1 year through 5 years	1,685	1,581	229
Not due at a single maturity date	577	866	126
Total	<u>2,262</u>	<u>2,447</u>	<u>355</u>

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5. LONG-TERM TIME DEPOSITS AND HELD-TO-MATURITY INVESTMENTS

Long-term time deposits and held-to-maturity securities were mainly deposits in commercial banks with maturities of greater than one year and wealth management products issued by commercial banks and other financial institutions for which the Group has the positive intent and ability to hold those securities to maturity with maturities of greater than one year.

During the years ended December 31, 2020, 2021 and 2022, the Group recorded interest income from its long-term held-to-maturity investments of RMB118 million, RMB326 million and RMB585 million (US\$85 million) in the consolidated statements of comprehensive income, respectively.

Long-term time deposits and held-to-maturity investments classification as of December 31, 2021 and 2022 were shown as below:

	As of December 31, 2021			
	Cost or Amortized cost RMB	Gross unrecognized holding gains RMB	Gross unrecognized holding losses RMB	Fair value RMB
Long-term time deposits and held-to-maturity investments	7,914	100	—	8,014

(In millions)

	As of December 31, 2022				
	Cost or Amortized cost RMB	Gross unrecognized holding gains RMB	Gross unrecognized holding losses RMB	Fair value	
Long-term time deposits and held-to-maturity investments	23,629	170	(111)	23,688	3,434

(In millions)

The following table summarizes the amortized cost of long-term time deposits and held-to-maturity investments with stated contractual dates, classified by the contractual maturity date of the investments:

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
Due in 1 year	—	—	—
Due in 1 year through 2 years	7,914	11,089	1,608
Due in 2 year through 3 years	—	12,240	1,775
Due in 3 year through 5 years	—	300	43
Total	7,914	23,629	3,426

(In millions)

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6. LICENSED COPYRIGHTS, NET

	As of December 31, 2021					
	Gross carrying value RMB	Accumulated amortization RMB	Impairment amount RMB	Net carrying value RMB		
	(In millions)					
Licensed copyrights						
—Broadcasting rights	41,489	(33,017)	(311)	8,161		
—Sublicensing rights	7,072	(7,044)	—	28		
	<u>48,561</u>	<u>(40,061)</u>	<u>(311)</u>	<u>8,189</u>		
Less: current portion:						
—Broadcasting rights	8,592	(7,662)	(27)	903		
—Sublicensing rights	7,072	(7,044)	—	28		
	<u>15,664</u>	<u>(14,706)</u>	<u>(27)</u>	<u>931</u>		
Licensed copyrights—non-current						
—Broadcasting rights	32,897	(25,355)	(284)	7,258		
—Sublicensing rights	—	—	—	—		
	<u>32,897</u>	<u>(25,355)</u>	<u>(284)</u>	<u>7,258</u>		
	As of December 31, 2022					
	Gross carrying value RMB	Accumulated amortization RMB	Impairment amount RMB	Net carrying value		
	(In millions)				RMB	US\$
Licensed copyrights						
—Broadcasting rights	43,217	(35,369)	(261)	7,587	1,100	
—Sublicensing rights	7,399	(7,399)	—	—	—	
	<u>50,616</u>	<u>(42,768)</u>	<u>(261)</u>	<u>7,587</u>	<u>1,100</u>	
Less: current portion:						
—Broadcasting rights	8,213	(7,448)	(19)	746	108	
—Sublicensing rights	7,399	(7,399)	—	—	—	
	<u>15,612</u>	<u>(14,847)</u>	<u>(19)</u>	<u>746</u>	<u>108</u>	
Licensed copyrights—non-current						
—Broadcasting rights	35,004	(27,921)	(242)	6,841	992	
—Sublicensing rights	—	—	—	—	—	
	<u>35,004</u>	<u>(27,921)</u>	<u>(242)</u>	<u>6,841</u>	<u>992</u>	

Amortization expense of RMB11.5 billion, RMB10.1 billion and RMB7.8 billion (US\$1.1 billion) for the years ended December 31, 2020, 2021 and 2022, respectively, was recognized as cost of revenues.

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Estimated amortization expense relating to the existing licensed copyrights for each of the next three years is as follow:

	<u>RMB</u>	<u>US\$</u>
	<u>(In millions)</u>	
Within 1 year	3,028	439
Between 1 and 2 years	1,525	221
Between 2 and 3 years	1,068	155

7. PRODUCED CONTENT, NET

	<u>As of December 31,</u>		
	<u>2021</u>	<u>2022</u>	<u>2022</u>
	<u>RMB</u>	<u>RMB</u>	<u>US\$</u>
	<u>(In millions)</u>		
Released, less amortization and impairment			
— Predominantly monetized with other content assets	2,850	3,725	540
— Predominantly monetized on its own	30	90	13
	<u>2,880</u>	<u>3,815</u>	<u>553</u>
In production, less impairment			
— Predominantly monetized with other content assets	6,338	7,582	1,099
— Predominantly monetized on its own	504	660	96
	<u>6,842</u>	<u>8,242</u>	<u>1,195</u>
In development, less impairment			
— Predominantly monetized with other content assets	1,134	910	132
— Predominantly monetized on its own	95	35	5
	<u>1,229</u>	<u>945</u>	<u>137</u>
Total	<u>10,951</u>	<u>13,002</u>	<u>1,885</u>

Amortization expense of RMB3,024 million, RMB4,641 million and RMB4,557 million (US\$661 million) and RMB1,095 million, RMB1,319 million and RMB735 million (US\$107 million) was recognized as cost of revenues in the consolidated statements of comprehensive income for the years ended December 31, 2020, 2021 and 2022, for produced content predominantly monetized with other content assets and for produced content predominantly monetized on its own, respectively. As of December 31, 2022, approximately RMB192 million (US\$28 million) of accrued participation liabilities will be paid during the upcoming operating cycle.

Estimated amortization expense relating to the existing produced content for each of the next three years is as follows:

	<u>RMB</u>	<u>US\$</u>
	<u>(In millions)</u>	
Within 1 year	1,447	210
Between 1 and 2 years	588	85
Between 2 and 3 years	423	61

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8. ACCOUNTS RECEIVABLE

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
	(In millions)		
Accounts receivable	12,050	14,287	2,071
Allowance for credit losses	(2,069)	(2,554)	(370)
	<u>9,981</u>	<u>11,733</u>	<u>1,701</u>

The movements in the allowance for credit losses were as follows:

	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
	(In millions)			
Balance as of January 1	928	1,320	2,069	300
Adoption of ASU 2016-13	119	—	—	—
Amounts charged to expenses	455	830	555	80
Amounts written off	(182)	(81)	(70)	(10)
Balance as of December 31	<u>1,320</u>	<u>2,069</u>	<u>2,554</u>	<u>370</u>

9. OTHER ASSETS

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
	(In millions)		
Contract assets, net ⁽ⁱ⁾	2,858	3,114	451
VAT prepayments	2,148	1,818	264
Inventories	1,477	1,227	178
Licensed copyrights <i>(Note 6)</i>	931	746	108
Advances to suppliers	843	769	111
Receivables from online payment agencies	622	856	124
Prepaid expenses	615	582	84
Deposits	374	379	55
Others	1,184	869	126
Total other current assets	<u>11,052</u>	<u>10,360</u>	<u>1,501</u>
Long-term prepaid expenses	15,223	16,257	2,357
Long-term restricted cash ⁽ⁱⁱ⁾	—	750	109
Others	710	2,089	302
Total other non-current assets	<u>15,933</u>	<u>19,096</u>	<u>2,768</u>

(i) The allowance for credit losses on contract assets was RMB85 million and RMB285 million (US\$42 million) as of December 31, 2021 and 2022, respectively. The amounts charged to expenses for credit losses on contract assets were RMB9 million, RMB58 million and RMB200 million (US\$29 million) for the years ended December 31, 2020, 2021 and 2022, respectively. No write-offs were charged against the allowance for the years ended December 31, 2020, 2021 and 2022, respectively.

(ii) Long-term restricted cash represents collateral to repayments of the iQIYI PAG Notes (Note 15).

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10. FIXED ASSETS

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
	(In millions)		
Computer equipment	40,908	44,246	6,415
Office building	4,915	5,125	743
Office building related facility, machinery and equipment	3,834	4,195	608
Vehicles	291	676	98
Office equipment	1,223	1,237	179
Leasehold improvements	496	490	71
Construction in progress	688	291	43
	52,355	56,260	8,157
Accumulated depreciation and impairment	(29,328)	(32,287)	(4,681)
	<u>23,027</u>	<u>23,973</u>	<u>3,476</u>

Depreciation expense for the years ended December 31, 2020, 2021 and 2022, was RMB5.7 billion, RMB5.7 billion and RMB6.2 billion (US\$905 million), respectively. Impairment charges on fixed assets for the years ended December 31, 2020, 2021 and 2022 were not material.

11. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Group had three reporting units, consisting of Baidu Core excluding SLG, SLG and iQIYI as of December 31, 2021 and 2022.

The changes in the carrying amount of goodwill for each reporting unit from 2020 to 2022 was as follows:

	Baidu Core excluding SLG RMB	SLG RMB	iQIYI RMB	Total RMB
	(In millions)			
Balance at December 31, 2020	18,360	—	3,888	22,248
Goodwill acquired (<i>Note 3</i>)	357	—	—	357
Goodwill reassigned (<i>Note 2</i>)	(1,777)	1,777	—	—
Balance at December 31, 2021	16,940	1,777	3,888	22,605
Goodwill disposed	(66)	—	(62)	(128)
Balance at December 31, 2022	16,874	1,777	3,826	22,477
Balance at December 31, 2022, in US\$	<u>2,447</u>	<u>257</u>	<u>555</u>	<u>3,259</u>

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	As of December 31, 2021			
	Gross carrying value RMB	Accumulated impairment RMB	Accumulated amortization RMB	Net carrying value RMB
	(In millions)			
Trademarks	1,054	(238)	(278)	538
Technology	1,087	(52)	(486)	549
Intellectual property right	1,691	(473)	(841)	377
Online literature	155	—	(76)	79
Others	906	(19)	(741)	146
	<u>4,893</u>	<u>(782)</u>	<u>(2,422)</u>	<u>1,689</u>

	As of December 31, 2022				
	Gross carrying value RMB	Accumulated impairment RMB	Accumulated amortization RMB	Net carrying value RMB	Net carrying value US\$
	(In millions)				
Trademarks	966	(238)	(324)	404	59
Technology	1,059	(52)	(652)	355	51
Intellectual property right	1,769	(473)	(924)	372	54
Online literature	141	—	(110)	31	4
Others	350	(20)	(238)	92	14
	<u>4,285</u>	<u>(783)</u>	<u>(2,248)</u>	<u>1,254</u>	<u>182</u>

The carrying amounts of intangible assets with indefinite useful lives were insignificant as of December 31, 2021 and 2022.

The Group recognized impairment losses on intangible assets of RMB350 million, RMB6 million and RMB1 million (US\$0.1 million) for the years ended December 31, 2020, 2021 and 2022, respectively. Impairment losses on intangible assets are recorded in “Cost of revenues”.

Amortization expense of intangible assets were RMB544 million, RMB471 million and RMB467 million (US\$68 million), for the years ended December 31, 2020, 2021 and 2022, respectively.

Estimated amortization expense relating to the existing intangible assets with finite lives for each of the next five years is as follow:

For the years ending December 31,	RMB	US\$
	(In millions)	
2023	347	50
2024	300	43
2025	237	34
2026	166	24
2027	148	21

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12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
		(In millions)	
Accrued operating expenses	9,868	8,845	1,282
Content acquisition costs	8,326	5,567	807
Accrued payroll and welfare	4,541	3,747	543
Tax payable	4,430	3,640	528
Traffic acquisition costs	2,705	5,159	748
Accruals for purchases of fixed assets	2,240	1,445	210
Bandwidth costs	2,220	2,112	306
Payable for investments	804	703	102
Funds collected on behalf of service providers	558	691	100
Interest payable	538	452	66
Payable to merchants	339	368	53
Users' and third party agents' deposits	383	468	68
Payables for purchasing inventory	1,307	1,960	284
Others	3,125	2,857	415
Total accounts payable and accrued liabilities	<u>41,384</u>	<u>38,014</u>	<u>5,512</u>

13. LOANS PAYABLE

Short-term Loans

Short-term loans as of December 31, 2021 and 2022 amounted to RMB4.2 billion and RMB5.3 billion (US\$775 million), respectively, which consisted of RMB denominated borrowings made by the Company's subsidiaries from financial institutions in mainland China and were repayable within one year. The total outstanding balance of iQIYI's short-term loans as of December 31, 2021 and 2022 amounted to RMB4.1 billion and RMB3.3 billion (US\$485 million), respectively. In 2022, Baidu Core borrowed RMB2.0 billion (US\$290 million) one-year loan for its general working capital purposes.

As of December 31, 2021 and 2022, the repayments of primarily all of the iQIYI's short-term loans are guaranteed by subsidiaries of iQIYI and either collateralized by an office building of one of iQIYI's VIEs with a carrying amount of RMB535 million and RMB522 million (US\$76 million) respectively, or restricted cash balances totaling US\$5 million and nil, respectively. Certain of iQIYI's outstanding short-term loan agreements contain financial and other covenants, which depend on the financial position or performance of iQIYI's subsidiaries, VIEs and VIEs' subsidiaries. One of the iQIYI's VIEs did not satisfy certain financial covenants for 2022, based on which the commercial bank has the right to suspend the issuance of credit lines, and/or cause all outstanding amounts totaling RMB600 million (US\$87 million) with original maturity dates in 2023 to be due and repayable immediately. On February 6, 2023, the commercial bank has waived its right to demand immediate repayment. Therefore, this did not constitute an Event of Default with respect to the convertible senior notes as of December 31, 2022 (Note 15).

As of December 31, 2021 and 2022, the weighted average interest rates for the outstanding borrowings were approximately 4.80% and 3.42%, respectively, and the aggregate amounts of unused lines of credit for short-term loans were RMB2.8 billion and RMB2.6 billion (US\$383 million), respectively.

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Structured payable arrangements

In 2020, 2021 and 2022, iQIYI entered into structured payable arrangements with banks or other financial institutions (“factoring arrangements”). Under the factoring arrangements, the suppliers’ receivables collection process was accelerated through selling its receivables from iQIYI to the banks or other financial institutions at a discount. For the years ended December 31, 2020, 2021 and 2022, iQIYI was legally obligated to pay the banks or other financial institutions RMB396 million, RMB1.1 billion and RMB1.5 billion (US\$217 million), respectively, which will mature within one year.

As a result of the factoring arrangements, the payment terms of the iQIYI’s original accounts payables were substantially modified and considered extinguished as the nature of the original liability has changed from accounts payables to loan borrowings from banks or other financial institutions. The proceeds from borrowings from banks or other financial institutions is a financing activity and is reported as “Proceeds from short-term loans” on the consolidated statements of cash flows. As of December 31, 2021 and 2022, the outstanding borrowings from the factoring arrangements were RMB750 million and RMB755 million (US\$109 million), respectively, which are repayable within one year and are included in “Short-term loans” on the consolidated balance sheets.

Long-term Loans

Baidu

In June 2016, the Company entered into a five-year term revolving facility agreement with a group of 21 arrangers, pursuant to which the Company is entitled to borrow an unsecured U.S. dollars denominated floating rate loan of US\$1.0 billion with a term of five years and to borrow an unsecured U.S. dollars denominated revolving loan of US\$1.0 billion for five years. The facility was priced at 110 basis points over LIBOR and is intended for the general working capital of the Company. In June 2016, the Company drew down two tranches of US\$250 million each under the facility commitment. In November 2016, the Company drew down two tranches of US\$250 million each under the facility commitment. In connection with the drawdowns, the Company entered into four interest rate swap agreements, pursuant to which the loans would be settled with a fixed annual interest rate of 2.11%, 2.10%, 2.78% and 2.78% respectively, during the respective term of the loans. The loan was fully repaid in 2021.

In April 2021, the Company entered into a five-year US\$3.0 billion term and revolving facilities agreement with a group of 22 arrangers. The facilities consist of a US\$1.5 billion five-year bullet maturity term loan and a US\$1.5 billion five-year revolving facility. The facility was priced at 85 basis points over LIBOR and is intended for the general corporate purposes. In June 2021, the Company drew down US\$1.5 billion term loan and US\$500 million revolving loan under the facility commitment. In connection with the drawdowns, the Company entered into two interest rate swap agreements, pursuant to which the loans would be settled with a fixed annual interest rate of 1.71% and 1.72%, during the respective term of the loans.

The total outstanding borrowings were RMB12.6 billion and RMB13.7 billion (US\$2.0 billion) as of December 31, 2021 and 2022.

The interest rate swap agreements met the definition of derivatives in accordance with ASC 815 and designated as cash flow hedge to hedge the variability of cash flows in the interest payments associated with its variable-rate debt. The derivatives related to the interest rate swap agreements are accounted for at fair value and included in “Other non-current assets” on the consolidated balance sheets (Note 26). As long as the derivative remain highly effective, the Company records the changes in fair value of the derivative instrument in other comprehensive

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income (loss) as described in Note 21. The gross notional amounts of derivatives designated as hedging instruments was US\$2.0 billion and US\$2.0 billion as of December 31, 2021 and 2022, respectively.

iQIYI

In July 2021 and November 2021, iQIYI entered into a series of transactions (“reverse factoring arrangement”) in order to re-finance certain payables due to its suppliers. In the reverse factoring arrangement, iQIYI’s suppliers sold certain receivables due from iQIYI (the “2021 factored receivables”) amounting to RMB232 million and RMB634 million, respectively, to the financial institutions at a discount. The 2021 factored receivables were recorded as accounts payable in iQIYI’s consolidated balance sheets. The 2021 factored receivables were further transferred to a securitization vehicle and used to securitize debt securities issued to third-party investors with a stated interest of 5.5% and 4.5% for gross proceeds of RMB200 million and RMB570 million, respectively. Concurrently, iQIYI also entered into an agreement with the financial institutions to extend the repayment of the underlying payables to mirror the repayment terms for the corresponding asset-backed debt securities which mature in July 2022 and November 2022, respectively. Under such arrangement, the payable obligation between iQIYI and the suppliers was considered settled and iQIYI was legally obligated to pay the financial institutions thereafter. As the 2021 factored receivables were purchased by the financial institutions using the proceeds raised from issuance of the asset-backed debt securities and used to factor the supplier invoices to securitize the debt securities, the factored receivables are viewed as collateral for raising loans through the issuance of the corresponding asset-backed debt securities. The borrowings have an effective interest rate of 8.40% and 8.26%, respectively.

The securitization vehicle was designed by iQIYI with the sole purpose to acquire receivable balances from iQIYI’s suppliers in order to securitize the senior asset-backed securities with guaranteed returns sold to third-party investors. iQIYI has a variable interest in the securitization vehicle through its interest in the subordinated asset-backed securities issued by the securitization vehicle which bear the residual loss. As a result, iQIYI considers itself the primary beneficiary and consolidates the securitization vehicle given iQIYI has (i) the power to govern the activities that most significantly impact its economic performance, and (ii) is obligated to absorb losses that could potentially be significant to the securitization vehicle.

As a result of the series of transactions described above, the payment terms of iQIYI’s original trade payables were substantially modified and considered extinguished as the nature of the original liability has changed from that of a trade payable to loan borrowings from third-party investors. The proceeds from borrowings from third-party investors is a financing activity and reported as “Proceeds from long-term loans and borrowings from third party investors, net of issuance costs” or “Proceeds from short-term loans” on the consolidated statements of cash flows depending on its maturities.

RMB200 million (US\$29 million) and RMB570 million (US\$83 million) of 2021 asset-backed debt securities were repaid when they became due in July 2022 and November 2022. The 2021 asset-backed debt securities were fully repaid as of December 31, 2022. As of December 31, 2021 and 2022, the outstanding borrowings from asset-backed debt securities in “Short-term loans” in the consolidated balance sheets were RMB763 million and nil, respectively.

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14. NOTES PAYABLE

Baidu, Inc.

The Company issued and publicly sold unsecured senior notes, and the details of the tranches are shown below:

	<u>Issue date</u>	<u>Principal amount (US\$ million)</u>	<u>Mature date</u>	<u>Effective interest rate</u>
2022 Ten-year Notes	November 28, 2012	750	November 28, 2022	3.59%*
2025 Ten-year Notes	June 30, 2015	500	June 30, 2025	4.22%
2022 Five-year Notes	July 6, 2017	900	July 6, 2022	3.08%*
2027 Ten-year Notes	July 6, 2017	600	July 6, 2027	3.73%
2023 Notes	March 29, 2018	1,000	September 29, 2023	3.99%
2028 March Notes	March 29, 2018	500	March 29, 2028	4.50%
2024 Notes	November 14, 2018	600	May 14, 2024	4.51%
2024 Notes	December 10, 2018	250	May 14, 2024	4.54%
2028 November Notes	November 14, 2018	400	November 14, 2028	4.99%
2025 Five-year Notes	April 7, 2020	600	April 7, 2025	3.22%
2030 April Notes	April 7, 2020	400	April 7, 2030	3.54%
2026 Notes	October 9, 2020	650	April 9, 2026	1.81%
2030 October Notes	October 9, 2020	300	October 9, 2030	2.43%
2027 Five-year Notes	August 23, 2021	300	February 23, 2027	1.73%
2031 Notes	August 23, 2021	700	August 23, 2031	2.49%

* The 2022 Five-year Notes and 2022 Ten-year Notes were fully repaid when they became due. The notes listed above are collectively referred to as the "Notes".

The 2022 Ten-year Notes bear interest at the rate of 3.500% per annum. Interest is payable semi-annually in arrears on and of each year, beginning on May 28, 2013.

The 2025 Ten-year Notes bear interest at the rate of 4.125% per annum. Interest is payable semi-annually in arrears on and of each year, beginning on December 30, 2015.

The 2022 Five-year Notes bear interest at the rate of 2.875% per annum and the 2027 Ten-year Notes bear interest at the rate of 3.625% per annum. Interest is payable semi-annually in arrears on and of each year, beginning on January 6, 2018.

The 2023 Notes bear interest at the rate of 3.875% per annum and the 2028 March Notes bear interest at the rate of 4.375% per annum. Interest is payable semi-annually in arrears on and of each year, beginning on September 29, 2018.

The 2024 Notes including US\$600 million issued in November and US\$250 million in December 2018, respectively, bear interest at the rate of 4.375% per annum and the 2028 November Notes bear interest at the rate of 4.875% per annum. Interest is payable semi-annually in arrears on and of each year, beginning on May 14, 2019.

The 2025 Five-year Notes bear interest at the rate of 3.075% per annum and the 2030 April Notes bear interest at the rate of 3.425% per annum. Interest is payable semi-annually in arrears on and of each year, beginning on October 7, 2020.

The 2026 Notes bear interest at the rate of 1.720% per annum and the 2030 October Notes bear interest at the rate of 2.375% per annum. Interest is payable semi-annually in arrears on and of each year, beginning on April 9, 2021.

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The 2027 Five-year Notes bear interest at the rate of 1.625% per annum and the 2031 Notes bear interest at the rate of 2.375% per annum. Interest is payable semi-annually in arrears on and of each year, beginning on February 23, 2022.

At maturity, the Notes are payable at their principal amount plus accrued and unpaid interest thereon.

Under the terms of the indentures governing the 2025 Ten-year Notes, the 2027 Ten-year Notes, the 2023 Notes and the 2028 March Notes, events of default include, among others, there occurring with respect to any of the Company's indebtedness or indebtedness of the Company's principal controlled entities, an event of default resulting in accelerated maturity or a failure to pay principal, interest or premium when due, and that the outstanding principal amount under payment default or accelerated maturity equals or exceeds the greater of US\$100 million and 2.5% of the Company's total equity. Under such indentures, principal controlled entities refer to entities as to which one or more of the following conditions is/are satisfied: (i) its total revenue or consolidated total revenue attributable to the Company is at least 5% of the Company's consolidated total revenue; (ii) its net profit or consolidated net profit attributable to the Company is at least 5% of the Company's consolidated net profit; or (iii) its net assets or consolidated net assets attributable to the Company are at least 10% of the Company's consolidated net assets. For example, iQIYI constitutes a principal controlled entity under such indentures.

Under the terms of the indentures governing the 2024 November Notes, the 2024 December Notes (consolidated into and formed a single series with the 2024 November Notes), the 2028 November Notes, the 2025 Five-year Notes, the 2030 April Notes, the 2026 Notes, the 2030 October Notes, the 2027 Five-year Notes and the 2031 Notes, events of default include, among others, there occurring with respect to any of the Company's indebtedness, an event of default resulting in accelerated maturity or a failure to pay principal, interest or premium when due, and that the outstanding principal amount under payment default or accelerated maturity equals or exceeds the greater of US\$100 million and 2.5% of the Company's total equity.

If any such event of default were to take place, the holders of those notes may declare the principal of notes to be due and payable prior to the stated maturity. Under the terms of the indentures governing the various notes, a declaration of acceleration of the relevant series of notes will be automatically annulled if such event of default is remedied or cured by the Company or any of the Company's principal controlled entities, in the case of the 2025 Ten-year Notes, the 2027 Ten-year Notes, the 2023 Notes and the 2028 March Notes, or the Company, in the case of the 2024 November Notes, the 2024 December Notes, the 2028 November Notes, the 2025 Five-year Notes, the 2030 April Notes, the 2026 Notes, the 2030 October Notes, the 2027 Five-year Notes and the 2031 Notes, or waived by the holders of the relevant notes within 30 days after the declaration of acceleration with respect thereto and if the annulment of the acceleration of those notes would not conflict with any judgment or decree of a court of competent jurisdiction. As of December 31, 2022, there was no such event of default.

The Notes do not contain any other financial covenants or other significant restrictions. In addition, the Notes are unsecured and rank lower than any secured obligation of the Group and have the same liquidation priority as any other unsecured liabilities of the Group, but senior to those expressly subordinated obligations, if any. The Company may, at its discretion, redeem all or any portion of the Notes at any time, at the greater of the principal amount and the make whole amount plus accrued and unpaid interest. In addition, for the 2023 Notes, 2028 March Notes, 2024 Notes, 2028 November Notes, 2025 Five-year Notes, 2030 April Notes, 2026 Notes, 2030 October Notes, 2027 Five-year Notes and 2031 Notes, the Company may at its discretion, redeem all or any portion of the Notes at one or three months before the maturity date of respective notes, at a price equal to 100% of the principal amount of such notes plus accrued and unpaid interest, if any, to (but not including) the

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redemption date. As of December 31, 2022, the Company does not intend to redeem any portion of the Notes prior to the stated maturity dates. For certain Notes, the Company has the obligation to redeem the Notes if a change in control occurs as defined in the indenture of the Notes.

The outstanding Notes were issued at a discount amounting to US\$17 million. The total issuance costs of US\$32 million were presented as a direct deduction from the principal amount of the outstanding Notes on the consolidated balance sheets. Both the discount and the issuance costs are amortized as interest expense using the effective interest rate method through the maturity dates of the Notes.

The principal amount and unamortized discount and debt issuance costs as of December 31, 2021 and 2022 were as follows:

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
		(In millions)	
Principal amount	53,848	46,983	6,812
Unamortized discount and debt issuance costs	(223)	(186)	(27)
	<u>53,625</u>	<u>46,797</u>	<u>6,785</u>

The following table summarizes the aggregate required repayments of the principal amounts of the Company's long-term debts (including the notes payable and long-term loans (Note 13) but excluding convertible senior notes (Note 15), in the succeeding five years and thereafter:

	RMB	US\$
	(In millions)	
For the years ending December 31,		
2023	6,898	1,000
2024	5,863	850
2025	7,587	1,100
2026	18,278	2,650
2027	6,207	900
Thereafter	15,864	2,300

15. CONVERTIBLE SENIOR NOTES

iQIYI 2023 Convertible Senior Notes

On December 4, 2018, iQIYI issued US\$750 million convertible senior notes ("iQIYI 2023 Convertible Notes"). The iQIYI 2023 Convertible Notes are senior, unsecured obligations of iQIYI, and interest is payable semi-annually in cash at a rate of 3.75% per annum on June 1 and December 1 of each year, beginning on June 1, 2019. The iQIYI 2023 Convertible Notes will mature on December 1, 2023 unless redeemed, repurchased or converted prior to such date.

The initial conversion rate of the iQIYI 2023 Convertible Notes is 37.1830 of iQIYI's ADS per US\$1,000 principal amount of the iQIYI 2023 Convertible Notes (which is equivalent to an initial conversion price of approximately US\$26.89 per ADS). Prior to June 1, 2023, the iQIYI 2023 Convertible Notes will be convertible at the option of the holders only upon the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2019, if the last reported sale price of ADSs for at least 20 trading

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days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price; (2) during the five business day period after any ten consecutive trading day period in which the trading price per US\$1,000 principal amount of notes was less than 98% of the product of the last reported sale price of the ADSs and the conversion rate on each such trading day; (3) if iQIYI calls the notes for a tax redemption; or (4) upon the occurrence of specified corporate events. Thereafter, the iQIYI 2023 Convertible Notes will be convertible at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The conversion rate is subject to adjustment in some events but is not adjusted for any accrued and unpaid interest. In addition, following a make-whole fundamental change that occurs prior to the maturity date or following iQIYI's delivery of a notice of a tax redemption, iQIYI will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event or such tax redemption. Upon conversion, iQIYI will pay or deliver to such converting holders, as the case may be, cash, ADSs, or a combination of cash and ADSs, at its election.

The holders may require iQIYI to repurchase all or portion of the iQIYI 2023 Convertible Notes for cash on December 1, 2021, or upon a fundamental change, at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest. In 2021, iQIYI redeemed US\$747 million aggregate principal amount of the iQIYI 2023 Convertible Notes as requested by the holders. Following settlement of the repurchase, the repurchase amount which was fully accreted was derecognized and US\$3 million (equivalent to RMB22 million) aggregate principal amount of the iQIYI 2023 Convertible Notes remained outstanding and was included in "Convertible senior notes, current portion" as of December 31, 2022 as it will mature on December 1, 2023.

In connection with the issuance of the iQIYI 2023 Convertible Notes, iQIYI purchased capped call options (the "2023 Capped Call") on iQIYI's ADS with certain counterparties at a price of US\$68 million. The counterparties agreed to sell to iQIYI up to approximately 28 million of iQIYI's ADSs upon iQIYI's exercise of the 2023 Capped Call. The exercise price is equal to the iQIYI 2023 Convertible Notes' initial conversion price and the cap price is US\$38.42 per ADS, subject to certain adjustments under the terms of the capped call transactions. The capped call transactions are expected to reduce potential dilution to existing holders of the ordinary shares and ADSs of iQIYI upon conversion of the iQIYI 2023 Convertible Notes and/or offset any potential cash payments that iQIYI is required to make in excess of the principal amount of any converted notes, as the case may be, with such reduction and/or offset subject to a cap.

iQIYI 2025 Convertible Senior Notes

On March 29, 2019, iQIYI issued US\$1.2 billion convertible senior notes ("iQIYI 2025 Convertible Notes"). The iQIYI 2025 Convertible Notes are senior, unsecured obligations of iQIYI, and interest is payable semi-annually in cash at a rate of 2.00% per annum on October 1 and April 1 of each year, beginning on October 1, 2019. The iQIYI 2025 Convertible Notes will mature on April 1, 2025 unless redeemed, repurchased or converted prior to such date.

The initial conversion rate of the iQIYI 2025 Convertible Notes is 33.0003 of iQIYI's ADS per US\$1,000 principal amount of the iQIYI 2025 Convertible Notes (which is equivalent to an initial conversion price of approximately US\$30.30 per ADS). Prior to October 1, 2024, the iQIYI 2025 Convertible Notes will be convertible at the option of the holders only upon the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2019, if the last reported sale price of ADSs for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of

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the conversion price; (2) during the five business day period after any ten consecutive trading day period in which the trading price per US\$1,000 principal amount of notes was less than 98% of the product of the last reported sale price of the ADSs and the conversion rate on each such trading day; (3) if iQIYI calls the notes for a tax redemption; or (4) upon the occurrence of specified corporate events. Thereafter, the iQIYI 2025 Convertible Notes will be convertible at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The conversion rate is subject to adjustment in some events but is not adjusted for any accrued and unpaid interest. In addition, following a make-whole fundamental change that occurs prior to the maturity date or following iQIYI's delivery of a notice of a tax redemption, iQIYI will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event or such tax redemption. Upon conversion, iQIYI will pay or deliver to such converting holders, as the case may be, cash, ADSs, or a combination of cash and ADSs, at its election.

The holders may require iQIYI to repurchase all or a portion of the iQIYI 2025 Convertible Notes for cash on April 1, 2023, or upon a fundamental change, at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

In connection with the issuance of the iQIYI 2025 Convertible Notes, iQIYI purchased capped call options (the "2025 Capped Call") on iQIYI's ADS with certain counterparties at a price of US\$85 million. The counterparties agreed to sell to iQIYI up to approximately 40 million of iQIYI's ADSs upon iQIYI's exercise of the 2025 Capped Call. The exercise price is equal to the iQIYI 2025 Convertible Notes' initial conversion price and the cap price is US\$40.02 per ADS, subject to certain adjustments under the terms of the capped call transactions. The capped call transactions are expected to reduce potential dilution to existing holders of the ordinary shares and ADSs of iQIYI upon conversion of the iQIYI 2025 Convertible Notes and/or offset any potential cash payments that iQIYI is required to make in excess of the principal amount of any converted notes, as the case may be, with such reduction and/or offset subject to a cap.

iQIYI 2026 Convertible Senior Notes

On December 21, 2020, iQIYI issued US\$800 million convertible senior notes and offered an additional US\$100 million principal amount simultaneously, pursuant to the underwriters' option to purchase additional notes. On January 8, 2021, the additional US\$100 million principal amount was issued pursuant to the underwriters' exercise of their option. The convertible senior notes issued on December 21, 2020 and January 8, 2021 (collectively referred to as the "iQIYI 2026 Convertible Notes") are senior, unsecured obligations of iQIYI, and interest is payable semi-annually in cash at a rate of 4.00% per annum on June 15 and December 15 of each year, beginning on June 15, 2021. The iQIYI 2026 Convertible Notes will mature on December 15, 2026 unless redeemed, repurchased or converted prior to such date.

The initial conversion rate of the iQIYI 2026 Convertible Notes is 44.8179 of iQIYI's ADS per US\$1,000 principal amount of the iQIYI 2026 Convertible Notes (which is equivalent to an initial conversion price of approximately US\$22.31 per ADS). Prior to June 15, 2026, the iQIYI 2026 Convertible Notes will be convertible at the option of the holders only upon the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2021, if the last reported sale price of ADSs for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price; (2) during the five business day period after any ten consecutive trading day period in which the trading price per US\$1,000 principal amount of notes was less than 98% of the product of the last reported sale price of the ADSs and the conversion rate on each such trading day; (3) if iQIYI calls the notes for a tax redemption; or (4) upon the occurrence of specified corporate events. Thereafter, the iQIYI 2026 Convertible Notes will be

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convertible at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The conversion rate is subject to adjustment in some events but is not adjusted for any accrued and unpaid interest. In addition, following a make-whole fundamental change that occurs prior to the maturity date or following iQIYI's delivery of a notice of a tax redemption, iQIYI will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event or such tax redemption. Upon conversion, iQIYI will pay or deliver to such converting holders, as the case may be, cash, ADSs, or a combination of cash and ADSs, at its election.

The holders may require iQIYI to repurchase all or a portion of the iQIYI 2026 Convertible Notes for cash on August 1, 2024, or upon a fundamental change, at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

iQIYI PAG Convertible Senior Notes

On December 30, 2022, iQIYI issued US\$500 million convertible senior notes (the "iQIYI PAG Notes"), pursuant to the definitive agreements entered with PAGAC IV-1 (Cayman) Limited, PAG Pegasus Fund LP and/or their affiliates (collectively, the "Investors") in August 2022. The iQIYI PAG Notes are senior, secured obligations of iQIYI by certain collateral arrangements, and interest is payable quarterly in cash at a rate of 6.00% per annum on January 1, April 1, July 1 and October 1 of each year, beginning on April 1, 2023. The iQIYI PAG Notes will mature on the fifth anniversary of the issuance date unless redeemed, repurchased or converted prior to such date. iQIYI offered an additional US\$50 million principal amount of the iQIYI PAG Notes simultaneously, pursuant to the Investors' option to purchase additional notes (Note 27).

The iQIYI PAG Notes will be convertible at the holder's option at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date and subject to the terms of the iQIYI PAG Notes, at an initial conversion rate of 216.9668 ADS per US\$ 1,000 principal amount of the iQIYI PAG Notes (which is equivalent to an initial conversion price of approximately US\$4.61 per ADS). Following a make-whole fundamental change that occurs prior to the maturity date, iQIYI will increase the conversion rate for a holder who elects to convert its notes in connection with such make-whole fundamental change.

Holders of the iQIYI PAG Notes have the right to require iQIYI to repurchase for cash all or part of their Notes, at a repurchase price equal to 120 % and 130 % of the principal amount of the iQIYI PAG Notes on or shortly after the third anniversary of the issuance date and the fifth anniversary of the issuance date, respectively. Upon the closing of the transaction, the investors have appointed the executive chairman of PAG, as a member to the board of directors, a member of the compensation committee and a non-voting member of the audit committee of iQIYI pursuant to their rights in the definitive agreements. The repayments of iQIYI PAG Notes are guaranteed by equity interests of certain subsidiaries of iQIYI and collateralized by all the cash consideration related to certain contracts for which RMB750 million (US\$109 million) cash consideration has been received as of December 31, 2022 and reported as long-term restricted cash balances. (Note 9).

Under the terms of the indentures governing the iQIYI 2023 Convertible Notes, iQIYI 2025 Convertible Notes, iQIYI 2026 Convertible Notes and iQIYI PAG Notes, events of default include:

- (i) default in any payment of interest or additional amounts as defined under the respective indenture for a period of 30 days;
- (ii) default in the payment of principal for the iQIYI 2023 Convertible Notes, iQIYI 2025 Convertible Notes and iQIYI 2026 Convertible Notes when due and payable, or repurchase amount for the iQIYI PAG Notes when due;

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- (iii) failure by iQIYI to comply with its obligation to convert the Convertible Notes upon exercise of a holder's conversion right for a period of five business days;
- (iv) failure by iQIYI to issue a Fundamental Change Company Notice or a Make-Whole Fundamental Change as defined under the respective indenture or a specified corporate event when due for a period of five business days;
- (v) failure by iQIYI to comply with its obligations relating to consolidation, merger, sale, conveyance and lease under article 11 of the respective indenture;
- (vi) failure by iQIYI for 60 days after written notice from the trustee or by the trustee at the request of the holders of at least 25% in aggregate principal amount of the respective Convertible Notes then outstanding has been received by iQIYI to comply with any of other agreements contained in the respective Convertible Notes or the indenture;
- (vii) default by iQIYI or its significant subsidiaries (defined in Article 1, Rule 1-02 of Regulation S-X), with respect to any mortgage, agreement or other instrument under which there may be outstanding, secured or evidenced any indebtedness in excess of US\$60 million (or an equivalent amount in foreign currency), for the iQIYI 2023 Convertible Notes, the iQIYI 2025 Convertible Notes, the iQIYI 2026 Convertible Notes or in excess of US\$100 million (or an equivalent amount in foreign currency) for the iQIYI PAG Notes, resulting in accelerated maturity or a failure to pay principal or interest when due, and such indebtedness is not discharged, or such acceleration is not otherwise cured or rescinded, within 30 days;
- (viii) a delay in payment or discharge of a final judgment for the payment of US\$60 million (or an equivalent amount in foreign currency) for the iQIYI 2023 Convertible Notes, the iQIYI 2025 Convertible Notes and the iQIYI 2026 Convertible Notes or the payment of US\$100 million (or an equivalent amount in foreign currency) for the iQIYI PAG Notes rendered against iQIYI or any of its significant subsidiaries;
- (ix) iQIYI or any of its significant subsidiaries shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief; and
- (x) an involuntary case or other proceeding shall be commenced against iQIYI or its significant subsidiaries seeking liquidation, reorganization or other relief, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 30 consecutive days.

The indentures for the iQIYI 2023 Convertible Notes, iQIYI 2025 Convertible Notes, iQIYI 2026 Convertible Notes and iQIYI PAG Notes (collectively as the "iQIYI Notes") define a "fundamental change" to include, among other things: (i) any person or group gaining control of iQIYI, (ii) any recapitalization, reclassification or change of iQIYI's ordinary shares or ADSs as a result of which these securities would be converted into, or exchanged for, stock, other securities, other property or assets; (iii) the shareholders of iQIYI approving any plan or proposal for the liquidation or dissolution of iQIYI; (iv) iQIYI's ADSs ceasing to be listed on Nasdaq Stock Market; or (v) any change in or amendment to the laws, regulations and rules of the PRC resulting in iQIYI being legally prohibited from operating substantially all of the business operations conducted by iQIYI being unable to continue to derive substantially all of the economic benefits from the business operations conducted by these entities.

Upon the occurrence of an event of default which includes default on principal payment of the iQIYI 2025 Notes when due on April 1, 2023, the trustee or the holders of at least 25% in aggregate principal amount may declare the whole principal of (or, in the case of the iQIYI PAG notes, 120% or 130% of the principal amount for such notes, as the case may be, depending on the date of occurrence of the event of default), and accrued and unpaid interest on, all the outstanding Convertible Senior Notes to be due and payable immediately, subject to certain exceptions and conditions under the respective indenture. iQIYI may also be required to pay additional interest. Upon the occurrence of a fundamental change, holders of the Convertible Senior Notes will have the right, at their option, to require iQIYI to repurchase all of their Convertible Senior Notes or any portion of the principal

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amount (or, in the case of the iQIYI PAG notes, 120% or 130% of the principal amount for such notes, as the case may be, depending on the date of occurrence of the fundamental change), and accrued and unpaid interests. In the event of a fundamental change, iQIYI may also be required to issue additional ADSs upon conversion of its convertible notes. As of December 31, 2022, there was no such event of default or fundamental change.

Accounting for Convertible Senior Notes

Adoption of ASU 2020-06

In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), which focuses on amending the legacy guidance on convertible instruments and the derivatives scope exception for contracts in an entity's own equity. ASU 2020-06 simplifies an issuer's accounting for convertible instruments by reducing the number of accounting models that require separate accounting for embedded conversion features. The Group adopted ASU 2020-06 on January 1, 2022, using a modified retrospective transition method, which resulted in a cumulative-effect adjustment to decrease the opening balance of additional paid-in capital and noncontrolling interests on January 1, 2022 by RMB738 million and RMB309 million respectively, and increase the opening balance of accumulated retained earnings and convertible senior notes on January 1, 2022 by RMB398 million and RMB636 million, with remaining impact shown in accumulated other comprehensive income.

Prior to the adoption of ASU 2020-06, as the conversion option may be settled in cash at iQIYI's option, the iQIYI 2023 Convertible Notes, iQIYI 2025 Convertible Notes and iQIYI 2026 Convertible Notes were separated into liability and equity components in accordance with ASC subtopic 470-20, *Debt with Conversion and Other Options* ("ASC 470-20"). The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated conversion feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the initial proceeds and recorded as additional paid-in capital. The difference between the principal amount of each of the iQIYI Notes and the liability component was considered debt discount and was amortized using the effective interest rate method to accrete the discounted carrying value of the iQIYI Notes to its face value on the put dates of the iQIYI Notes. Debt issuance costs were allocated to the liability and equity components based on the same proportion as the recognized amounts of liability and equity components determined aforementioned.

After the adoption of ASU 2020-06, as the iQIYI Notes were not issued at a substantial premium, all of the proceeds received from the issuance of the iQIYI Notes are recorded as a liability on the consolidated balance sheet in accordance with ASC 470-20. That is, no portion of the proceeds from issuing the iQIYI Notes are attributed to the conversion option at inception. The difference between the principal amount of each of the iQIYI Notes and net proceeds from the issuance is considered debt discount and is amortized at their respective effective interest rates to accrete the carrying value of the iQIYI Notes to its face value (120% of the principal amount for the iQIYI PAG Convertible Notes) on the respective put dates of the iQIYI Notes. For the years ended December 31, 2020, 2021 and 2022, the effective interest rates of the iQIYI Notes were as follows:

	For the years ended December 31,		
	2020	2021	2022
	%	%	%
The iQIYI 2023 Convertible Notes	7.04%	7.04%	4.41%
The iQIYI 2025 Convertible Notes	6.01%	6.01%	2.48%
The iQIYI 2026 Convertible Notes	6.94%	6.94%	4.53%
The iQIYI PAG Convertible Notes	N/A	N/A	12.27%

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The cost of the 2023 Capped Call and 2025 Capped Call of US\$68 million and US\$85 million were recorded as a reduction of the Company's additional paid-in capital and non-controlling interests on the consolidated balance sheets with no subsequent changes in fair value recorded.

The net proceeds from the issuance of the iQIYI 2023 Convertible Notes, iQIYI 2025 Convertible Notes, iQIYI 2026 Convertible Notes and iQIYI PAG Notes were US\$737 million, US\$1.2 billion, US\$884 million and US\$492 million, after deducting underwriting discounts and offering expenses of US\$13 million, US\$21 million, US\$16 million and US\$8 million from the initial proceeds of US\$750 million, US\$1.2 billion, US\$900 million and US\$500 million, respectively.

The carrying amount of the iQIYI Notes as of December 31, 2021 and 2022 were as follows:

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
			(In millions)
Liability component:			
Principal	13,403	17,986	2,608
Less: unamortized debt discount	751	112	17
Net carrying amount	<u>12,652</u>	<u>17,874</u>	<u>2,591</u>
Equity component:			
Carrying amount	<u>1,793</u>	<u>360</u>	<u>52</u>

For the years ended December 31, 2020, 2021 and 2022, the amounts of interest cost recognized were as follows:

	For the years ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
				(In millions)
Contractual interest expense	365	557	404	59
Amortization of the discount and issuance costs	434	559	66	9
Total	799	1,116	470	68

As of December 31, 2022, the liability component of the iQIYI 2025 Convertible Notes, iQIYI 2026 Convertible Notes and iQIYI PAG Notes will be accreted up to the principal amount of US\$1.2 billion, US\$900 million and US\$600 million (120% of the principal amount of iQIYI PAG Notes) over a remaining period of 0.25 years, 1.59 years and 3.00 years, respectively. The amount repayable within the next twelve months are classified as "Convertible senior notes, current portion" on the consolidated balance sheets.

The aggregate amounts upon scheduled maturities of RMB22 million (US\$3 million), RMB8.3 billion (US\$1.2 billion), RMB6.2 billion (US\$902 million) and RMB4.5 billion (US\$651 million) of the iQIYI 2023 Notes, iQIYI 2025 Notes, iQIYI 2026 Notes and iQIYI PAG Notes will be repaid when they become due in 2023, 2025, 2026 and 2028, respectively, assuming there is no conversion of the iQIYI Notes, no redemption of the iQIYI Notes prior to their maturities, the convertible senior notes bondholders hold the iQIYI Notes until their maturities and iQIYI elects to fully settle the iQIYI Notes in cash.

16. LEASES

The Company's operating leases mainly related to land, offices facilities, IDC facilities and vehicles. For leases with terms greater than 12 months, the Company records the related asset and obligation at the present value of

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lease payments over the term. Certain leases include rental escalation clauses, renewal options and/or termination options that are factored into the Company's determination of lease payments when appropriate. As of December 31, 2022, finance leases were insignificant.

As of December 31, 2022, the weighted average remaining lease term was 14.8 years and weighted average discount rate was 4.30% for the Group's operating leases.

Operating lease costs were RMB3.0 billion, RMB3.2 billion and RMB3.5 billion (US\$505 million) for the years ended December 31, 2020, 2021 and 2022, respectively, which excluded short-term lease costs. Short-term lease costs were RMB427 million, RMB475 million and RMB424 million (US\$61 million) for the years ended December 31, 2020, 2021 and 2022, respectively. Variable lease cost was immaterial for the years ended December 31, 2020, 2021 and 2022. For the years ended December 31, 2020, 2021 and 2022, no lease costs for operating or finance leases were capitalized.

Supplemental cash flow information related to operating leases was as follows:

	For the years ended		
	December 31,		
	2021	2022	2022
	RMB	RMB	US\$
	(In millions)		
Cash payments for operating leases	4,238	3,014	437
ROU assets obtained in exchange for operating lease liabilities	4,434	2,559	371

Future lease payments under operating leases as of December 31, 2022 were as follows:

	Operating leases	
	RMB	US\$
	(In millions)	
Year ending December 31,		
2023	2,870	416
2024	2,230	323
2025	1,424	206
2026	889	129
2027	442	64
Thereafter	444	64
Total future lease payments	8,299	1,202
Less: Imputed interest	680	98
Total lease liability balance	<u>7,619</u>	<u>1,104</u>

As of December 31, 2022, additional operating leases that have not yet commenced were immaterial.

17. INCOME TAXES

Cayman Islands and BVI

Under the current laws of the Cayman Islands and BVI, the Group is not subject to tax on income or capital gains. Additionally, upon payment of dividends by the Group to its shareholders, no Cayman Islands withholding tax will be imposed.

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Hong Kong

Subsidiaries in Hong Kong are subject to Hong Kong Profits Tax rate at 16.5%, and foreign-derived income is exempted from income tax. There are no withholding taxes upon payment of dividends by the subsidiaries incorporated in Hong Kong to its shareholders.

Japan

As a result of the Japanese tax regulations amendments, the effective income tax rates were approximately 31% for all years ended December 31, 2020, 2021 and 2022.

Mainland China

Under the PRC Enterprise Income Tax (“EIT”) Law, which has been effective since January 1, 2008, domestic enterprises and Foreign Investment Enterprises (the “FIE”) are subject to a unified 25% enterprise income tax rate, except for certain entities that are entitled to preferential tax treatments. Preferential EIT rates at 15% is available for qualified “High and New Technology Enterprises” (“HNTEs”). The HNTE certificate is effective for a period of three years. Further, preferential EIT rates are available for qualified Software Enterprises whereby entities are entitled to full exemption from EIT for two years beginning from their first profitable calendar year and a 50% reduction for the subsequent three calendar years.

Certain PRC subsidiaries and VIEs, including Baidu Online, Baidu China, Baidu International and Baidu Netcom, etc. are qualified HNTEs and enjoy a reduced tax rate of 15% for the years presented. An entity could re-apply for the HNTE certificate when the prior certificate expires. Historically, all of the Company’s subsidiaries and VIEs successfully re-applied for the certificates when the prior ones expired. Certain subsidiaries enjoyed a reduced tax rate as qualified Software Enterprise in 2021 and 2022.

Under the current EIT Law, dividends for earnings derived from January 1, 2008 and onwards paid by PRC entities to any of their foreign non-resident enterprise investors are subject to a 10% withholding tax. A lower tax rate will be applied if tax treaty or arrangement benefits are available. Under the tax arrangement between the PRC and Hong Kong, the reduced withholding tax rate for dividends paid by PRC entities is 5% provided the Hong Kong investors meet the requirements as stipulated by relevant PRC tax regulations, such as the beneficiary owner test. Capital gains derived from the PRC are also subject to a 10% PRC withholding tax.

Income (loss) before income taxes consists of:

	For the years ended December 31,			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
	(In millions)			
Mainland China	19,711	15,055	18,306	2,654
Non-Mainland China	3,379	(4,277)	(8,194)	(1,188)
	<u>23,090</u>	<u>10,778</u>	<u>10,112</u>	<u>1,466</u>

Except for the investment related loss recognized, the pre-tax losses from non-Mainland China operations consist primarily of operating costs, administration expenses, interest expenses and share-based compensation expenses.

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Income taxes consist of:

	For the years ended December 31,			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
	(In millions)			
Current income tax	4,668	3,636	3,163	459
Income tax refund due to reduced tax rate	(719)	—	(468)	(68)
Adjustments of deferred tax assets due to change in tax rates	(5)	109	119	17
Deferred income tax expense (benefit)	120	(558)	(236)	(34)
	<u>4,064</u>	<u>3,187</u>	<u>2,578</u>	<u>374</u>

The reconciliation of the actual income taxes to the amount of tax computed by applying the aforementioned statutory income tax rate to pre-tax income is as follows:

	For the years ended December 31,			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
	(In millions, except for per share data)			
Expected taxation at PRC statutory tax rate	5,773	2,694	2,541	368
Effect of differing tax rates in different jurisdictions	208	656	1,976	286
Non-taxable income	(995)	(89)	(44)	(6)
Non-deductible expenses	3,416	965	534	77
Research and development super-deduction	(1,549)	(1,645)	(2,274)	(330)
Effect of PRC preferential tax rates and tax holiday	(2,891)	(1,557)	(1,507)	(217)
Effect of tax rate changes on deferred taxes	(5)	109	119	17
Reversal of prior year's income taxes	(951)	(734)	(913)	(132)
PRC withholding tax	122	615	181	26
Valuation allowance	936	2,173	1,965	285
Taxation for the year	<u>4,064</u>	<u>3,187</u>	<u>2,578</u>	<u>374</u>
Effective tax rate	<u>18%</u>	<u>29.6%</u>	<u>25.5%</u>	<u>25.5%</u>
Effect of preferential tax rates inside the PRC on basic earnings per Class A and Class B ordinary share (Note)	<u>1.06</u>	<u>0.56</u>	<u>0.54</u>	<u>0.08</u>

Note: Effect of preferential tax rates inside the PRC on basic earnings per Class A and Class B ordinary share for the year ended December 31, 2020 had been retrospectively adjusted for the Share Subdivision that became effective on March 1, 2021, as detailed in Notes 1 and 22.

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The tax effects of temporary differences that gave rise to the deferred tax balances at December 31, 2021 and 2022 are as follows:

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
		(In millions)	
Deferred tax assets:			
Allowance for credit losses	622	616	89
Accrued expenses, payroll and others	3,076	3,861	560
Fixed assets depreciation and intangible assets amortization	4,024	3,767	546
Net operating loss carry-forwards	2,980	4,176	605
Less: valuation allowance	(8,068)	(10,033)	(1,454)
Deferred tax assets, net	<u>2,634</u>	<u>2,387</u>	<u>346</u>
		(In millions)	
Deferred tax liabilities:			
Long-lived assets arising from acquisitions	508	428	62
Withholding tax on PRC subsidiaries' undistributed earnings	1,803	1,685	244
Tax on capital gains	996	797	116
Others	241	246	35
	<u>3,548</u>	<u>3,156</u>	<u>457</u>

As of December 31, 2022, the Group had tax losses of approximately RMB22.7 billion (US\$3.3 billion) derived from entities in the PRC, Hong Kong, Singapore and Japan. The tax losses in Japan can be carried forward for nine years to offset future taxable profit. The tax losses in the PRC can be carried forward for five years to offset future taxable profit, and the period is currently extended to 10 years for entities qualified as HNTE. The tax losses of entities in the PRC and Japan will expire from 2023 to 2032, if not utilized. The tax losses in Hong Kong and Singapore can be carried forward with no expiration date.

As of December 31, 2022, dividend distribution withholding tax for the potential remittance of earnings from the PRC subsidiaries to offshore entities was RMB1.7 billion (US\$254 million). The Group believes that the underlying dividends will be distributed in the future for offshore use, such as merger and acquisition activities. The Group did not provide for additional deferred income taxes and foreign withholding taxes on the undistributed earnings of foreign subsidiaries during the years presented on the basis of its intent to permanently reinvest its foreign subsidiaries' earnings. As of December 31, 2022, the total amount of undistributed earnings from the PRC subsidiaries and the VIEs for which no withholding tax has been accrued was RMB152.9 billion (US\$22.2 billion). Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable.

18. EMPLOYEE DEFINED CONTRIBUTION PLAN

Full time employees of the Group in the PRC participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the

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Group make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions. Total amounts for such employee benefits, which were expensed as incurred, were RMB2.7 billion, 4.1 billion and RMB4.3 billion (US\$625 million) for the years ended December 31, 2020, 2021 and 2022, respectively.

19. COMMITMENTS AND CONTINGENCIES

Capital Commitments

The Group's capital commitments primarily relate to commitments in connection with the expansion and improvement of its network infrastructure and its plan to build additional office buildings and cloud computing based data centers. Total capital commitments contracted but not yet reflected in the financial statements amounted to RMB2.6 billion (US\$370 million) as of December 31, 2022. Almost all of the commitments relating to the network infrastructure, office buildings and cloud computing based data centers are to be fulfilled within one year.

Commitments for bandwidth and property management fees

Future minimum payments under non-cancelable agreements for bandwidth and property management fees consist of the following as of December 31, 2022:

	<u>RMB</u>	<u>US\$</u>
	(In millions)	
2023	287	42
2024	105	15
2025	44	6
2026	22	3
2027	4	1
Thereafter	25	4
	<u>487</u>	<u>71</u>

Licensed Copyrights and Produced Content Commitments

Future minimum payments under non-cancelable agreements for licensed copyrights and produced content consist of the following as of December 31, 2022:

	<u>RMB</u>	<u>US\$</u>
	(In millions)	
2023	5,156	748
2024	3,622	525
2025	2,636	382
2026	1,261	183
2027	105	15
Thereafter	202	29
	<u>12,982</u>	<u>1,882</u>

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Investment Commitments

The Group's investment commitments primarily relate to capital contribution obligations under certain arrangements which do not have specified contractual maturity dates. The total investment commitments contracted but not yet reflected in the consolidated financial statements amounted to RMB1.3 billion (US\$187 million).

Guarantees

The Group accounts for guarantees in accordance with ASC Topic 460, *Guarantees* ("ASC 460"). Accordingly, the Group evaluates its guarantees if any to determine whether (a) the guarantee is specifically excluded from the scope of ASC 460, (b) the guarantee is subject to ASC 460 disclosure requirements only, but not subject to the initial recognition and measurement provisions, or (c) the guarantee is required to be recorded in the financial statements at fair value.

The corporate by-laws require that the Company indemnify its officers and directors, as well as those who act as directors and officers of other entities at the Company's request, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceedings arising out of their services to the Company. In addition, the Company entered into separate indemnification agreements with each director and each executive officer of the Company that provide for indemnification of these directors and officers under similar circumstances and under additional circumstances. The indemnification obligations are more fully described in the by-laws and the indemnification agreements. The Company purchases standard directors and officers insurance to cover claims or a portion of the claims made against its directors and officers. Since a maximum obligation is not explicitly stated in the Company's by-laws or in the indemnification agreements and will depend on the facts and circumstances that arise out of any future claims, the overall maximum amount of the obligations cannot be reasonably estimated.

Historically, the Company was not required to make payments related to these obligations, and the fair value for these obligations was immaterial on the consolidated balance sheets as of December 31, 2022.

Litigation

The Group was involved in certain cases pending in various PRC, U.S. and Brazil courts and arbitration as of December 31, 2022. These cases include copyright infringement cases, unfair competition cases, and defamation cases, among others. Adverse results in these lawsuits may include awards of damages and may also result in, or even compel, a change in the Group's business practices, which could result in a loss of revenue or otherwise harm the business of the Group.

Starting in April 2020, the Group and certain of its officers were named as defendants in putative securities class actions filed in federal court. The case was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of alleged misstatements and omissions in the Group's public disclosure documents related to Baidu Feed, which they believe did not comply with "PRC laws and regulations in all material respects". In addition, starting in April 2020, iQIYI and certain of its current and former officers and directors were named as defendants in several putative securities class actions filed in federal court, which were purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of alleged misstatements and omissions in iQIYI's public disclosure documents. In light of the common questions of law and fact at issue in this case and a related action against Baidu, the Court terminated the motion to dismiss without prejudice, and ordered a motion-to-dismiss briefing for the two cases to be completed by March 2023.

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under a new briefing schedule. Both of those cases remain in preliminary stage, the likelihood of any unfavorable outcome or the amount or range of any potential loss cannot be reasonably estimated at the issuance date of the consolidated financial statements. As a result, as of December 31, 2022, the Group did not record any liabilities for the loss contingencies pertaining to the cases described above.

For many proceedings, the Company is currently unable to estimate the reasonably possible loss or a range of reasonably possible losses as the proceedings are in the early stages, and/or there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among different jurisdictions. As a result, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, which includes eventual loss, fine, penalty or business impact, if any, and therefore, an estimate for the reasonably possible loss or a range of reasonably possible losses cannot be made. However, the Company believes that such matters, individually and in the aggregate, when finally resolved, are not reasonably likely to have a material adverse effect on the Company's consolidated results of operations, financial position and cash flows. With respect to the limited number of proceedings for which the Company was able to estimate the reasonably possible losses or the range of reasonably possible losses, such loss estimates were insignificant.

20. REDEEMABLE NONCONTROLLING INTERESTS

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>
	RMB	RMB	RMB	US\$
	(In millions)			
Balance as of January 1	1,109	3,102	7,148	1,036
Issuance of subsidiary shares	1,866	4,722	1,208	175
Accretion of redeemable noncontrolling interests	127	391	593	86
Disposal of subsidiaries' shares	—	—	(556)	(80)
Reclassification of ordinary shares from mezzanine equity to ordinary shares	—	(153)	—	—
Repurchase of redeemable noncontrolling interests	—	(914)	—	—
Balance as of December 31	<u>3,102</u>	<u>7,148</u>	<u>8,393</u>	<u>1,217</u>

In 2021 and 2022, SLG issued 62,697,683 and 5,639,407, respectively, preferred shares to certain non-controlling shareholders, which could be redeemed by such shareholders upon the occurrence of certain events that are not solely within the control of the Company. Therefore, these preferred shares were accounted for as redeemable noncontrolling interests.

In 2021 and 2022, Baidu Kunlun issued 1,897,800 and 1,068,363, respectively, preferred shares to certain non-controlling shareholders, which could be redeemed by such shareholders upon the occurrence of certain events that are not solely within the control of the Company. Therefore, these preferred shares were accounted for as redeemable noncontrolling interests.

The Company also have other subsidiaries or VIEs that have issued preferred shares which were accounted for as redeemable noncontrolling interests. As of December 31, 2022, those redeemable noncontrolling interests were insignificant.

The Company accounts for the changes in accretion to the redemption value in accordance with ASC Topic 480, *Distinguishing Liabilities from Equity*. The Company elects to use the effective interest method to account for the changes of redemption value over the period from the date of issuance to the earliest redemption date of the noncontrolling interest.

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21. SHAREHOLDERS' EQUITY

Shares

The authorized share capital consisted of 69,632,000,000 shares at a par value of US\$0.000000625 per share (previously US\$0.00005 per share before the Share Subdivision as detailed in Note 1), of which 66,000,000,000 shares were designated as Class A ordinary shares, 2,832,000,000 as Class B ordinary shares, and 800,000,000 shares designated as preferred shares (previously 825,000,000 shares were designated as Class A ordinary shares, 35,400,000 as Class B ordinary shares, and 10,000,000 shares designated as preferred shares before the Share Subdivision as detailed in Note 1). The rights of the holders of Class A and Class B ordinary shares are identical, except with respect to voting and conversion rights. Each share of Class A ordinary shares is entitled to one vote per share and is not convertible into Class B ordinary shares under any circumstances. Each share of Class B ordinary shares is entitled to ten votes per share and is convertible into one Class A ordinary share at any time by the holder thereof. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity that is not an affiliate of such holder, such Class B ordinary shares would be automatically converted into an equal number of Class A ordinary shares. The number of Class B ordinary shares transferred to Class A ordinary shares were 4,200,000, 12,600,000 and 17,200,000 in the years ended December 31, 2020, 2021 and 2022, respectively.

As of December 31, 2022, there were 2,254,485,072 and 542,100,320 Class A and Class B ordinary shares outstanding (previously 28,181,063 and 6,776,254 Class A and Class B ordinary shares before the Share Subdivision as detailed in Note 1), respectively. As of December 31, 2021 and 2022, there were no preferred shares issued and outstanding.

On May 13, 2020, the Company announced a share repurchase program ("2020 share repurchase program") under which the Company proposed to acquire up to an aggregate of US\$1.0 billion of its ordinary shares, effective until July 1, 2021 in the open market or through privately negotiated transactions, depending on market conditions and in accordance with applicable rules and regulations. In August 2020, the board of directors approved a change to the 2020 share repurchase program, increasing the repurchase authorization from US\$1.0 billion to US\$3.0 billion, and in December 2020, the repurchase authorization was further increased from US\$3.0 billion to US\$4.5 billion, which is effective through December 31, 2022.

The Company repurchased 126,096,000, 57,343,528 and 17,307,400 Class A ordinary shares (previously 1,576,200, 716,794 and 216,343 Class A ordinary shares before the Share Subdivision as detailed in Note 1) from the open market with an aggregate purchase price of RMB13.1 billion, RMB7.6 billion and RMB1.9 billion (US\$279 million) during the years ended December 31, 2020, 2021 and 2022. Before December 31, 2020, the repurchased shares were cancelled under Cayman Islands law upon repurchase and the difference between the par value and the repurchase price was debited to retained earnings. In 2021 and 2022, repurchased shares were recorded in the treasury stock account.

Treasury stock

The treasury stock account includes 57,343,528 ordinary shares and 49,408,840 ordinary shares repurchased from the open market as of December 31, 2021 and 2022, respectively.

During the years ended December 31, 2021 and December 31, 2022, 57,343,528 and 17,307,400 treasury stock has been repurchased, which has been approved by the Company's board of directors, such treasury stock is reserved for future issuance upon the exercise of the vested share options and the vesting of restricted shares. During the year ended December 31, 2022, 25,242,088 ordinary shares had been reissued to employees and directors upon the exercise of share options and vesting of restricted shares.

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Retained Earnings

In accordance with the Regulations on Enterprises with Foreign Investment of China and their articles of association, the Company's PRC subsidiaries, being foreign invested enterprises established in China, are required to make appropriations to certain statutory reserves, namely a general reserve fund, an enterprise expansion fund, a staff welfare fund and a bonus fund, all of which are appropriated from net profit as reported in their PRC statutory accounts. Each of the Company's PRC subsidiaries is required to allocate at least 10% of its after-tax profits to a general reserve fund until such fund has reached 50% of its respective registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus funds are at the discretion of the Company's subsidiaries.

In accordance with the China Company Laws, the Company's VIEs must make appropriations from their after-tax profits as reported in their PRC statutory accounts to non-distributable reserve funds, namely a statutory surplus fund, a statutory public welfare fund and a discretionary surplus fund. Each of the Company's VIEs is required to allocate at least 10% of its after-tax profits to the statutory surplus fund until such fund has reached 50% of its respective registered capital. Appropriations to the statutory public welfare fund and the discretionary surplus fund are made at the discretion of the Company's VIEs.

General reserve and statutory surplus funds are restricted to set-off against losses, expansion of production and operation and increasing registered capital of the respective company. Staff welfare and bonus fund and statutory public welfare funds are restricted to capital expenditures for the collective welfare of employees. The reserves are not allowed to be transferred to the Company in the form of cash dividends, loans or advances, nor are they allowed for distribution except under liquidation.

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
PRC statutory reserve funds	1,098	1,218	177
Unreserved retained earnings	144,062	147,123	21,330
Total retained earnings	145,160	148,341	21,507

Under PRC laws and regulations, there are restrictions on the Company's PRC subsidiaries and VIEs with respect to transferring certain of their net assets to the Company either in the form of dividends, loans, or advances. Amounts of net assets restricted include paid in capital and statutory reserve funds of the Company's PRC subsidiaries and the net assets of the VIEs in which the Company has no legal ownership, totaling RMB45.9 billion and RMB47.3 billion (US\$6.9 billion) as of December 31, 2021 and 2022, respectively.

Furthermore, cash transfers from the Company's PRC subsidiaries to their parent companies outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may restrict the ability of the PRC subsidiaries and variable interest entities and their subsidiaries to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations.

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Accumulated Other Comprehensive (Loss) Income

The changes in accumulated other comprehensive (loss) income by component, net of tax, were as follows:

	Foreign currency translation adjustments RMB	Unrealized gains (losses) on available-for-sale investments RMB (In millions)	Unrealized gain on derivatives RMB	Total RMB
Balance at December 31, 2019	(2,584)	1,201	—	(1,383)
Other comprehensive income before reclassification	1,936	380		2,316
Amounts reclassified from accumulated other comprehensive income	—	(541)	—	(541)
Net current-period other comprehensive income (loss)	1,936	(161)		1,775
Other comprehensive income attribute to noncontrolling interests and redeemable noncontrolling interests	(192)	(1)	—	(193)
Balance at December 31, 2020	(840)	1,039	—	199
Other comprehensive (loss) income before reclassification	(88)	(190)	149	(129)
Amounts reclassified from accumulated other comprehensive income	—	—	—	—
Net current-period other comprehensive (loss) income	(88)	(190)	149	(129)
Other comprehensive (loss) income attribute to noncontrolling interests and redeemable noncontrolling interests	(79)	1	—	(78)
Balance at December 31, 2021	(1,007)	850	149	(8)
Cumulative effect of accounting change	13	—	—	13
Other comprehensive (loss) income before reclassification	(764)	(392)	1,266	110
Amounts reclassified from accumulated other comprehensive income	—	—	—	—
Net current-period other comprehensive (loss) income	(751)	(392)	1,266	123
Other comprehensive income (loss) attribute to noncontrolling interests and redeemable noncontrolling interests	432	(1)	—	431
Balance at December 31, 2022	(1,326)	457	1,415	546
Balance at December 31, 2022, in US\$	(192)	66	205	79

The amounts reclassified out of accumulated other comprehensive (loss) income represent realized foreign currency translation adjustments, which mainly arose from the disposal of the Group's partial interests in Trip and realized gains (losses) on the sales of available-for-sale investments, which were recorded in "Others, net" in the consolidated statements of comprehensive income. The amounts reclassified were determined on the basis of specific identification. Losses on intracompany foreign currency transactions that are of a long-term-investment nature in the amount of RMB1.2 billion, RMB537 million and gains in the amount of RMB2.1 billion (US\$298 million) were included in the foreign currency translation adjustment for the years ended December 31, 2020, 2021 and 2022, respectively.

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The following table sets forth the tax benefit (expense) allocated to each component of other comprehensive income (loss) for the years ended December 31, 2020, 2021 and 2022:

	For the years ended December 31,			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
	(In millions)			
Unrealized gains (losses) on available-for-sale investments				
Other comprehensive income before reclassification	(59)	(3)	28	4
Amounts reclassified from accumulated other comprehensive income	83	—	—	—
Net current-period other comprehensive income (loss)	<u>24</u>	<u>(3)</u>	<u>28</u>	<u>4</u>

22. EARNINGS PER SHARE

Following the Share Subdivision as detailed in Notes 1 and 21, each ordinary share was subdivided into eighty ordinary shares and each ADS represents eight Class A ordinary shares. The weighted average number of ordinary shares used for the calculation of basic and diluted earnings per share/ADS for the years ended December 31, 2020 and 2021 have been retrospectively adjusted.

A reconciliation of net income attributable to Baidu, Inc. in the consolidated statements of comprehensive income to the numerator for the computation of basic and diluted per share for the years ended December 31, 2020, 2021 and 2022 is as follows:

	For the years ended December 31,			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
	(In millions, including number of shares, except for per share data)			
Net income attributable to Baidu, Inc.	22,472	10,226	7,559	1,096
Accretion of the redeemable noncontrolling interests	(88)	(350)	(591)	(86)
Numerator for basic EPS computation	<u>22,384</u>	<u>9,876</u>	<u>6,968</u>	<u>1,010</u>
Numerator for diluted EPS computation	<u>22,384</u>	<u>9,876</u>	<u>6,968</u>	<u>1,010</u>

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The following table sets forth the computation of basic and diluted earnings per Class A and Class B ordinary share and basic and diluted earnings per ADS:

	For the years ended December 31,							
	2020		2021		2022		2022	
	Class A RMB	Class B RMB	Class A RMB	Class B RMB	Class A RMB	Class A US\$	Class B RMB	Class B US\$
(In millions, including number of shares and ADS, except for per share and per ADS data)								
Earnings per share—basic:								
Numerator								
Allocation of net income attributable to Baidu, Inc.	17,683	4,701	7,871	2,005	5,590	810	1,378	200
Denominator								
Weighted average ordinary shares outstanding <i>(Note)</i>	2,158	574	2,198	560	2,232	2,232	550	550
Denominator used for basic EPS <i>(Note)</i>	2,158	574	2,198	560	2,232	2,232	550	550
Earnings per share—basic <i>(Note)</i>	8.19	8.19	3.58	3.58	2.50	0.36	2.50	0.36
Earnings per share—diluted:								
Numerator								
Allocation of net income attributable to Baidu, Inc. for diluted computation	17,723	4,661	7,910	1,966	5,604	812	1,364	198
Reallocation of net income attributable to Baidu, Inc. as a result of conversion of Class B to Class A shares	4,661	—	1,966	—	1,364	198	—	—
Numerator for diluted EPS calculation	22,384	4,661	9,876	1,966	6,968	1,010	1,364	198
Denominator								
Weighted average ordinary shares outstanding <i>(Note)</i>	2,158	574	2,198	560	2,232	2,232	550	550
Conversion of Class B to Class A ordinary shares <i>(Note)</i>	574	—	560	—	550	550	—	—
Share-based awards <i>(Note)</i>	24	—	56	—	27	27	—	—
Denominator used for diluted EPS <i>(Note)</i>	2,756	574	2,814	560	2,809	2,809	550	550
Earnings per share—diluted <i>(Note)</i>	8.12	8.12	3.51	3.51	2.48	0.36	2.48	0.36
Earnings per ADS (1 ADS equals 8 Class A ordinary shares) :								
Denominator used for earnings per ADS—basic <i>(Note)</i>	270		275		279	279		
Denominator used for earnings per ADS—diluted <i>(Note)</i>	344		352		351	351		
Earnings per ADS—basic <i>(Note)</i>	65.54		28.64		20.02	2.90		
Earnings per ADS—diluted <i>(Note)</i>	64.98		28.07		19.85	2.88		

Note: Basic and diluted net earnings per share, the number of shares and the adjustments for dilutive restricted shares and share options for the year ended December 31, 2020 had been retrospectively adjusted for the Share Subdivision and the ADS Ratio Change that took effect on March 1, 2021, as detailed in Note 1.

The Company did not include certain share options, restricted shares and the effect of convertible senior notes issued by iQIYI, other subsidiaries and investees in the computation of diluted earnings per share for the years ended December 31, 2020, 2021 and 2022 because those share options, restricted shares and convertible senior notes were anti-dilutive for earnings per share for the respective years.

23. SHARE-BASED AWARDS PLAN

Baidu, Inc.

2008 Share Incentive plan

In December 2008, the Company adopted a share incentive plan (the “2008 Plan”), which provides for the granting of share incentives, including incentive share options (“ISOs”), restricted shares and any other form of award pursuant to the 2008 Plan, to members of the board, employees, consultants and non-employees of the Company. The Company reserved 274,302,160 Class A ordinary shares (previously 3,428,777 Class A ordinary shares before the Share Subdivision as detailed in Note 1) for issuance under the 2008 Plan, which expired in the year 2018. The vesting schedule, time and condition to exercise options is determined by the Company’s compensation committee. The term of the options may not exceed ten years from the date of the grant, except that five years is the maximum term of an ISO granted to an employee who holds more than 10% of the voting power of the Company’s share capital.

Under the 2008 Plan, the exercise price of an option may be amended or adjusted at the discretion of the compensation committee, the determination of which would be final, binding and conclusive. To the extent not prohibited by applicable laws or exchange rules, a downward adjustment of the exercise prices would be effective without the approval of the Company’s shareholders or the approval of the affected grantees. If the Company grants an ISO to an employee who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of the Company’s share capital, the exercise price cannot be less than 110% of the fair market value of the Company’s ordinary shares on the date of that grant.

2018 Share Incentive Plan

In July 2018, the Company adopted a share incentive plan (the “2018 Plan”), which provides for the granting of share incentives, including ISOs, restricted shares and any other form of award pursuant to the 2018 Plan, to members of the board, employees, consultants, and non-employees of the Company. The 2018 Plan has a ten-year term and a maximum number of 275,516,000 Class A ordinary shares (previously 3,443,950 Class A ordinary shares before the Share Subdivision as detailed in Note 1) available for issuance pursuant to all awards under the 2018 Plan.

Under the 2018 Plan, the exercise price of an option may be amended or adjusted at the discretion of the compensation committee, the determination of which would be final, binding and conclusive. To the extent not prohibited by applicable laws or exchange rules, a downward adjustment of the exercise prices would be effective without the approval of the Company’s shareholders or the approval of the affected grantees. If the Company grants an ISO to an employee who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of the Company’s share capital, the exercise price cannot be less than 110% of the fair market value of the Company’s ordinary shares on the date of that grant.

Following the Share Subdivision that took effect on March 1, 2021 as detailed in Notes 1 and 22, each Class A ordinary share was subdivided into eighty Class A ordinary shares and each ADS represents eight Class A ordinary shares. Prior and subsequent to March 1, 2021, one ordinary share was and will be issuable upon the vesting of one outstanding restricted share or the exercise of one outstanding share option, respectively. Therefore, following the Share Subdivision, each share option and restricted share is subdivided into eighty share options and eighty restricted shares, the weighted average grant date fair value per restricted share and the weighted average exercise price per share option is diluted by eighty times. The number of restricted shares and

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share options, the weighted average grant date fair value per restricted share and the weighted average exercise price per share option has been retrospectively adjusted for the Share Subdivision in the following tables.

Incentive share options

The following table summarizes the option activity for the year ended December 31, 2022:

	<u>Number of share options</u>	<u>Weighted average exercise price (US\$)</u>	<u>Weighted average remaining contractual life (Years)</u>	<u>Aggregate intrinsic value (US\$ in millions)</u>
Incentive share options				
Outstanding, December 31, 2021	<u>21,453,560</u>	<u>17</u>	<u>6</u>	<u>84</u>
Granted				
	1,608,504	20		
Exercised	(2,500,936)	10		
Forfeited/Cancelled	(891,832)	17		
Outstanding, December 31, 2022	<u>19,669,296</u>	<u>19</u>	<u>6</u>	<u>20</u>
Vested and expected to vest at December 31, 2022	<u>18,464,496</u>	<u>19</u>	<u>5</u>	<u>18</u>
Exercisable at December 31, 2022	<u>16,179,616</u>	<u>19</u>	<u>5</u>	<u>14</u>

The aggregate intrinsic value in the table above represents the difference between the Company's closing stock price on the last trading day in 2022 and the exercise price.

Total intrinsic value of options exercised for the years ended December 31, 2020, 2021 and 2022 was RMB157 million, RMB210 million and RMB124 million (US\$18 million), respectively. The total fair value of options vested during the years ended December 31, 2020, 2021 and 2022 was RMB261 million, RMB217 million and RMB193 million (US\$28 million), respectively.

Share options are usually subject to vesting schedules ranging from two to four years. As of December 31, 2022, RMB103 million (US\$15 million) of unrecognized share-based compensation cost related to share options is expected to be recognized over a weighted-average vesting period of 2.6 years. To the extent the actual forfeiture rate is different from the original estimate, actual share-based compensation costs related to these awards may be different from expectation.

The fair value of each option award was estimated on the date of grant using the Black-Scholes-Merton valuation model. The volatility assumption was estimated based on historical volatility of the Company's share price applying the guidance provided by ASC 718. Assumptions of the expected term were based on the vesting and contractual terms and employee demographics. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

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The following table presents the assumptions used to estimate the fair values of the share options granted in the years presented:

	For the years ended December 31		
	2020	2021	2022
Risk-free interest rate	1.51~1.52%	0.63~1.23%	1.92~2.96%
Dividend yield	—	—	—
Expected volatility range	34.83%~34.92%	38.12%~39.82%	40.66%~47.03%
Expected life (in years)	5.90~6.01	5.80~5.86	5.26~5.49

In addition, the Company recognizes share-based compensation expense net of estimated forfeiture rates, to recognize compensation cost for shares expected to vest over the service period of the award. Estimated forfeiture rates are primarily based on historical experience of employee turnover. To the extent the Company revises this estimate in the future, share-based compensation expense could be materially impacted in the year of revision, as well as in the following years.

The exercise price of options granted during the years ended December 31, 2020, 2021 and 2022 equaled the market price of the ordinary shares on the grant date. The weighted-average grant-date fair value of options granted during the years ended December 31, 2020, 2021 and 2022 was US\$9, US\$12 and US\$8, respectively.

Restricted Shares

Restricted Shares activity for the year ended December 31, 2022 was as follow:

	Number of shares	Weighted average grant date fair value (US\$)
Restricted Shares		
Unvested, December 31, 2021	138,440,472	19
Granted	57,803,056	15
Vested	(47,059,064)	19
Forfeited/Cancelled	(22,934,104)	18
Unvested, December 31, 2022	126,250,360	17

The total fair value of the restricted shares vested during the years ended December 31, 2020, 2021 and 2022 was RMB4.6 billion, RMB5.0 billion and RMB6.2 billion (US\$895 million), respectively. The weighted-average grant-date fair value of the Restricted Shares granted during the years ended December 31, 2020, 2021, and 2022 was US\$14, US\$23 and US\$15, respectively.

As of December 31, 2022, there was RMB6.3 billion (US\$908 million) of unrecognized share-based compensation cost related to restricted shares, which is expected to be recognized over a weighted-average vesting period of 2.6 years. To the extent the actual forfeiture rate is different from the original estimate, the actual share-based compensation costs related to these awards may be different from expectation. To the extent the Company revises this estimate in the future, share-based compensation expense could be materially impacted in the year of revision, as well as in the following years.

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Subsidiaries-iQIYI

2010 Equity Incentive Plan

In October 2010, iQIYI adopted its 2010 Equity Incentive Plan (the “iQIYI 2010 Plan”), which permits the grant of restricted shares, options and share appreciation rights to the employees, directors, officers and consultants to purchase iQIYI’s ordinary shares. The 2010 Plan is valid and effective for an original term of ten years, and further extended to twenty years on September 15, 2020 commencing from its adoption. Except for service conditions, there were no other vesting conditions for all the awards under the 2010 Plan. As of December 31, 2022, the share option pool under the iQIYI 2010 Plan approved by the Board of Directors of iQIYI was 589,729,714 iQIYI’s ordinary shares. All options granted vest over a four-year period.

2021 Equity Incentive Plan

On December 2, 2021, iQIYI adopted its 2021 Equity Incentive Plan (the “iQIYI 2021 Plan”), which permits the grant of restricted shares units and options to the directors, employees, consultants and other individuals of iQIYI. Under the 2021 Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to all awards shall initially be 364,000,000 iQIYI’s ordinary shares, provided that if restricted share units or options with US\$0 exercise price are granted, each restricted share unit and option with US\$0 exercise price (that entitles the holder to one ordinary share) granted shall reduce the number of ordinary shares under the 2021 Plan available for future grants by 1.3 ordinary shares. The 2021 Plan is valid and effective for a term of ten years commencing from its adoption. Except for service conditions, there were no other vesting conditions for all the awards under the 2021 Plan. Any unvested portion of the restricted shares units and options will be forfeited upon the termination of the grantee’s service for any reason. In the event the grantee’s service is terminated for cause other than death or permanent disability, the vested portion of the options will be expired upon 90 days following such termination. In 2022, iQIYI has granted options under the 2021 Plan to its employees and directors. All options vest over a four-year period.

The following table sets forth the summary of employee option activity for the year ended December 31, 2022:

	<u>Number of share options</u>	<u>Weighted average exercise price (US\$)</u>	<u>Weighted average remaining contractual life (Years)</u>	<u>Aggregate Intrinsic value (US\$ in millions)</u>
Outstanding, December 31, 2021	341,665,534	0.49	7	57
Granted				
	174,961,521	0.11		
Forfeited/Expired	(17,625,428)	0.26		
Exercised	(19,530,525)	0.48		
Outstanding, December 31, 2022	479,471,102	0.35	7	193
Vested and expected to vest at December 31, 2022	450,152,110	0.37	7	174
Exercisable at December 31, 2022	276,887,892	0.48	5	77

As of December 31, 2022, there was RMB925 million (US\$134 million) of unrecognized share-based compensation cost related to share options granted by iQIYI which is expected to be recognized over a weighted-average period of 2.3 years.

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The following table summarizes the share-based compensation cost recognized by iQIYI:

	For the years ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
				(In millions)
Expensed as cost of revenues	202	173	148	21
Expensed as selling, general and administrative	851	718	424	61
Expensed as research and development	317	328	239	35
	<u>1,370</u>	<u>1,219</u>	<u>811</u>	<u>117</u>

The following table summarizes the total share-based compensation cost recognized by the Group:

	For the years ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
				(In millions)
Expensed as cost of revenues	360	399	409	59
Expensed as selling, general and administrative	1,897	1,840	1,750	253
Expensed as research and development	4,471	4,817	4,629	672
	<u>6,728</u>	<u>7,056</u>	<u>6,788</u>	<u>984</u>

Other Subsidiaries

In fiscal year 2022, several subsidiaries of the Company have granted restricted shares and share options tied to the valuation of the subsidiaries to the employees of the Company, of which will be settled by the subsidiaries upon vesting or exercise of these awards. These awards are generally subject to a four-year vesting schedule as determined by the administrator of the plan. During the year ended December 31, 2022, the expenses recognized in respect of the share-based awards relating to these subsidiaries are insignificant.

24. RELATED PARTY TRANSACTIONS

Related party transactions with investees

Related party transactions provided by the Company primarily related to online marketing services, cloud services and other services. The following table summarizes the revenue recognized from transactions with investees for the years ended December 31, 2020, 2021 and 2022.

	For the years ended December 31,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$
				(In millions)
Revenues:				
Related Party A	204	315	158	23
Related Party B	678	888	889	129
Related Party D	—	123	257	37
Related Party E ⁽ⁱ⁾	949	126	—	—
Other Investees	1,015	915	939	136
Total	<u>2,846</u>	<u>2,367</u>	<u>2,243</u>	<u>325</u>

- (i) The balances mainly represent amounts arising from services including online marketing services and cloud services the Company provided to Related Party E. Related Party E ceased to be a related party from February 2021 as the Company does not have significant influence over Related Party E after its public listing.

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The Group purchased produced content and licensed copyrights, traffic acquisition and other services from equity investees in an amount of RMB1.9 billion, RMB3.0 billion and RMB2.2 billion (US\$314 million) for the years ended December 31, 2020, 2021 and 2022, respectively.

Related party transactions with others

In 2021 and 2022, related party transactions with Related Party C, over which the Company can significantly influence its management or operating policies, were in the total amount of RMB2.0 billion and RMB2.2 billion (US\$314 million), respectively, and mainly comprised online marketing services provided to Related Party C.

In addition, other related party transactions were insignificant for each of the years presented, which included reimbursements to Robin Li's use of an aircraft beneficially owned by his family member used for the Company's business purposes.

Balances of due from/due to related parties

As of December 31, 2021 and 2022, amounts due from/due to related parties were as follows:

Expect for the non-trade balances as of December 31, 2021 and 2022 relate to transactions disclosed below, amounts due from/due to related parties arising from the ordinary and usual course of business of the Group and were trade in nature.

	As of December 31,		
	2021 RMB	2022 RMB	2022 US\$
	(In millions)		
Amounts due from related parties, current:			
Related Party B ⁽ⁱ⁾	375	3,730	541
Related Party C ⁽ⁱⁱ⁾	514	337	49
Related Party D ⁽ⁱⁱⁱ⁾	129	1,059	154
Other related parties ^(iv)	350	306	44
Total	<u>1,368</u>	<u>5,432</u>	<u>788</u>
Amounts due from related parties, non-current:			
Related Party B ⁽ⁱ⁾	3,405	—	—
Other related parties ^(v)	82	60	9
Total	<u>3,487</u>	<u>60</u>	<u>9</u>
Amounts due to related parties, current:			
Related Party B ^(vi)	457	3,912	567
Related Party F ^(vii)	305	66	10
Other related parties ^(viii)	1,002	1,089	158
Total	<u>1,764</u>	<u>5,067</u>	<u>735</u>
Amounts due to related parties, non-current:			
Related Party B ^(vi)	3,139	—	—
Related Party F ^(vii)	128	98	14
Other related parties ^(ix)	1	1	—
Total	<u>3,268</u>	<u>99</u>	<u>14</u>

- (i) The balances represent amounts arising from non-trade loans due from Related Party B with interest rates ranging from 0.00% to 0.50%, which were reclassified to current liability within one year in 2022, and online marketing services, cloud services and other services the Company provided to Related Party B.

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- (ii) The balance mainly represents online marketing services provided to Related Party C.
- (iii) The balance mainly represents non-trade loans due from Related Party D with interest rates of 3.465%, which was fully repaid in January 2023, unsettled receivables, and technical services provided to Related Party D.
- (iv) The balances mainly represent amounts arising from intelligent driving services, cloud services and other services the Company provided to its investees in ordinary course of business.
- (v) The balance consists of amount due from the Company's investees in the ordinary course of business.
- (vi) The balance represents amount due to Related Party B arising from services provided by Related Party B to the Company in the ordinary course of business and non-trade loans provided by Related Party B with interest rates of nil, which were reclassified to current liability within one year in 2022.
- (vii) The balances mainly represent deferred revenue relating to the future services to be provided by the Company to Related Party F which is an equity method investee.
- (viii) The balances mainly represent amounts arising from services including advertising services and licensing of content assets provided by the Company's investees and non-trade amounts payable for acquiring the equity interest of the Company's investees.
- (ix) The balance mainly represents deferred revenue relating to the future services to be provided by the Company to various investees.

25. SEGMENT REPORTING

The Company's operations are organized into two segments, consisting of Baidu Core and iQIYI. Within Baidu Core, the Company's product and services offerings are categorized as follows—Mobile Ecosystem, Baidu Cloud and Apollo Intelligent Driving & Other Growth Initiatives. iQIYI is an innovative market-leading online entertainment service provider. iQIYI's platform features iQIYI original content, as well as a comprehensive library of other professionally produced content (PPC), professional user generated content (PUGC) and user-generated content.

The Company derives the results of the segments directly from its internal management reporting system. The CODM reviews the performance of each segment based on its operating results and uses these results to evaluate the performance of, and to allocate resources to, each of the segments. Because substantially all of the Group's long-lived assets and revenues are located in and derived from the PRC, geographical segments are not presented. The Company does not allocate assets to its segments as the CODM does not evaluate the performance of segments using asset information.

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The table below provides a summary of the Group's operating segment operating results for the year ended December 31, 2020.

	For the year ended December 31, 2020			Consolidated RMB
	Baidu Core RMB	iQIYI RMB	Intersegment eliminations RMB (In millions)	
Total revenues	78,684	29,707	(1,317)	107,074
Operating costs and expenses:				
Cost of revenues	28,368	27,884	(1,094)	55,158
Selling, general and administrative	12,931	5,188	(56)	18,063
Research and development	16,847	2,676	(10)	19,513
Total operating costs and expenses	58,146	35,748	(1,160)	92,734
Operating profit (loss)	20,538	(6,041)	(157)	14,340
Total other income (loss), net	9,693	(943)	—	8,750
Income (loss) before income taxes	30,231	(6,984)	(157)	23,090
Income taxes	4,041	23	—	4,064
Net income (loss)	26,190	(7,007)	(157)	19,026
Less: net (loss) income attributable to noncontrolling interests	(334)	31	(3,143)	(3,446)
Net income (loss) attributable to Baidu, Inc.	26,524	(7,038)	2,986	22,472

The table below provides a summary of the Group's operating segment operating results for the year ended December 31, 2021.

	For the year ended December 31, 2021			Consolidated RMB
	Baidu Core RMB	iQIYI RMB	Intersegment eliminations RMB (In millions)	
Total revenues	95,163	30,554	(1,224)	124,493
Operating costs and expenses:				
Cost of revenues	37,838	27,513	(1,037)	64,314
Selling, general and administrative	20,040	4,725	(42)	24,723
Research and development	22,143	2,795	—	24,938
Total operating costs and expenses	80,021	35,033	(1,079)	113,975
Operating profit (loss)	15,142	(4,479)	(145)	10,518
Total other income (loss), net	1,793	(1,533)	—	260
Income (loss) before income taxes	16,935	(6,012)	(145)	10,778
Income taxes	3,090	97	—	3,187
Net income (loss)	13,845	(6,109)	(145)	7,591
Less: net income (loss) attributable to noncontrolling interests	288	61	(2,984)	(2,635)
Net income (loss) attributable to Baidu, Inc.	13,557	(6,170)	2,839	10,226

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The table below provides a summary of the Group's operating segment operating results for the year ended December 31, 2022.

	For the year ended December 31, 2022							
	Baidu Core		iQIYI		Intersegment eliminations		Consolidated	
	RMB	US\$	RMB	US\$	RMB	US\$	RMB	US\$
Total revenues	95,431	13,836	28,998	4,204	(754)	(109)	123,675	17,931
Operating costs and expenses:								
Cost of revenues	42,378	6,144	22,321	3,236	(764)	(111)	63,935	9,269
Selling, general and administrative	17,103	2,480	3,466	503	(55)	(8)	20,514	2,975
Research and development	21,416	3,105	1,899	275	—	—	23,315	3,380
Total operating costs and expenses	80,897	11,729	27,686	4,014	(819)	(119)	107,764	15,624
Operating profit	14,534	2,107	1,312	190	65	10	15,911	2,307
Total other (loss) income, net	(4,453)	(646)	(1,346)	(195)	—	—	(5,799)	(841)
Income before income taxes	10,081	1,461	(34)	(5)	65	10	10,112	1,466
Income taxes	2,494	362	84	12	—	—	2,578	374
Net income (loss)	7,587	1,099	(118)	(17)	65	10	7,534	1,092
Less: net income (loss) attributable to noncontrolling interests	36	4	18	3	(79)	(11)	(25)	(4)
Net income (loss) attributable to Baidu, Inc.	7,551	1,095	(136)	(20)	144	21	7,559	1,096

The following table presents the Company's revenues disaggregated by segment and by types of products or services:

	For the years ended			
	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2022
	RMB	RMB	RMB	US\$
	(In millions)			
Online marketing services	66,283	73,919	69,522	10,080
Cloud services ⁽ⁱ⁾	9,173	15,070	17,721	2,569
Others ⁽ⁱ⁾	3,228	6,174	8,188	1,187
Baidu Core Subtotal	78,684	95,163	95,431	13,836
Membership services ⁽ⁱ⁾	16,491	16,714	17,711	2,568
Online advertising services ⁽ⁱⁱ⁾	6,822	7,067	5,332	773
Content distribution ⁽ⁱ⁾	2,660	2,856	2,470	358
Others ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	3,734	3,917	3,485	505
iQIYI Subtotal	29,707	30,554	28,998	4,204
Intersegment eliminations	(1,317)	(1,224)	(754)	(109)
Total revenue	107,074	124,493	123,675	17,931

(i) The revenues were presented as "Others" in the consolidated statements of comprehensive income

(ii) The revenues were presented as "Online marketing services" in the consolidated statements of comprehensive income

(iii) The Others category above mainly include revenues from online games, live broadcasting and other licensing.

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26. FAIR VALUE MEASUREMENTS

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Include observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Assets and Liabilities Measured or Disclosed at Fair Value on a recurring basis

In accordance with ASC 820, the Group measures equity investments with readily determinable fair value, investments accounted for at fair value, available-for-sale debt investments and derivatives instruments at fair value on a recurring basis. The fair values of time deposits are determined based on the prevailing interest rates in the market. The fair values of the Group's held-to-maturity debt investments as disclosed are determined based on the discounted cash flow model using the discount curve of market interest rates. The fair value of the Group's short-term available-for-sale debt investments are measured using the income approach, based on quoted market interest rates of a similar instrument and other significant inputs derived from or corroborated by observable market data. The fair values of the Group's equity investments in equity securities of publicly listed companies are measured using quoted market prices. The fair value of derivative instruments of interest rate swaps are based on broker quotes. The fair value of financial liability is estimated based on the quoted market price of a similar asset to the underlying assets. Investments accounted for at fair value are equity investments in listed and unlisted companies held by consolidated investment companies. These investments in unlisted companies and long-term available-for-sale debt investments do not have readily determinable market value, which were categorized as Level 3 in the fair value hierarchy. The Group uses a market approach based on the Group's best estimate, which is determined by using information including but not limited to the pricing of recent rounds of financing of the investees, liquidity factors and multiples of a selection of comparable companies.

The fair values of the Group's notes payable are extracted directly from their quoted market prices. The fair values of the convertible senior notes are based on broker quotes. The Group carries the convertible senior notes at face value less unamortized debt discount and issuance costs on its consolidated balance sheets and presents the fair value for disclosure purposes only.

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Assets and liabilities measured on a recurring basis or disclosed at fair value are summarized below:

	Total fair value at December 31, 2021 RMB	Fair value measurement or disclosure at December 31, 2021 using		
		Quoted prices in active markets for identical assets (Level 1) RMB	Significant other observable inputs (Level 2) RMB	Significant unobservable inputs (Level 3) RMB
(In millions)				
<i>Fair value disclosure</i>				
Cash equivalents:				
Time deposits	16,262		16,262	
Money market funds	3	3		
Short-term investments:				
Held-to-maturity debt investments	141,584		141,584	
Long-term investments:				
Time deposits and held-to-maturity debt investments	8,014		8,014	
Notes payable, current portion	10,659		10,659	
Notes payable, non-current portion	45,073		45,073	
Convertible senior notes, non-current portion	9,547		9,547	
<i>Fair value measurements on a recurring basis</i>				
Short-term investments:				
Available-for-sale debt investments	2,557		2,557	
Long-term investments:				
Equity investments at fair value with readily determinable fair value	16,375	16,375		
Equity investments without readily determinable fair value using NAV practical expedient ⁽¹⁾	957			
Investments accounted for at fair value	4,228	457		3,771
Available-for-sale debt investments	2,262			2,262
Other non-current assets				
Derivative instruments	149		149	
Total assets measured at fair value	26,528	16,832	2,706	6,033
Amounts due to related parties, current:				
Financial liability	288		288	
Total liabilities measured at fair value	288		288	

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	Total fair value at December 31, 2022		Fair value measurement or disclosure at December 31, 2022 using		
			Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB	US\$	RMB (In millions)	RMB	RMB
<i>Fair value disclosure</i>					
Cash equivalents:					
Time deposits	12,968	1,880		12,968	
Money market funds	3	—	3		
Short-term investments:					
Held-to-maturity debt investments	120,464	17,466		120,464	
Long-term investments:					
Long-term time deposits and held-to-maturity investments	23,688	3,434		23,688	
Notes payable, current portion	6,812	988		6,812	
Convertible senior notes, current portion	6,756	980		6,756	
Notes payable, non-current portion	36,268	5,258		36,268	
Convertible senior notes, non-current portion	7,253	1,052		7,253	
<i>Fair value measurements on a recurring basis</i>					
Short-term investments:					
Available-for-sale debt investments	855	124		855	
Long-term investments:					
Equity investments at fair value with readily determinable fair value	12,100	1,754	12,100		
Equity investments without readily determinable fair value using NAV practical expedient ⁽ⁱ⁾	945	137			
Investments accounted for at fair value	4,616	669	97		4,519
Available-for-sale debt investments	2,447	355			2,447
Other non-current assets:					
Derivative instruments	1,416	205		1,416	
Total assets measured at fair value	22,379	3,244	12,197	2,271	6,966
Amounts due to related parties, current:					
Financial liability	328	48		328	
Total liabilities measured at fair value	328	48		328	

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- (i) Investments are measured at fair value using NAV as a practical expedient. These investments have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Reconciliations of assets categorized within Level 3 under the fair value hierarchy are as follow:

Investments accounted for at fair value:

	<u>Amounts</u> <u>RMB</u> <u>(In millions)</u>
Balance at December 31, 2020	2,238
Additions	475
Disposals	(59)
Net unrealized fair value increase recognized in earnings	1,187
Foreign currency translation adjustments	(20)
Transition to assets categorized within level 1 ⁽ⁱ⁾	(50)
Balance at December 31, 2021	3,771
Additions	343
Disposals	(212)
Net unrealized fair value increase recognized in earnings	502
Foreign currency translation adjustments	115
Balance at December 31, 2022	4,519
Balance at December 31, 2022, in US\$	655

- (i) The fair value hierarchy of certain equity investments were transferred from level 3 to level 1 due to the public listing of the investees during the year ended December 31, 2021.

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Available-for-sale debt investments:

	<u>Amounts</u> <u>RMB</u> <u>(In millions)</u>
Balance at December 31, 2020	2,607
Additions	67
Conversion to equity investment	(18)
Share of losses in excess of equity method investment in ordinary shares	(207)
Net unrealized fair value change recognized in other comprehensive income	(243)
Accrued interest	75
Foreign currency translation adjustments	(19)
Balance at December 31, 2021	2,262
Additions	10
Conversion from equity investment	657
Share of losses in excess of equity method investment in ordinary shares	(161)
Net unrealized fair value change recognized in other comprehensive income	(432)
Accrued interest	78
Foreign currency translation adjustments	33
Balance at December 31, 2022	2,447
Balance at December 31, 2022, in US\$	355

Assets measured at fair value on a non-recurring basis

The Group measures certain non-financial assets on a nonrecurring basis.

For equity securities accounted for under the measurement alternative, when there are observable price changes in orderly transactions for identical or similar investments of the same issuer, the investments are re-measured to fair value (Note 4). The non-recurring fair value measurements to the carrying amount of an investment usually requires management to estimate a price adjustment for the different rights and obligations between a similar instrument of the same issuer with an observable price change in an orderly transaction and the investment held by the Group. These non-recurring fair value measurements were measured as of the observable transaction dates. The valuation methodologies involved require management to use the observable transaction price at the transaction date and other unobservable inputs (level 3) such as expected volatility and probability of exit events as it relates to liquidation and redemption preferences. When there is impairment of equity securities accounted for under the measurement alternative and equity method investments, the non-recurring fair value measurements are measured at the date of impairment. The fair values of the Group's equity method investments in publicly listed companies are measured using quoted market prices. Estimating the fair value of investees without observable market prices is highly judgmental due to the subjectivity of the unobservable inputs (level 3) used in the valuation methodologies used to determine fair value. The Group uses valuation methodologies, primarily the market approach, which requires management to use unobservable inputs (level 3) such as selection of comparable companies and multiples, expected volatility, discount for lack of marketability and probability of exit events as it relates to liquidation and redemption preferences, when applicable. These unobservable inputs and resulting fair value estimates may be affected by unexpected changes in future market or economic conditions. The fair value information presented is not as of the period's end, and is sensitive to changes in the

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unobservable inputs used to determine fair value and such changes could result in the fair value at the reporting date to be different from the fair value presented.

Other non-financial assets, intangible assets, licensed copyrights and produced content, would be measured at fair value whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The fair values of non-financial long-lived assets were measured under the income approach, based on the Group's best estimation. Significant inputs used in the income approach primarily included future estimated cash flows and discount rate.

The following table summarizes the Group's financial assets held as of December 31, 2021 and 2022 for which a non-recurring fair value measurement was recorded during the years ended December 31, 2021 and 2022:

	Total Balance		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value adjustment		Impairment	
	RMB	US\$	RMB	RMB	RMB	RMB	US\$	RMB	US\$
(In millions)									
<i>Fair value measurements on a non-recurring basis</i>									
As of December 31, 2021									
Long-term investments ⁽ⁱ⁾	9,653			145	9,508	896		(4,316)	
Produced content monetized on its own ⁽ⁱⁱ⁾	30				30			(161)	
As of December 31, 2022									
Long-term investments ⁽ⁱ⁾	3,466	503	99	29	3,338	256	37	(3,025)	(438)
Produced content monetized on its own ⁽ⁱⁱ⁾	85	12			85			(68)	(10)

- (i) Due to factors such as the outbreak of coronavirus (COVID-19) resulting in declined financial performances and changes in business circumstances of certain investees, the Group recognized impairment charges of long-term investments in the consolidated statement of comprehensive income during the years ended December 31, 2021 and 2022. For equity securities accounted for under the measurement alternative, when there are observable price changes in orderly transactions for identical or similar investments of the same issuer, the investments are re-measured to fair value.
- (ii) Due to adverse changes in the expected performance of certain produced content and the reduced amount of ultimate revenue expected to be recognized, iQIYI performed an assessment to determine whether the fair value was less than unamortized content costs. iQIYI uses a discounted cash flow approach to estimate the fair value of the produced content titles predominantly monetized on its own. The significant unobservable inputs (level 3) include forecasted future revenues, production costs required to complete the content and exploitation and participation costs. iQIYI considers the historical performance of similar content, the forecasted performance and/or preliminary actual performance subsequent to the release of the produced content in estimating the fair value. Based on the above assessment, certain produced content predominantly monetized on its own were determined to be impaired and re-measured to the fair value as of each quarter end. Impairment charges of RMB205 million, RMB161 million and RMB68 million (US\$10 million) were recognized for produced content predominantly monetized on its own and was recognized as cost of revenues in the consolidated statements of comprehensive income for the years ended December 31, 2020, 2021 and 2022, respectively. The outbreak of COVID-19 during the first quarter of 2020 negatively impacted iQIYI's operations and financial performance and resulted in a downward adjustment to forecasted advertising revenues for the Mainland China film group that resulted in the fair value of the Mainland China film group being less than its corresponding carrying amount. As a result, an impairment charge of RMB390 million related to licensed copyrights (Note 6) and RMB210 million related to produced content (Note 7), respectively, was recognized as cost of revenues for the year ended December 31, 2020.

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27. SUBSEQUENT EVENTS

In January 2023, iQIYI issued 535,500,000 Class A ordinary shares (76,500,000 ADS equivalent) upon the completion of a registered follow-on public offering and 69,825,000 Class A ordinary shares (9,975,000 ADS equivalent) pursuant to the underwriters' partial exercise of their option to purchase additional ADSs, respectively. The net proceeds received by iQIYI for this offering amounted to US\$500 million (equivalent to RMB3.4 billion), after deducting underwriting discounts and commissions but not considering the offering expenses in connection with the offering.

In February 2023, the convertible senior noteholder of iQIYI PAG Notes exercised their option to purchase additional convertible senior notes under the same terms and conditions for US\$50 million (equivalent to RMB345 million).

In March 2023, iQIYI issued an aggregate principal amount of US\$600 million (equivalent to RMB4.1 billion) convertible senior notes (the "iQIYI 2028 Convertible Notes") for cash. The net proceeds of the iQIYI 2028 Convertible Notes (after deducting the initial purchasers' discounts, taking into account the estimated reimbursement from the initial purchasers for certain expenses incurred by iQIYI, but without deducting other estimated offering expenses payable by iQIYI) amounted to approximately US\$591 million (equivalent to RMB4.1 billion). The iQIYI 2028 Convertible Notes are senior, unsecured obligations of iQIYI, and interest is payable quarterly in cash at a rate of 6.50% per annum in arrears on March 15, June 15, September 15 and December 15 of each year, beginning on June 15, 2023. The iQIYI 2028 Convertible Notes will mature on March 15, 2028 unless repurchased, redeemed or converted prior to such date. The iQIYI 2028 Convertible Notes may be convertible into iQIYI's ADS at the holder's option and subject to the terms of the iQIYI 2028 Convertible Notes, at an initial conversion rate of 101.4636 ADS per US\$1,000 principal amount of the iQIYI 2028 Convertible Notes (which is equivalent to an initial conversion price of approximately US\$9.86 per ADS). Upon conversion, iQIYI will pay or deliver to such converting holders, as the case may be, cash, ADSs, or a combination of cash and ADSs, at its election. On March 16, 2026 or in the event of certain fundamental changes, the holders of the iQIYI 2028 Convertible Notes will have the right to require iQIYI to repurchase for cash all or part of their notes at a repurchase price equal to 100% of the principal amount of the iQIYI 2028 Convertible Notes to be repurchased, plus accrued and unpaid interest. Concurrently with and shortly after the offering of the iQIYI 2028 Convertible Notes, iQIYI also entered into separate and individually privately negotiated agreements with certain holders of the iQIYI 2026 Convertible Notes to repurchase US\$340 million (equivalent to RMB2.3 billion) principal amount of such notes for cash.

INVESTMENT AGREEMENT

by and among

iQIYI, Inc

and

PAGAC IV-1 (Cayman) Limited

and

PAG Pegasus Fund LP

Dated as of August 30, 2022

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This INVESTMENT AGREEMENT (this “Agreement”), dated as of August 30, 2022, is by and among:

- (i) **iQIYI, Inc**, a Cayman Islands incorporated company listed on NASDAQ under the ticker IQ (the “Company”);
- (ii) **PAGAC IV-1 (Cayman) Limited**, an exempted company incorporated in Cayman Islands, with the registered address at P.O. Box 472, Harbour Place, 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands (“PAG Asia”); and
- (iii) **PAG Pegasus Fund LP**, an exempted limited partnership established and registered under the laws of the Cayman Islands, with the registered address at P.O. Box 472, Harbour Place, 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands (“PAG Pegasus”, together with PAG Asia, collectively referred to as the “Investors”, and individually, an “Investor”).

Each a “Party”, and collectively, the “Parties”. Capitalized terms not otherwise defined where used shall have the meanings ascribed thereto in Article I.

WHEREAS, each Investor desires to purchase from the Company, and the Company desires to issue and sell to each Investor, such Investor’s applicable portion of US\$500,000,000 principal amount of the 6% convertible senior notes issued by the Company (referred to herein as the “Note” or the “Notes”), convertible into Class A Ordinary Shares (or ADSs representing Class A Ordinary Shares), in the form attached to the Indenture and to be issued in accordance with the terms and conditions of the Indenture and this Agreement; and

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements herein contained and intending to be legally bound hereby, the Parties hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions.

As used in this Agreement, the following terms shall have the meanings set forth below:

“2025 Notes” shall mean the convertible senior notes issued by the Company on March 29, 2019 pursuant to the indenture dated March 29, 2019 by and between the Company and Citicorp International Limited.

“Action” shall mean claim, suit, action, arbitration, cause of action, complaint, allegation, criminal prosecution, investigation, demand letter or proceeding.

“ADS” means an American Depositary Share issued pursuant to the Deposit Agreement, each representing seven Class A Ordinary Shares of the Company as of the date of this Agreement, and deposited with the ADS Custodian.

“ADS Custodian” means JPMorgan Chase Bank, N.A., with respect to the ADSs delivered pursuant to the Deposit Agreement, or any successor entity thereto.

“Affiliate” shall mean, with respect to any Person, any other Person which directly or indirectly controls or is controlled by or is under common control with such Person, excluding, with respect to the Investors, portfolio companies of PAG Asia IV LP, Baidu’s competitors, the Companies’ competitors and any Persons controlled by Baidu’s competitors or the Company’s competitors; “control” (including its correlative meanings, “controlled by” and “under common control with” and including when used in the term “controlled Affiliates”) shall mean possession, directly or indirectly, of power or authority to direct or cause the direction of management and policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

“Agreement” shall have the meaning set forth in the preamble hereto.

“Applicable Laws” shall mean with respect to any Person, any transactional, domestic or foreign, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

“Articles of Association” shall mean the Ninth Amended and Restated Memorandum of Association of the Company and the Ninth Amended and Restated Articles of Association of the Company, as each may be amended and/or restated from time to time.

“Audit Committee” shall mean the Audit Committee of the Board of Directors of the Company.

“Baidu” shall mean Baidu Inc., and all of its Subsidiaries and controlled Affiliates.

“Beneficially Own,” “Beneficially Owned,” “Beneficial Ownership” or “Beneficial Owner” shall have the meaning set forth in Rule 13d-3 of the rules and regulations promulgated under the Exchange Act, except that for purposes of this Agreement the words “within sixty days” in Rule 13d-3(d)(1)(i) shall not apply, to the effect that a person shall be deemed to be the Beneficial Owner of a security if that person has the right to acquire beneficial ownership of such security at any time; provided, however, for purposes of this Agreement, the holders of the Notes shall at all times be deemed to have Beneficial Ownership of Company Ordinary Shares issuable upon conversion of the Notes held by them.

“Board of Directors” shall mean the board of directors of the Company.

“Business Day” shall mean any day, other than a Saturday, Sunday or a day on which banking institutions in The City of New York, New York, the PRC, Hong Kong or the Cayman Islands are authorized or obligated by law or executive order to remain closed.

“Capital Raising” shall have the meaning set forth in Section 4.2(a)(ii).

“Change in Law Event” shall mean a Change in Law (as defined in the Indenture) that negatively and materially affects the enforceability of the Security Documents with material impact on the Investors’ economic interest or the Investors’ right to receive amounts due under the Indenture and the Notes.

“Class A Ordinary Shares” shall have the meaning set forth in Section 3.1(d)(i).

“Class B Ordinary Shares” shall have the meaning set forth in Section 3.1(d)(i).

“Closing” shall have the meaning set forth in Section 2.2(a).

“Closing Date” shall have the meaning set forth in Section 2.2(a).

“Collateral Arrangement” shall have the meaning set forth in Section 4.9(a).

“Collateral Package” shall mean those contracts identified on Schedule III, with a value not lower than (i) 130% of the total principal amount of the convertible notes held by the Investors or their Affiliates, prior to the Investors’ exercise of the Oversubscription Right, and (ii) 120% of the total principal amount of the convertible notes held by the Investors or their Affiliates, after the exercise of the Oversubscription Right ((i) and (ii), the “Value Thresholds”).

“Company” shall have the meaning set forth in the preamble hereto.

“Company Disclosure Documents” shall have the meaning set forth in Section 3.1.

“Company Ordinary Shares” shall have the meaning set forth in Section 3.1(d)(i).

“Compliance Laws” shall have the meaning set forth in Section 3.1(p)(i).

“Compensation Committee” shall mean the Compensation Committee of the Board of Directors of the Company.

“Confidential Information” shall have the meaning set forth in Section 7.7(a).

“Conversion Price” shall have the meaning set forth in the Indenture. “Conversion Rate” shall have the meaning set forth in the Indenture.

“Conversion Shares” shall mean Class A Ordinary Shares (including in the form of ADSs) issued or issuable upon conversion of the Notes.

“Debt Financing Transaction” shall mean one or more debt financing or similar transactions (including swap or repurchase transactions solely for the purpose of providing liquidity and leverage) that may be entered into by any Investor or its Affiliates with a lender or counterparty prior to or after the Closing, which may or may not be secured by a mortgage, charge or pledge of the Notes and/or the Company Ordinary Shares (directly or in the form of ADSs) issuable or issued upon conversion of the Notes.

“Deposit Agreement” shall mean the deposit agreement dated as of March 28, 2018, by and among the Company, the ADS Custodian and the holders and beneficial owners of the ADSs delivered thereunder or, if amended or supplemented as provided therein, as so amended or supplemented.

“Director Indemnification Agreement” shall mean the indemnification agreement to be entered into between the Company and the PAG Asia Director in the form reasonably satisfactory to the Investors at or prior to Closing.

“Dispute” shall have the meaning set forth in Section 7.10(b).

“DTC” means The Depository Trust Company, a New York corporation. “Enforceability Exceptions” shall have the meaning set forth in Section 3.1(d).

“Exchange Act” shall mean the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Exclusivity Period” shall have the meaning set forth in Section 4.2(a)(i).

“Extinguishment Event” shall have the meaning set forth in Section 4.9(c).

“Fundamental Adverse Regulatory Change” shall have the meaning set forth under the Indenture.

“Form F-3” shall mean such respective form of registration statement under the Securities Act or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

“Fundamental Warranties” shall mean any representations and warranties of the Company contained in Section 3.1(a) to Section 3.1(g)(i).

“GAAP” shall mean U.S. generally accepted accounting principles.

“Governmental Entity” shall mean any court, administrative agency or commission, stock exchange or other governmental authority or instrumentality, whether federal, state, local or foreign, and any applicable industry self-regulatory organization.

“Governmental Order” shall mean the judgment, injunction, order, ruling, verdict, decree or other similar determinations or findings of any Governmental Entity.

“Group Companies” or the “Group” shall mean the Company and all of its Subsidiaries, and “Group Company” shall mean any of them.

“HKSE” shall mean the Hong Kong Stock Exchange.

“HKSE Listing” shall mean a secondary listing of Class A Ordinary Shares on the Main Board of the HKSE.

“HK NewCo” means a limited liability company to be formed in Hong Kong by the Company or its Subsidiaries.

“Hong Kong” shall mean the Hong Kong Special Administrative Region of the PRC.

“Initial Conversion Rate” shall have the meaning set forth in Section 5.6. “Indemnification Notice” shall have the meaning set forth in Section 6.2(a). “Indemnitee” shall have the meaning set forth in Section 6.1(a).

“Indenture” shall mean an indenture in the form attached hereto as Exhibit A, as amended, supplemented or otherwise modified from time to time with the consent of the Investors and the Company prior to the Closing, it being agreed that the Company and the Investors shall consent to any changes required by the Trustee that do not adversely affect the Company or the Investor, or the Investor’s financing sources, including with respect to timing and mechanics of transfers and exchanges of securities and interests therein, in any material respect.

“Initial Conversion Rate” shall have the meaning set forth in Section 5.6.

“Intellectual Property” shall mean (A) all trademarks, service marks, brand names, trade names, logos, designs, slogans, taglines, domain names, rights to social media accounts, the registrations in any jurisdiction of, and applications in any jurisdiction to register, the foregoing together with all good-will associated therewith; (B) patents, applications for patents, and any renewals, extensions or reissues thereof, in any jurisdiction; (C) nonpublic information, know-how, trade secrets, technology and inventions (whether patentable or not) and confidential information; (D) copyrights, works of authorship, registrations or applications for registration of copyrights in any jurisdiction, and any renewals or extensions thereof, mask works and copyrightable works; (E) software (including source code and object code), data, databases, and documentation thereof; and (F) other intellectual property, industrial property and proprietary rights.

“Investor” or “Investors” shall have the meaning set forth in the preamble hereto.

“Issuer Agreement” shall have the meaning set forth in Section 4.7(a).

“Joinder” shall mean, with respect to any Person permitted to sign such document in accordance with the terms hereof, a joinder executed and delivered by such Person, providing such Person to have all or a portion of the rights and obligations of an Investor under this Agreement, in the form and substance substantially as attached hereto as Exhibit B or such other form as may be agreed to by the Company and the Investors.

“Knowledge” shall mean the actual knowledge, after due and reasonable inquiry within the Group, of the Company’s executive officers (as defined under Rule 405) and general counsel (or equivalent officer).

“Lien” shall mean any claim, charge, easement encumbrance, lease, covenants, security interest, lien, option, mortgage, pledge, rights of others, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by contract, law, equity or otherwise.

“Long Stop Date” shall mean December 31, 2022.

“Losses” shall mean all losses, claims, damages, liabilities, costs, expenses (including reasonable expenses of investigation and reasonable attorneys’ fees and expenses), judgments, fines, penalties, charges and amounts paid in settlement.

“Match Notice” shall have the meaning set forth in Section 4.3(b).

“Material Adverse Effect” shall mean any event, fact, condition or circumstance or any combination of them that, individually or in the aggregate with any other events, facts, conditions or circumstances, has had or would reasonably be expected to have, a material adverse effect on any of the following: (i) the business, assets, financial condition, results of operation or prospects of the Group Companies, taken as a whole; or (ii) the ability of the Group Companies to perform their material obligations under any of the Transaction Documents; other than any event, fact, condition or circumstance resulting from (A) changes in general economic, financial market, business, social or geopolitical conditions; (B) changes or developments in any of the industries in which the Company or any other Group Company operates; (C) changes in any Applicable Laws or applicable accounting regulations or principles, or the interpretation or enforcement thereof, other than any Fundamental Adverse Regulatory Change (as defined in the Indenture) and any Change in Law Event; (D) any change in the price or trading volume of the ADS or any failure to meet any financial projections, forecasts or forward-looking statements (it being understood that this clause (D) shall not prevent or otherwise affect a determination that the underlying cause of any such change or failure referred to therein (to the extent not otherwise falling within any of the exceptions provided for under clauses (A) through (H) hereof) is a Material Adverse Effect); (E) any pandemic, epidemic, disease outbreak or other public health emergency (including the Coronavirus Disease 2019 (COVID 19)) or any lockdowns imposed pursuant thereto, natural disaster, or any outbreak or escalation of hostilities or war or any act of terrorism; (F) the announcement of and performance of this Agreement or the other Transaction Documents by the Company or the other Group Companies, the pendency or consummation of the transactions contemplated hereunder, or the identity of the Investors or any of their Affiliates; or (H) any action taken, or failure to take action, by the Company or another Group Company that the Investors have consented to or requested in writing; provided, however, that any event, fact, condition or circumstance in clauses (A), (B), (C) and (E) may be taken into account in determining whether there has been, or would reasonably be expected to be, individually or in the aggregate, a Material Adverse Effect to the extent such event, fact, condition or circumstance has a disproportionate adverse effect on the business, assets, financial condition, results of operation or prospects of the Group Companies, taken as a whole, as compared to other participants in the industry or the market in which the Group Companies operate.

“Nasdaq” shall mean The Nasdaq Global Select Market.

“Note” or “Notes” shall have the meaning set forth in the preamble hereto.

“Note Acceleration Repayment Price” shall have the meaning set forth in the Indenture. “Offer” shall have the meaning set forth in Section 4.3(a).

“Offer Notice” shall have the meaning set forth in Section 4.3(a).

“Oversubscription Period” shall have the meaning set forth in Section 4.1.

“Oversubscription Right” shall have the meaning set forth in Section 4.1.

“PAG Asia” shall have the meaning set forth in the preamble hereto.

“PAG Asia Change of Control” shall have the meaning set forth in Section 7.9(c).

“PAG Asia Director” shall have the meaning set forth in Section 4.5(a).

“PAG Pegasus” shall have the meaning set forth in the preamble hereto.

“Party” or “Parties” shall have the meaning set forth in the preamble hereto.

“Permits” shall have the meaning set forth in Section 3.1(i).

“Person” or “person” shall mean an individual, corporation, limited liability or unlimited liability company, association, partnership, trust, estate, joint venture, business trust or unincorporated organization, or a government or any agency or political subdivision thereof, or other entity of any kind or nature.

“Permitted Financing” shall have the meaning set forth in Section 4.2(b).

“PRC” means the People’s Republic of China, solely for the purpose of this Agreement, excluding Hong Kong, Macau Special Administrative Region and Taiwan.

“Preferred Financing Partnership Period” shall have the meaning set forth in Section 4.3(a).

“Prohibited Person” shall have the meaning set forth in Section 3.1(p).

“Public Officials” shall have the meaning set forth in Section 3.1(p).

“Purchase Price” shall have the meaning set forth in Section 2.1.

“Registrable Securities” shall have the meaning set forth in Schedule II.

“Registration Requirements” shall have the meaning set forth in Schedule III.

“RMB” shall mean the renminbi, the official currency of the PRC.

“Rule 144” shall mean Rule 144 promulgated by the SEC pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same effect as such rule.

“Rule 144A” shall mean Rule 144A promulgated by the SEC pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same effect as such rule.

“Rule 405” shall mean Rule 405 promulgated by the SEC pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same effect as such rule.

“SEC” shall mean the U.S. Securities and Exchange Commission.

“Securities Act” shall mean the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Security Documents” shall have the meaning set forth in Schedule III.

“Specified Persons” shall have the meaning set forth in Section 7.14.

“Strategy Committee” shall have the meaning set forth in Section 4.5(c).

“Subsidiary” shall mean, with respect to any Person, any other Person of which 50% or more of the shares of the voting securities or other voting interests are owned or controlled, or the ability to select or elect 50% or more of the directors is held, directly or indirectly, by such first Person or one or more of its Subsidiaries, or by such first Person, or by such first Person and one or more of its Subsidiaries. For the avoidance of doubt, Subsidiaries of the Company shall include the VIE Entities and their respective Subsidiaries.

“Transaction Documents” shall mean this Agreement, the Indenture, the Security Documents, the Director Indemnification Agreement and all other documents, certificates or agreements executed in connection with the transactions contemplated by the aforementioned documents.

“Trustee” shall mean an institutional trustee to be appointed by the Company and the Investors.

“United States” or “U.S.” shall mean the United States of America.

“US\$” shall mean the United States dollar, the official currency of the United States.

“VIE Entities” shall mean the variable interest entities of the Company or any of its Subsidiaries, including (i) Beijing IQIYI Science & Technology Co., Ltd. (“北京爱奇艺科技有限公司”), a limited liability company organized under the laws of the PRC, (ii) Shanghai IQIYI Culture Media Co., Ltd. (“上海爱奇艺文化传媒有限公司”), a limited liability company organized under the laws of the PRC, and (iii) Shanghai Zhong Yuan Network Co., Ltd. (“上海众源网络有限公司”), a limited liability company organized under the laws of the PRC.

Section 1.2. General Interpretive Principles.

Whenever used in this Agreement, except as otherwise expressly provided or unless the context otherwise requires, any noun or pronoun shall be deemed to include the plural as well as the singular and to cover all genders. The name assigned to this Agreement and the section captions used herein are for convenience of reference only and shall not be construed to affect the meaning, construction or effect hereof. Whenever the words “include,” “includes,” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” Unless otherwise specified, the terms “hereto,” “hereof,” “herein” and similar terms refer to this Agreement as a whole (including the exhibits, schedules and disclosure statements hereto), and references herein to Articles or Sections refer to Articles or Sections of this Agreement. The “transactions contemplated hereby,” “transactions contemplated hereunder” and similar terms are not intended to include potential future transactions that may be pursued by the Parties. For the avoidance of doubt, notwithstanding anything in this Agreement to the contrary, none of the Notes will have any right to vote, or except as otherwise provided in the Indenture any right to receive any dividends or other distributions that are made or paid to the holders of the Company Ordinary Shares (directly or in the form of ADSs).

ARTICLE II
SALE AND PURCHASE OF THE
NOTES

Section 2.1. Sale and Purchase of the Notes.

Subject to the terms and conditions of this Agreement, at the Closing the Company shall issue and sell to each Investor, and each Investor shall purchase and acquire from the Company, the Notes with the applicable principal amount set forth opposite such Investor’s name under Schedule I hereto for a purchase price equal to the principal amount of the Notes (the “Purchase Price”). The obligations of each Investor to purchase its portion of the Notes are several and not joint.

Section 2.2. Closing.

- (a) The closing of the issuance and purchase of the Notes (the “Closing”) shall take place remotely via the exchange of documents and signatures on the fifteenth (15th) Business Day after the satisfaction (or, where permissible, waiver) of all the conditions to the closing set forth in Section 2.2(c) and Section 2.2(d) (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions) or such other date as agreed by the Parties in writing, but in any event prior to the Long Stop Date. The date and time of the Closing are referred to herein as the “Closing Date”.
- (b) To effect the purchase and sale of Notes, upon the terms and subject to the conditions set forth in this Agreement, at the Closing:
 - (i) The Company shall:
 - (A) deliver the fully executed Indenture to each Investor dated as of the Closing Date;
 - (B) issue the Notes as set forth in Section 2.1 registered in the name of DTC or its nominee; and

- (C) deliver to each Investor such other documents or deliverables that should be but have not yet been delivered as set forth in Section 2.2(c);
- (ii) Each Investor shall:
 - (B) against the issuance and delivery of the items as set forth in Section 2.2(b)(i), cause a wire transfer of immediately available funds in United States dollars an amount equal to such Investor's respective Purchase Price to the account designated (notified at least three (3) Business Days prior to the Closing Date) by the Company;
 - (C) deliver to the Company such other documents or deliverables that should be but have not yet been delivered as set forth in Section 2.2(d).
- (c) The obligations of each Investor to purchase the Notes are subject to the satisfaction or waiver by the Investor of the following conditions as of the Closing:
 - (i) no Governmental Order by, before or under the supervision of any Governmental Entity, no law or regulation that would have the effect of prohibiting the Closing shall be in effect and no lawsuit commenced by any Governmental Entity seeking to prohibit the Closing shall be pending;
 - (ii) (A) each of the Fundamental Warranties shall be true and accurate in all respects, (B) each of the representations and warranties of the Company set forth in Section 3.1 (other than the Fundamental Warranties) that contain any "materiality", "material adverse effect", "Material Adverse Effect" or similar qualifiers therein shall be true and accurate in all respects, and (C) any other representations and warranties of the Company set forth in Section 3.1 shall be true and accurate in all material respects, in each case of (A), (B) and (C), as of the date hereof and as of the Closing Date as if made on such Closing Date with reference to facts and circumstances existing on the Closing Date (except for such representations and warranties that speak as of a specified date, which representations and warranties shall be true and accurate in such respects as described above as of such specified date);
 - (iii) The Group Companies shall have performed and complied with, and not be in breach or default under, agreements, covenants, conditions and obligations contained in the Transaction Documents that are required to be performed or complied with by the Group Companies on or before the Closing Date in all material respects;
 - (iv) There shall have been no Material Adverse Effect from the date of this Agreement;
 - (v) Each of the Company and the relevant Group Companies shall have duly executed each Transaction Document to which it is a party and delivered to each Investor at or prior to Closing;
 - (vi) The Pre-Closing Collateral Related Activities (as defined in Schedule III) shall have been completed; and

- (vii) The Investors shall have received a certificate, dated the Closing Date, duly executed by an executive officer of the Company on behalf of the Company, certifying that the conditions specified in Section 2.2(c)(i) to Section 2.2(c)(iv), and (vi) have been satisfied.
- (d) The obligations of the Company to sell the Notes to each Investor are subject to the satisfaction or waiver of the following conditions as of the Closing:
 - (i) No Governmental Order by, before or under the supervision of any Governmental Entity, no law or regulation that would have the effect of prohibiting the Closing shall be in effect and no lawsuit commenced by any Governmental Entity seeking to prohibit the Closing shall be pending;
 - (ii) The representations and warranties of the Investor set forth in Section 3.2 that contain any “materiality”, “material adverse effect” or similar qualifiers therein shall be true and correct in all respects, and any other representations and warranties of the Investor set forth in Section 3.2 shall be true and correct in all material respects, in each case as of the date hereof and as of the Closing Date;
 - (iii) The Investor shall have performed and complied with, and not be in breach or default under, agreements, covenants, conditions and obligations contained in the Transaction Documents that are required to be performed or complied with by the Investor on or before the Closing Date in all material respects;
 - (iv) The Investor shall have duly executed each Transaction Document to which it is a party and delivered to the Company at or prior to Closing; and
 - (v) the Company shall have received a certificate, dated the Closing Date, duly executed by an authorized signatory of the Investor on behalf of such Investor, certifying that the conditions specified in Section 2.2(d)(i) to (iii) have been satisfied.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Section 3.1. Representations and Warranties of the Company.

Except as disclosed in the documents filed with or furnished to the SEC and publicly available prior to the date hereof (excluding in each case, any disclosures set forth in the risk factors or “forward-looking statements” sections of such reports, and any other disclosures included therein to the extent they are predictive or forward-looking in nature, other than specific factual information contained therein) (the “Company Disclosure Documents”), the Company hereby represents and warrants to the Investors, as of the date hereof and as of the Closing Date (except for the representations and warranties that speak as of a specific date, which shall be made as of such date), as follows:

- (a) Due Formation and Qualification. The Company is a company duly incorporated as an exempted company with limited liability, validly existing and in good standing under the laws of the Cayman Islands. The Company has all requisite power and authority to carry on its business as it is currently being conducted. Each Subsidiary of the Company has been duly organized, is validly existing and in good standing (with respect to jurisdictions that recognize the concept of good standing) under the laws of its jurisdiction of organization, and has the requisite corporate power and authorization to own, lease and operate its properties and to carry on its business as now being conducted. Each of the Company and each of its Subsidiaries is duly qualified or licensed to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so qualified or licensed does not and would not have a Material Adverse Effect. None of the Company or its Subsidiaries is in violation of any of the provisions of its constitutional documents in any material respects.
- (b) Authority. Each relevant Group Company has full power and authority to enter into, execute and deliver this Agreement and each other Transaction Document to be executed and delivered by such Group Company and to perform its obligations hereunder. Save for actions specified as post-Closing obligations in the Transaction Documents, the execution and delivery by the relevant Group Companies of this Agreement and the other Transaction Documents and the performance by them of their obligations hereunder and thereunder have been, or will be prior to the Closing, duly authorized by all requisite actions on its part.
- (c) Valid Agreement. Each Transaction Document has been, or will be prior to the Closing, duly executed and delivered by the relevant Group Companies and assuming the due authorization, execution and delivery by the Investors, constitute the legal, valid and binding obligation of such Group Companies, enforceable against such Group Companies in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by the availability of specific performance, injunctive relief, or other equitable remedies (i) and (ii), collectively, the "Enforceability Exceptions"), or (iii) for any limitation set out in Schedule III with respect to certain document(s) that were entered as part of the Collateral Package.
- (d) Capitalization.
- (i) As of the date of this Agreement, the authorized share capital of the Company is US\$1,000,000 divided into 100,000,000,000 shares comprising (i) 94,000,000,000 Class A Ordinary Shares of a par value of US\$0.00001 each (the "Class A Ordinary Shares"), (ii) 5,000,000,000 Class B Ordinary Shares of a par value of US\$0.00001 each (the "Class B Ordinary Shares", together with the Class A Ordinary Shares, the "Company Ordinary Shares") and (iii) 1,000,000,000 shares of a par value of US\$0.00001 each of such class or classes (however designated) as the Board of Directors may determine in accordance with the Articles of Association. As of February 28, 2022, there were (i) 2,722,823,893 Class A Ordinary Shares (excluding 217,740,107 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards under our share incentive plans) and 2,876,391,396 Class B Ordinary Shares outstanding and no undesignated shares of the Company issued and outstanding.
- (ii) All outstanding shares of capital stock of the Company and all outstanding shares of capital stock of each of the Company's Subsidiaries have been issued and granted in compliance with (x) all Applicable Laws and (y) all requirements set forth in applicable plans or contracts, without violation of any preemptive rights, rights of first refusal or other similar rights.

- (iii) The Group Companies (other than the Company) are owned or controlled directly or indirectly by the Company (including control by the Company through contractual arrangements over the VIE Entities).
- (e) Due Issuance of the Indenture. On the Closing Date, the Indenture will be duly executed and delivered by the Company and, assuming the Indenture will be a valid and binding obligation of the Trustee, the Indenture will be a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the Enforceability Exceptions. The Company has available for issuance the maximum number of Company Ordinary Shares initially issuable upon conversion of the Notes into Company Ordinary Shares (including in the form of ADSs) if such conversion were to occur immediately following Closing.
- (f) Due Issuance of the Conversion Shares. The Conversion Shares, when issued to the Investors upon the conversion of the Notes, will be duly authorized, validly issued, fully paid and non-assessable, and will be issued in compliance with the registration and qualification requirements of all Applicable Laws (assuming the accuracy of the representations and warranties of the Investors set forth in Section 3.2) and free and clear of any pledge, mortgage, security interest, encumbrance, lien, charge, assessment, right of first refusal, right of pre-emption, third party right or interest, claim or restriction of any kind or nature, except for restrictions arising under the Securities Act or expressly created by virtue of this Agreement, and upon delivery and entry into the register of members of the Company will transfer to the Investors good and valid title to the Conversion Shares.
- (g) Non-contravention. Neither the execution and the delivery of the Transaction Documents (except for any limitation set out in Schedule III agreed as part of the collateral arrangement), nor the consummation of the transactions and performance of the obligations contemplated hereby by the relevant Group Companies, will (i) violate any provision of the organizational documents of the Company or its Subsidiaries or violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental entity or court to which the Company or its Subsidiaries is subject, (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of an encumbrance under, or create in any party the right to accelerate, terminate, modify, or cancel, any agreement, contract, lease, license, instrument, or other arrangement to which the Company or its Subsidiaries is a party or by which the Company or its Subsidiaries is bound or to which any of the Company's or its Subsidiaries' assets are subject, or (iii) result in a material violation of any Applicable Laws applicable to the Company or its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected. There is no action, suit or proceeding, pending or threatened against the Company or its Subsidiaries that questions the validity of the Transaction Documents or the right of the Company to enter into these Transaction Documents or to consummate the transactions contemplated hereby.

- (h) Consents and Approvals. Except for any limitation set out in Schedule III agreed as part of the collateral arrangement, neither the execution and delivery by the relevant Group Companies of the Transaction Documents, nor the consummation by the relevant Group Companies of any of the transactions contemplated hereby, nor the performance by the relevant Group Companies of the Transaction Documents in accordance with their terms requires the consent, approval, order or authorization of, or registration with, or the giving notice to, any governmental or public body or authority or any third party, except for (i) those that have been or will have been obtained, made or given on or prior to the Closing Date, (ii) any required filings pursuant to the Exchange Act or the rules of the SEC or the Nasdaq, and (iii) the Registration Requirements.
- (i) Compliance with Laws; Permits. The business of the Company or its Subsidiaries is not being conducted, and has not been conducted at any time during the three years prior to the date hereof, in violation of any Applicable Laws except for violations that do not and would not have a Material Adverse Effect. Except in each case as do not and would not have a Material Adverse Effect, (A) except as disclosed in the Company Disclosure Documents and any limitation set out in Schedule III agreed as part of collateral arrangement for this transaction, the Company and each of its Subsidiaries have, and have been in compliance with, all permits, licenses, authorizations, consents, orders and approvals (collectively, “Permits”) that are required in order to carry on their business as presently conducted, (B) neither the Company nor any of its Subsidiaries has received any written notice of any violation of or failure to comply with any Permit or any actual or possible suspension or cancellation of any Permit and (C) each such Permit has been validly issued or obtained and is in full force and effect.
- (j) SEC Documents; Compliance with Listing Rules. The Company has timely filed or furnished, as applicable, all reports, schedules, forms, statements and other documents required to be filed or furnished by it with the SEC pursuant to the Applicable Laws. As of their respective filing or furnishing dates, the Company Disclosure Documents complied in all material respects with the requirements of the Sarbanes-Oxley Act of 2002, the Securities Act or the Exchange Act, as the case may be, and the rules and regulations promulgated thereunder, as applicable, to the respective Company Disclosure Documents, and, none of the Company Disclosure Documents, at the time they were filed or furnished, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The information contained in the Company Disclosure Documents, considered as a whole and as amended as of the date hereof, do not as of the date hereof, and will not as of the Closing Date, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. There are no contracts, agreements, arrangements, transactions or documents which are required to be described or disclosed in the Company Disclosure Documents or to be filed as exhibits to the Company Disclosure Documents which have not been so described, disclosed or filed. The Company is in compliance with the applicable listing and corporate governance rules and regulations of the Nasdaq. The Company and its Subsidiaries have taken no action designed to, or reasonably likely to have the effect of, delisting the ADSs from the Nasdaq. The Company has not received any notification that the SEC or the Nasdaq is contemplating suspending or terminating such listing (or the applicable registration under the Exchange Act related thereto). The Company is not in violation of any listing requirements of the Nasdaq and has no Knowledge of any facts that would reasonably be expected to lead to delisting of its ADSs from the Nasdaq in the foreseeable future, except (i) as otherwise disclosed in the Company Disclosure Documents and (ii) for legal and regulatory developments related to the Holding Foreign Companies Accountable Act of the United States. The Company is in compliance with the Sarbanes-Oxley Act of 2002 in all material respects. The Company filed a Registration Statement on Form F-3 under the Securities Act as a “well-known seasoned issuer” on December 15, 2020, which became automatically effective upon filing and remains effective as of the date of this Agreement.

(k) Financial Statements.

- (i) The financial statements (including any related notes) contained in the Company Disclosure Documents (collectively, the “Financial Statements”): (A) were prepared in accordance with U.S. GAAP applied on a consistent basis throughout the periods covered thereby (except (a) as may be otherwise indicated in such financial statements or the notes thereto, or (b) in the case of unaudited interim statements, if and to the extent they may exclude footnotes or may be condensed to summary statements) and (B) fairly present in all material respects the consolidated financial position of the Company and the Subsidiaries as of the respective dates thereof and the consolidated results of operations and cash flows of the Company and the Subsidiaries for the periods covered thereby, in each case except as disclosed therein or in the Company Disclosure Documents and as permitted under the Exchange Act.
- (ii) The Company has established and maintains a system of internal control over financial reporting (as defined in Rule 13a-15 or 15d-15, as applicable, under the Exchange Act) sufficient to provide reasonable assurance regarding the reliability of financial reporting, including policies and procedures that (A) mandate the maintenance of records that in reasonable detail accurately and fairly reflect the material transactions and dispositions of the assets of the Company, (B) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with appropriate authorizations of management and the board of directors of the Company and (C) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of the Company. There are no material weaknesses in the Company’s internal controls.
- (l) Regulation S. No directed selling efforts (as defined in Rule 902 of Regulation S under the Securities Act) have been made by any of the Company, any of its affiliates or any person acting on its behalf with respect to any Notes that are not registered under the Securities Act; and none of such persons has taken any actions that would result in the sale of the Notes to the Investors under this Agreement requiring registration under the Securities Act; and the Company is a “foreign issuer” (as defined in Regulation S).
- (m) Events Subsequent to Most Recent Fiscal Period. Since June 30, 2022 until the date hereof and to the Closing Date, except for the transactions contemplated under this Agreement, there have not been any events that would have a Material Adverse Effect.

- (n) Litigation. Except as disclosed in the Company's Form 20-F filed with the SEC on March 28, 2022, there are no suits, litigations, arbitrations, proceedings, hearings, inquiries, audits, examinations, claims, actions or investigations of any nature by or against the Company or its Subsidiaries or any directors or officers thereof as a party, or affecting the business or any of the assets of the Company or its Subsidiaries pending before any Governmental Entity, or, to the Company's Knowledge, threatened to be brought by or before any Governmental Entity, that would have a Material Adverse Effect.
- (o) No Other Issuances. The Company has not entered into any definitive transaction document, side letter, undertaking letter, or other similar agreement or instrument with any investors for the issuance of Company Ordinary Shares or any securities convertible into or exchangeable for Company Ordinary Shares or ADSs prior to the Closing Date.
- (p) Anti-Bribery and Anti-Corruption; Money Laundering Laws; Economic Sanctions.
- (i) The Company and its Subsidiaries and their respective directors, officers, employees, and to the Knowledge of the Company, agents and other persons acting on their behalf are and have been in compliance with all Applicable Laws relating to anti-bribery, anti-corruption, anti-money laundering, record keeping and internal control laws (collectively, the "Compliance Laws"). Furthermore, no Public Official (i) holds an ownership or other economic interest, direct or indirect, in any of the Company or its Subsidiaries or in the contractual relationship formed by this Agreement, or (ii) serves as an officer, director or employee of any of the Company or its Subsidiaries.
 - (ii) None of the Company or its Subsidiaries or any of their respective directors, officers, employees, or to the Knowledge of the Company, agents and other persons acting on their behalf has been found by a Governmental Entity to have violated any criminal or securities law or is subject to any indictment or any government investigation for bribery. None of the beneficial owners of a substantial portion of equity securities or other interest in any of the Company or its Subsidiaries or the current or former directors, officers or employees of any of the Company and its Subsidiaries, or to the Knowledge of the Company, agents or other persons acting on the Company's or its Subsidiaries' behalf, are or were Public Officials.
 - (iii) None of the Company or its Subsidiaries or any of their respective directors, officers, employees, or to the Knowledge of the Company, agents and other persons acting on their behalf is a Prohibited Person, and no Prohibited Person will be given an offer to become an employee, officer, consultant or director of any of the Company or its Subsidiaries. None of the Company or its Subsidiaries has conducted or agreed to conduct any business, or entered into or agreed to enter into any transaction with a Prohibited Person.

In this Section 3.1(p),

“**Prohibited Person**” means any Person that is (1) a national or resident of any U.S. embargoed or restricted country, (2) included on, or affiliated with any Person on, the United States Commerce Department’s Denied Parties List, Entities and Unverified Lists; the U.S. Department of Treasury’s Specially Designated Nationals, Specially Designated Narcotics Traffickers or Specially Designated Terrorists, or the Annex to Executive Order No. 13224; the Department of State’s Debarred List; UN Sanctions, (3) a member of any PRC military organization, or (4) a Person with whom business transactions, including exports and re- exports, are restricted by a U.S. governmental authority, including, in each clause above, any updates or revisions to the foregoing and any newly published rules; and

“**Public Official**” means any executive, official, or employee of a governmental authority, political party or member of a political party, political candidate; executive, employee or officer of a public international organization; or director, officer or employee or agent of a wholly owned or partially state-owned or controlled enterprise, including a PRC state-owned or controlled enterprise.

- (q) **Investment Company.** The Company is not and, after giving effect to the issuance of Notes in the transactions contemplated hereby and the application of the proceeds hereof, will not be an “investment company”, as such term is defined in the Investment Company Act of 1940, as amended.
- (r) **Intellectual Property.** Except as, in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect, the Group Companies own or possesses sufficient rights to use Intellectual Property used in or necessary for the conduct of their business.
- (s) **Tax.** The Company believes the Company is not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation.
- (t) **No Additional Representation.** The Company acknowledges that each Investor makes no representations or warranties as to any matter whatsoever except as expressly set forth in this Agreement or in any certificate delivered by such Investor to the Company in accordance with the terms hereof and thereof. Nothing herein shall be deemed to limit any of the Company’s claims relating to fraud, intentional concealment of material facts or other willful misconduct.

Section 3.2. Representations and Warranties of the Investors.

Each Investor, severally and not jointly, represents and warrants to the Company, as of the date hereof and as of the Closing Date, as follows:

- (a) **Due Formation.** Such Investor is duly formed, validly existing and in good standing in the jurisdiction of its organization. Such Investor has all requisite power and authority to carry on its business as it is currently being conducted.
- (b) **Authority.** Such Investor has full power and authority to enter into, execute and deliver the Transaction Documents and each agreement, certificate, document and instrument to be executed and delivered by such Investor and to perform its obligations thereunder. The execution and delivery by such Investor of the Transaction Documents and the performance by such Investor of its obligations thereunder have been, or will be prior to the Closing, duly authorized by all requisite actions on its part.

- (c) Valid Agreement. The Transaction Documents have been, or will be prior to the Closing, duly executed and delivered by such Investor and, assuming the due authorization, execution and delivery by the Company, constitute the legal, valid and binding obligation of such Investor, enforceable against such Investor in accordance with its terms, except as limited by the Enforceability Exceptions.
- (d) Non-contravention. Neither the execution and the delivery of the Transaction Documents, nor the consummation of the transactions contemplated thereby, will (i) violate any provision of the organizational documents of such Investor or violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental entity or court to which such Investor is subject, or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of an encumbrance under, or create in any party the right to accelerate, terminate, modify, or cancel, any agreement, contract, lease, license, instrument, or other arrangement to which such Investor is a party or by which such Investor is bound or to which any of such Investor's assets are subject. There is no action, suit or proceeding, pending or, threatened against such Investor that questions the validity of the Transaction Documents or the right of such Investor to enter into the Transaction Documents or to consummate the transactions contemplated thereby.
- (e) Consents and Approvals. Neither the execution and delivery by such Investor of the Transaction Documents, nor the consummation by such Investor of any of the transactions contemplated thereby, nor the performance by such Investor of the Transaction Documents in accordance with their terms requires the consent, approval, order or authorization of, or registration with, or the giving notice to, any governmental or public body or authority or any third party, except such as have been or will have been obtained, made or given on or prior to the Closing Date.
- (f) Securities Law Representations. The Investor acknowledges that the Notes (and the underlying ADSs issuable upon the conversion of the Notes and the Class A Ordinary Shares represented thereby) are "restricted securities" that have not been registered under the Securities Act or any applicable state securities law. The Investor further acknowledges that, absent an effective registration under the Securities Act, the Notes (and the underlying ADSs issuable upon the conversion of the Notes and the Class A Ordinary Shares represented thereby) may only be offered, sold or otherwise transferred (1) to the Company or its Subsidiaries, (2) outside the United States in compliance with Regulation S of the Securities Act, (3) to a person you reasonably believe is a "qualified institutional buyer" that is purchasing for its own account or for the account of another "qualified institutional buyer" in reliance on Rule 144A of the Securities Act, or (4) pursuant to another exemption from registration under the Securities Act, such as Rule 144 of the Securities Act (if applicable). Such Investor is either (1) not a "U.S. person" (as defined in Regulation S of the Securities Act) or (2) an accredited investor (as defined in Rule 501 of the Securities Act). Such Investor is aware that the sale of the Notes is being made in reliance on a private placement exemption from registration under the Securities Act. Such Investor is acquiring the Notes (and any ADSs issuable upon conversion of the Notes and the Class A Ordinary Shares represented thereby) for its own account, and not with a view toward, or for sale in connection with, any distribution thereof in violation of any federal or state securities or "blue sky" law, or with any present intention of distributing or selling such Notes (or any ADSs issuable upon conversion of the Notes) in violation of the Securities Act.

- (g) **Sufficient Experience.** The Investor has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in such Notes (and any ADSs issuable upon conversion of the Notes and the Class A Ordinary Shares represented thereby) and is capable of bearing the economic risks of such investment. The Investor acknowledges and affirms that, with the assistance of its advisors, it has conducted and completed its own investigation, analysis and evaluation related to the investment in such Notes (and any ADSs issuance upon conversion of the Notes and the Class A Ordinary Shares represented thereby).
- (h) **Sufficient Funds.** As of the Closing Date, such Investor will have access to immediately available funds necessary to consummate the Closing with respect to such Investor on the terms and conditions contemplated by this Agreement.
- (i) **Brokers and Finders.** Such Investor has not retained, utilized or been represented by, or otherwise become obligated to, any broker, placement agent, financial advisor or finder in connection with the transactions contemplated by this Agreement whose fees the Company would be required to pay.

ARTICLE IV COVENANTS

Section 4.1. Oversubscription.

Within two (2) months from the Closing Date (the “Oversubscription Period”), the Investors shall have the right to subscribe for additional convertible notes in a total principal amount of up to 10% of the Purchase Price paid by the Investors under the same terms and conditions as the Notes (such right to subscription, the “Oversubscription Right”). If the Investors exercise such right, the Company shall, and shall cause its Subsidiaries to, enter into transaction documents with the Investors that are substantially the same as the Transaction Documents and issue such convertible notes to the Investors or their designees (which shall be the Investors’ Affiliates), provided that no additional collateral will be provided to secure such additional convertible notes as long as the value of the Collateral Package is above 120% of the total principal amount of the convertible notes held by the Investors or their Affiliates. Notwithstanding anything to the contrary, after one (1) month from the Closing Date, the Company shall have the right to, by sending a written notice to the Investors, accelerate the Oversubscription Period by any number of days, or declare the Oversubscription Period expire as of a day that is no earlier than the fifth (5th) Business Day after the date of the notice, to the extent required to allow the Company to file Form A1 on the planned filing date established by the Company in good faith based on the requirements of HKSE. Prior to sending the written notice, the Company and the Investors (or their counsel) will use commercially reasonable efforts to first discuss with the HKSE and confirm to HKSE that the timing, terms and pricing of the oversubscription is not contingent upon or connected with the proposed offering for the HKSE Listing.

Section 4.2. Exclusive Financing Right.

- (a) Subject to Section 4.2(b),
 - (i) for a six-month period starting from the Closing Date (the “Exclusivity Period”), the Investors shall have the exclusive right to negotiate the subscription of up to US\$1,300,000,000 convertible notes (or other equity or equity-linked securities as agreed between the Parties) privately placed by the Company (excluding the total principal amount of the Notes), subject to the terms and conditions to be agreed upon between the Investors and the Company; and
 - (ii) during the Exclusivity Period, the Company shall not, and shall cause its Subsidiaries and controlled Affiliates and its and their respective directors, officers and representatives acting on their behalf not to, discuss or engage with any Persons other than the Investors or their Affiliates with respect to any capital raising conducted on a privately placed or negotiated basis (“Capital Raising”).
- (b) Nothing in this Section 4.2 shall restrict the Company or its Subsidiaries or controlled Affiliates from or affect such entities’ ability to (i) pursue transactions with Baidu, (ii) obtain RMB denominated financing for working capital (including for content production needs) that does not negatively impact the Investors’ rights under the Collateral Package, and (iii) discuss and accept proposals for investment (in RMB) in the relevant Group Companies as specifically required by Applicable Laws or Governmental Order in the PRC (collectively, “Permitted Financing”).

Section 4.3. Preferred Financing Partnership.

- (a) For a period of eighteen (18) months after the Closing Date (the “Preferred Financing Partnership Period”), if the Company or any of its Subsidiaries or controlled Affiliates receives any bona fide offer to subscribe for any equity or equity linked securities issued by any Group Company on a privately placed or negotiated basis, excluding any Permitted Financing (an “Offer”), the Company shall promptly send a written notice (“Offer Notice”) to the Investors setting out all of the material terms and conditions of the Offer, together with a copy of the Offer. The Investors shall have the right to match the terms of any such Offer in all material respects as set forth in Section 4.3(b).
- (b) To exercise such right, the Investors must deliver a written notice (“Match Notice”) to the Company within twenty (20) Business Days following receiving the Offer Notice and if their terms deviate from the Offer, setting forth in reasonable details such deviations and the expected impacts of such deviations. If the Investors timely deliver the Match Notice, and the terms proposed by the Investors match the Offer in all material respects or, solely with respect to the Offer from a financial investor, are no less favorable to the Company in terms of price and in terms of all other terms taken as a whole than the terms under the Offer, the Company shall, and shall cause its Subsidiaries to, complete the issuance to the Investors in preference to the offeror of the Offer or any other third party, except for Baidu.

- (c) During the Preferred Financing Partnership Period, if the Company issues convertible bonds or any equity or equity-linked securities through a public offering, the Investors shall have the preferred right to participate in such public offering, with the manner of such preference to be mutually agreed by the Investors and the Company.

Section 4.4. Payment of Arrangement Fees.

The Company agrees and undertakes to pay an arrangement fee of two percent (2%) of the gross amount of any financing raised by the Company or its Subsidiaries during the Preferred Financing Partnership Period from any Investor or its Affiliates or third parties that are arranged by any Investor or its Affiliates.

Section 4.5. Governance Rights.

For so long as the Notes or Class A Ordinary Shares issued upon conversion of the Notes Beneficially Owned by PAG Asia and its Affiliates represent no less than 50% of the aggregate principal amount of the Notes:

- (a) The Company shall take all necessary or desirable actions as may be required under the Applicable Laws and in accordance with the Articles of Association to cause one (1) individual designated by PAG Asia to be appointed as a director (the "PAG Asia Director") on or prior to the Closing Date. PAG Asia shall be entitled to appoint, remove and replace the PAG Asia Director. The PAG Asia Director shall have the right to designate an alternate director or proxy to attend board meetings.
- (b) The Company shall take all necessary or desirable actions as may be required under the Applicable Law and in accordance with the Articles of Association to cause the PAG Asia Director to be elected as a non-voting member of the Audit Committee and a voting member of the Compensation Committee of the Board of Directors. The Company's obligations under Section 4.5(a) and this Section 4.5(b) are subject to PAG Asia's designee for the PAG Asia Director meeting the requirements for directors and members of the Audit Committee and Compensation Committee under Applicable Laws and of the securities exchange on which the shares of the Company are listed or traded.
- (c) The Company shall set up a strategy committee (the "Strategy Committee"), which (i) shall consist of three (3) members, including one member appointed by PAG Asia, and (ii) shall review and advise on the Group's overall strategy, capital expenditure, and capital raising. Matters deliberated and reviewed by the Strategy Committee will be subject to the review and approval of the Board of Directors. The Strategy Committee shall meet at least once every quarter with the management.
- (d) For the avoidance of doubt, for the purpose of this Section 4.5 and Section 4.6, the "aggregate principal amount of the Notes" shall mean the whole US\$500,000,000 principal amount initially subscribed by the Investors.

Section 4.6. Information Rights.

- (a) For so long as the Notes or Class A Ordinary Shares issued upon conversion of the Notes Beneficially Owned by PAG Asia and its Affiliates represent no less than 25% of the aggregate principal amount of the Notes, the Company shall provide PAG Asia with a consolidated balance sheet of the Company at the end of each quarter of each fiscal year, and consolidated statements of income and cash flows of the Company for the period then ended, as soon as available, and in any event within sixty (60) days after the end of such period, prepared in conformity with GAAP applied on a consistent basis, except as otherwise noted therein, and subject to the absence of footnotes and to year-end adjustments; provided, that as long as the Company stays as a public company and the Company makes the information available through public filings on the EDGAR system or any successor or replacement system of the SEC, or through public filings on the HKEXnews system or any successor or replacement system of the HKEX, the delivery of such information shall be deemed satisfied by such public filings.
- (b) The Company shall not provide the above documents or disclose any material non-public information concerning the Group to PAG Pegasus or its representatives, unless PAG Pegasus otherwise notifies the Company. Representatives from PAG Pegasus shall identify themselves as not from PAG Asia when communicating with representatives with the Company and shall immediately delete and notify the Company if they receive any documents or material non-public information that are not meant to be sent to them.

Section 4.7. Financing Cooperation.

- (a) If requested by either Investor, the Company will use commercially reasonable efforts to provide the following cooperation in connection with such Investor obtaining any Debt Financing Transaction: (i) entering into an issuer agreement (an “Issuer Agreement”) with each lender or counterparty in customary form in connection with the Debt Financing Transaction, and subject to the consent of the Company (which will not be unreasonably withheld, conditioned or delayed), with such changes thereto as are reasonably requested by such lender or counterparty, (ii) if so requested by such lender or counterparty, as applicable, re-registering the pledged Notes and/or Company Ordinary Shares to be issued upon conversion of the Notes, as applicable, in the name of the relevant lender, counterparty, custodian or similar party to a Debt Financing Transaction, as securities intermediary and to the extent such Investor or its Affiliates continues to Beneficially Own such pledged Notes and/or Company Ordinary Shares and such re-registration does not remove any restrictions that would have remained applicable to such Notes or shares had such re-registration not occurred, (iii) entering into customary triparty agreements with each lender or counterparty and any Investor relating to the delivery of the Notes and/or Company Ordinary Shares to the relevant lender or counterparty for crediting to the relevant collateral accounts upon funding of the loan and payment of the purchase price, and/or (iv) such other cooperation and assistance as the Investor may reasonably request and subject to the consent of the Company (which will not be unreasonably withheld, conditioned or delayed), provided that none of the foregoing shall unreasonably disrupt the operation of the Company’s business or prejudice any of its rights hereunder.

- (b) Notwithstanding anything to the contrary, the Company's obligation to deliver an Issuer Agreement in connection with a Debt Financing Transaction is conditioned on the relevant Investor certifying to the Company in writing (A) that the counterparty to such Debt Financing Transaction is a bank or broker-dealer that is engaged in the business of financing debt securities and similar instruments, (B) that the execution of such Debt Financing Transaction and the terms thereof do not violate the terms of this Agreement, (C) that such Investor has pledged the Notes and/or the Company Ordinary Shares as collateral to the lenders or counterparties under such Debt Financing Transactions, (D) to the extent applicable, whether the registration rights under Schedule II are being assigned to the lenders or counterparties under the Debt Financing Transaction, and (E) that such Investor acknowledges and agrees that the Company will be relying on such certificate when entering into the Issuer Agreement and any material inaccuracy in such certificate will be deemed a breach of this Agreement. Each Investor acknowledges and agrees that the statements and agreements of the Company in an Issuer Agreement are solely for the benefit of the applicable lenders or counterparties and that in any dispute between the Company and such Investor under this Agreement, such Investor shall not be entitled to use the statements and agreements of the Company in an Issuer Agreement against the Company.

Section 4.8. HKSE Listing.

- (a) In the event that the HKSE requires in writing (including through public rules and guidance) that any of the special rights of the Investors under this Agreement be terminated or amended in connection with the Company's application for an HKSE Listing, the Company shall use all reasonable efforts to assist the Investors in preserving those special rights, and shall facilitate direct discussions and/or submissions between the Investors (and their legal counsel) and the HKSE if possible.
- (b) If the HKSE nevertheless requires any of the special rights of the Investors to be terminated or amended after such discussions and/or submissions, the Parties shall use their reasonable efforts to explore alternative arrangements to preserve the existing rights of the Investors. Subject to such alternative arrangements being reasonably acceptable to the Investors, the Investors' special rights will be terminated or amended to the extent required in connection with Company's application for the HKSE Listing.
- (c) In the event that the Parties agree to any termination or amendment of the special rights of the Investors, the Investors shall have the right to require such special rights to be restored if the HKSE Listing is not completed within 12 months after the first submission of the Company's listing application, and the Company shall take all necessary or desirable actions to restore such special rights.

Section 4.9. Collateral Arrangement.

- (a) The performance by the Company and other Group Companies of their obligations to make any payments to the Investors (i) under the Indentures, the Notes, the Security Documents and Section 4.4 and Schedule IV of this Agreement, and (ii) pursuant to Article VI of this Agreement as a result of a breach of its obligations under Section 4.5, Section 4.6 and Section 4.8 of this Agreement as well as their other obligations under the Security Documents, shall be secured pursuant to the collateral arrangement set forth on Schedule III (the "Collateral Arrangement") and under the Security Documents.

- (b) The Company shall, and shall cause the applicable Group Companies to take all the actions that are required to be taken by the Group Companies upon Closing as set forth under Schedule III, and complete the Post-Closing Collateral Related Activities (as defined in Schedule III) as soon as practicable after the Closing, and in any event within thirty (30) days after the Closing as long as the Investors provide timely cooperation. The Investors shall reasonably cooperate with the Company to complete such activities, including by providing necessary documents or taking necessary actions where applicable.
- (c) If the value of the Collateral Package falls below the applicable Value Threshold, the Company shall, and shall cause its Subsidiaries to, provide additional collateral under the Collateral Arrangement such that the total value of the Collateral Package is increased to such threshold, unless the decline in value of the Collateral Package is solely attributable to fluctuations in US\$/RMB exchange rates and the remaining value of the Collateral Package is at least 90% of the applicable Value Threshold.
- (d) The Parties shall cooperate with each other to timely release a portion of the collateral if the principal amount of Notes held by the Investors and their Affiliates substantially reduces. Following the repayment in full of all amounts due under the Notes, the conversion of all of the Notes held by the Investors and their Affiliates to Class A Ordinary Shares (including in the form of ADSs) or the Investors and its Affiliates otherwise ceasing to hold any portion of the Notes (each, a “Extinguishment Event”), the Collateral Arrangement shall terminate and the Investors shall release and discharge the collateral described in the Security Documents or to execute such other appropriate instrument evidencing such release and discharge (at the expense of the Company) within ten (10) days after the Extinguishment Event.

Section 4.10. Security Documents and Change in Law Event.

- (a) Upon the occurrence of:
 - (i) any default by the Company or any Subsidiary of the Company under the Security Documents in any of its obligations under the Security Documents, which, per opinion of counsel of the Parties, materially and adversely affects the enforceability, validity or priority of the applicable Lien on the Collateral or which materially and adversely affects the condition or value of the Collateral or the security interest under the Security Documents, taken as a whole, in each case, which, is either not curable or has not been remedied within thirty (30) days after written notice from any Investor; other than any limitation set out in Schedule III agreed as part of the Collateral Arrangement; or

- (ii) assertion by the Company or any Subsidiary of the Company under the Security Documents, in any pleading in any court of competent jurisdiction, that any such security interest is invalid or unenforceable; any Investor shall be entitled to exercise all and any applicable remedies and rights that would be available to the Holders (as provided in the Indenture) and/or the Trustee (as provided in the Indenture) in connection with the occurrence of an event under Section 6.01 of the Indenture, against the Company under the Indenture (including the right to accelerate and demand payment of the Note Acceleration Repayment Price (as provided in the Indenture) and interest on the Notes under Section 6.02 of the Indenture) and, if applicable, other Transaction Documents, as if the relevant provisions of such Transaction Documents (other than this Agreement) have been incorporated herein by reference, *mutatis mutandis*, and the Company shall comply with such applicable terms in the Indenture and other Transaction Documents.
- (b) The Parties agree that a Change in Law Event shall have the same effect as a “Fundamental Adverse Regulatory Change” under the Indenture. Upon the occurrence of a Change in Law Event, any Investor shall be entitled to exercise all and any applicable remedies and rights that would be available to the Holders (as provided in the Indenture) and/or the Trustee (as provided in the Indenture) in connection with the occurrence of a Fundamental Adverse Regulatory Change, against the Company under the Indenture (including the right to repurchase the Notes under Section 15.02(a) of the Indenture) and, if applicable, other Transaction Documents, as if the relevant provisions of such Transaction Documents (other than this Agreement) have been incorporated herein by reference, *mutatis mutandis*, and the Company shall comply with such applicable terms in the Indenture and other Transaction Documents.

ARTICLE V
ADDITIONAL AGREEMENTS

Section 5.1. Taking of Necessary Action.

Each Party agrees to use its reasonable efforts promptly to take or cause to be taken all action, and promptly to do or cause to be done all things necessary, proper or advisable under Applicable Laws (other than waive such party’s rights hereunder) to consummate and make effective the sale and purchase of the Notes hereunder, subject to the terms and conditions hereof and compliance with Applicable Laws. In case at any time before or after the Closing any further action is necessary or desirable to carry out the purposes of the sale and purchase of the Notes, each Party shall cause the proper officers, managers and directors of such Party to take all such necessary action as may be reasonably requested by the requesting Party. The Company shall promptly notify the Investors of any event, condition or circumstance occurring prior to the Closing Date that would constitute a material breach of any terms and conditions contained in this Agreement.

Section 5.2. Conduct of Business.

Prior to the earlier of the Closing Date and the termination of this Agreement pursuant to Section 7.1, except as contemplated or required by the Transaction Documents, the Company shall, and the Company shall cause each of its Group Companies to (i) conduct its business and operations in the ordinary course of business consistent with past practice, including customary financing arrangements and facilities; and (ii) take all actions necessary to continue the listing and trading of its ADSs on the Nasdaq and shall comply with the Company's reporting, filing and other obligations under the rules of Nasdaq. From the date hereof through the Closing Date, except pursuant to the Transaction Documents or as disclosed in the Company Disclosure Documents as of the date of this Agreement, the Company shall not (i) issue, approve or agree to the issuance of any Company Ordinary Shares, or any securities convertible into or exchangeable or exercisable for the Company Ordinary Shares other than issuance of shares to employees upon the exercise of options or restricted share units granted or issuance to holders of convertible securities in compliance with the terms thereof, (ii) reserve for issuance any Company Ordinary Shares, (iii) repurchase or redeem, or approve or agree to the repurchase or redemption of, any Company Ordinary Shares or any securities convertible into or exchangeable or exercisable for Company Ordinary Shares, other than the 2025 Notes, or (iv) declare or pay any dividends or other distributions on the Company Ordinary Shares; in each case, unless for the period from the date hereof through the Closing Date, the Company provides to the Investors the same rights they have under Sections 4.2 and 4.3.

Section 5.3. Use of Proceeds.

The Company undertakes to reserve and dedicate the proceeds from the issue and sale of the Notes for the purchase or repurchase of the 2025 Notes, general and corporate purposes as approved by the Investors from time to time, and/or any other purposes as approved by the Investors from time to time. The Company agrees to comply with Schedule IV to this Agreement in connection with the purchase or repurchase of the 2025 Notes.

Section 5.4. Securities Laws.

Each Investor acknowledges and agrees that, as of the Closing Date, the Notes (and the ADSs representing Company Ordinary Shares that are issuable upon conversion of the Notes) have not been registered under the Securities Act and that they may be sold or otherwise disposed of only in one or more transactions registered under the Securities Act or as to which an exemption from the registration requirements of the Securities Act is available. In addition to, and without prejudice to, any applicable rights set forth in the sixth amended and restated shareholders agreement of the Company dated October 26, 2017 (the "Shareholders Agreement"), the Company hereby grants to the Investors such registration rights as set forth in Schedule II to this Agreement. To the extent the grant of the registration rights under Schedule II to this Agreement to the Investors requires any consent by any Person, including any shareholder of the Company, the Company shall obtain such consent prior to the Closing (including such Person's acknowledgement and consent with respect to their right to participate in any registration pursuant to this Agreement and the Shareholders Agreement on a pro rata basis with the Investors).

Section 5.5. FPI Status.

Without limiting the generality of the foregoing, the Company shall promptly after the date hereof and reasonably prior to Closing take all necessary or desirable actions required to duly and validly rely on the exemption for foreign private issuers from applicable rules and regulations of the Nasdaq with respect to corporate governance to rely on “home country practice” in connection with the transactions contemplated hereunder (including an exemption from any Nasdaq rules that would otherwise require seeking shareholder approval in respect of such transactions), including without limitation, to the extent necessary, making disclosures, notices and filings to or with the SEC and Nasdaq and obtaining an adequate opinion of counsel in respect of the home country practice exemption.

Section 5.6. Conversion Price Matters.

The Conversion Rate on the Closing Date (the “Initial Conversion Rate”) shall be the quotient (rounded to four decimal places) of \$1,000 divided by the Conversion Price on the Closing Date; provided, that if any event shall occur between the date hereof and the Closing Date (inclusive) that would have resulted in an adjustment to the Conversion Rate pursuant to Section 14.04 of the Indenture if the Notes had been issued and outstanding since the date hereof, the Initial Conversion Rate shall be adjusted as would have been required by Section 14.04 of the Indenture and the share amounts and ADS prices in the table set forth in Section 14.03(e) of the Indenture shall be adjusted as would have been required by Section 14.03(d) of the Indenture in each case if the Notes had been issued and outstanding since the date hereof.

Section 5.7. Termination of Covenants.

Notwithstanding anything to the contrary, ARTICLE IV and ARTICLE V shall terminate automatically upon the Investors and its Affiliates ceasing to hold any portion of the Notes or any of the Class A Ordinary Shares (including in the form of ADS) to which the Notes converted.

ARTICLE VI INDEMNIFICATION

Section 6.1. Indemnification.

- (a) Subject to the limitations set forth in this Section 6.1, the Investors, their Affiliates and their respective officers, directors employees and agents (each an “Indemnitee”) shall be indemnified by the Company for any and all Losses suffered by such Indemnitee as a result of or arising from (i) any breach of any representation or warranty made by the Company in Section 3.1; or (ii) any breach of any covenant or agreement by the Company contained in this Agreement. Notwithstanding anything to the contrary, other than with respect to fraud, in no event shall the Company be liable for or have an obligation to indemnify the Indemnitees for Losses in connection with (A) the Fundamental Warranties, in excess of 100% of the Purchase Price paid to the Company by the Investors pursuant to this Agreement, and (B) the other representations and warranties made by the Company in Section 3.1 in excess of 50% of the Purchase Price paid to the Company by the Investors pursuant to this Agreement.
- (b) In calculating the amount of any Losses hereunder, there shall be subtracted the amount of any insurance proceeds and third-party payments received by the Indemnitees with respect to such Losses, if any, net of any actual costs or expenses incurred in connection with securing or obtaining such proceeds or payments. No Party shall have any liability under any Transaction Document for any punitive, incidental, consequential or indirect damages, (including loss of profits or diminution in value), in each case, that are not a reasonably foreseeable result or consequence of the underlying breach by the relevant breaching Party, it being understood that the foregoing shall not exclude any damages suffered by the Investors from any failure to receive the full amounts payable under the Transaction Documents, to realize the value of Company Ordinary Shares and/or ADSs issued or issuable upon conversion of the Notes or to benefit from any rights and protection provided under the Transaction Documents.

Section 6.2. Third Party Action.

- (a) Each Indemnitee shall give the Company prompt written notice (an “Indemnification Notice”) of any third party Action it has actual knowledge of that might give rise to Losses, which notice shall set forth a description of those elements of such Action of which such Indemnitee has knowledge; provided, that any delay or failure to give such Indemnification Notice shall not affect the indemnification obligations of the Company hereunder except to the extent the Company is materially prejudiced by such delay or failure.
- (b) The Company shall have the right, exercisable by written notice to the applicable Indemnitee(s) within thirty (30) days of receipt of the applicable Indemnification Notice, to select counsel to defend and control the defense of any third party claim set forth in such Indemnification Notice; provided, that the Company shall not be entitled to so select counsel or control the defense of any claim if (i) such claim seeks primarily non-monetary or injunctive relief against the Indemnitee or alleges any violation of criminal law, (ii) the Company does not, subsequent to its assumption of such defense in accordance with this Section 6.2(b), conduct the defense of such claim actively and diligently, (iii) such claim includes as the named parties both the Company and the applicable Indemnitee(s) and such Indemnitees reasonably determine upon the advice of counsel that representation of all such Indemnitees by the same counsel would be prohibited by applicable codes of professional conduct, or (iv) in the event that, based on the reasonable advice of counsel for the applicable Indemnitee(s), there are one or more material defenses available to the applicable Indemnitee(s) that are not available to the Company. If the Company does not assume the defense of any third party claim in accordance with this Section 6.2(b), the applicable Indemnitee(s) may continue to defend such claim at the sole cost of the Company and the Company may still participate in, but not control, the defense of such third party claim at the Company’s sole cost and expense. In no event shall the Company, in connection with any Action or separate but substantially similar Actions arising out of the same general allegations, be liable for the fees and expenses of more than one separate firm of attorneys at any time for all Indemnitees chosen by the Investors and/or its Affiliates, except to the extent that local counsel, in addition to regular counsel, is required in order to effectively defend the Action.
- (c) No Indemnitee shall consent to a settlement of, or the entry of any judgment arising from, any claim for which such Indemnitee is indemnified pursuant to this Section 6.2 without the prior written consent of the Company (such consent not to be unreasonably withheld, conditioned or delayed). Except with the prior written consent of the applicable Indemnitee(s), the Company, in the defense of any such claim, shall not consent to the entry of any judgment or enter into any settlement that (i) provides for injunctive or other nonmonetary relief affecting any Indemnitee or (ii) does not include as an unconditional term thereof the giving by each claimant or plaintiff to each such Indemnitee(s) of an unconditional release of such Indemnitee(s) from all liability with respect to such Action. In any such third party claim where the Company has assumed control of the defense thereof pursuant to Section 6.2(b), the Company shall keep the applicable Indemnitee(s) reasonably informed as to the status of such claim at all stages thereof (including all settlement negotiations and offers), promptly submit to such Indemnitee(s) copies of all pleadings, responsive pleadings, motions and other similar legal documents and paper received or filed in connection therewith, permit such Indemnitee(s) and their respective counsels to confer with the Company and its counsel with respect to the conduct of the defense thereof, and permit such Indemnitee(s) and their respective counsel(s) a reasonable opportunity to review all legal papers to be submitted prior to their submission.

ARTICLE VII
MISCELLANEOUS

Section 7.1. Termination.

This Agreement may be terminated at any time prior to the Closing Date:

- (a) By the mutual written consent of the Parties;
- (b) By either the Company or any Investor upon written notice to the other, if the Closing has not occurred on or prior to the Long Stop Date; provided that the right to termination under this Section 7.1(b) shall not be available to any Party if the breach by such Party of its representations and warranties set forth in this Agreement or the failure of such Party to perform any of its obligations under this Agreement has been a principal cause of or primarily resulted in the events specified in this Section 7.1(b);
- (c) By either the Company or any Investor if any Governmental Order enjoining or otherwise prohibiting the consummation of the transactions as contemplated under the Transaction Documents shall be in effect and shall have become final and non-appealable prior to the Closing Date; provided that the right to termination under this Section 7.1(c) shall not be available to any Party if the breach by such Party of its representations and warranties set forth in this Agreement or the failure of such Party to perform any of its obligations under this Agreement has been a principal cause of such Governmental Order;
- (d) at the election of any Investor, if there has been a material breach of any representation, warranty, covenant or agreement on the part of the Company contained in this Agreement or the other Transaction Documents that if continuing on the Closing Date will result in the failure of the conditions set forth in Section 2.2(c) to be satisfied, which breach has not been cured within twenty (20) Business Days after delivery of written notice to the Company of such breach; or
- (e) at the election of the Company, with respect to any Investor, if there has been a material breach of any representation, warranty, covenant or agreement on the part of such Investor contained in this Agreement or the other Transaction Documents that if continuing on the Closing Date will result in the failure of the conditions set forth in Section 2.2(d) to be satisfied, which breach has not been cured within twenty (20) Business Days after delivery of written notice to such Investor of such breach.

Section 7.2. Effect of Termination.

If this Agreement is terminated pursuant to Section 7.1, (a) this Agreement shall become void and of no further force and effect, except for the provisions of Section 7.4 to Section 7.14, which shall survive the termination of this Agreement indefinitely or until the latest date permitted by law, (b) none of the Parties shall have any liability in respect of a termination of this Agreement pursuant to Section 7.1(a) to Section 7.1(c) (other than the Party whose breach of a representation, warranty, covenant or agreement under this Agreement precipitated a termination pursuant to Section 7.1(b)), (c) nothing shall relieve any of the Parties from liability for Losses resulting from the termination of this Agreement pursuant to Section 7.1(d) or Section 7.1(e), and (d) each Party's right of termination under Section 7.1 is in addition to any other right it may have under this Agreement or otherwise, and the exercise of a party's right of termination will not constitute an election or waiver of remedies.

Section 7.3. Survival.

All covenants or other agreements of the Parties shall survive until fully performed or fulfilled, unless and to the extent that non-compliance with such covenants or agreements is waived in writing by the relevant Party entitled to such performance. All Fundamental Warranties shall survive for five (5) years after the Closing. All other representations and warranties of the Company contained in this Agreement shall survive the Closing Date until eighteen (18) months after the Closing Date. Notwithstanding the foregoing, nothing herein shall relieve any Party of liability for any inaccuracy or breach of such representation or warranty to the extent that any good faith allegation of such inaccuracy or breach is made in writing prior to such expiration.

Section 7.4. Notices.

All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, by facsimile, sent by overnight courier or sent via email (with receipt confirmed) as follows:

(a) If to PAG Asia, to:

Address: 33/F, Three Pacific Place, 1 Queen's Road East, Admiralty, Hong Kong
Contact: ***

If to PAG Pegasus, to:

Address: 33/F, Three Pacific Place, 1 Queen's Road East, Admiralty,
Hong Kong
Contact: ***

(b) If to the Company, to:

Address:	9/F, iQIYI Innovation Building No. 2 Haidian North First Street, Haidian District, Beijing 100080, People's Republic of China
Attention: Jun Wang	Jun Wang ***

or to such other address or addresses as shall be designated in writing. All notices shall be deemed effective (i) when delivered personally (with written confirmation of receipt, by other than automatic means, whether electronic or otherwise), (ii) when sent by facsimile (with written confirmation of receipt, by other than automatic means, whether electronic or otherwise) one (1) Business Day following the day sent by overnight courier, or (iii) when sent by electronic mail, upon such electronic mail being sent unless the sending party subsequently learns that such electronic mail was not successfully delivered.

Section 7.5. Entire Agreement; Third Party Beneficiaries; Amendment.

This Agreement, together with other Transaction Documents, sets forth the entire agreement between the parties with respect to the subject matters hereof and thereof. Nothing contained in this Agreement, expressed or implied, is intended to confer or shall confer upon any person other than the expressed parties hereto, any benefit, right or remedies, provided that (i) ARTICLE VI shall be for the benefit of and fully enforceable by each of the Indemnitees, and (ii) Section 7.14 shall be for the benefit of and fully enforceable by each of the Specified Persons. Any provision of this Agreement may be amended or modified in whole or in part at any time by an agreement in writing between the Parties executed in the same manner as this Agreement. No failure on the part of any Party to exercise, and no delay in exercising, any right shall operate as a waiver thereof nor shall any single or partial exercise by any party of any right preclude any other or future exercise thereof or the exercise of any other right.

Section 7.6. Counterparts.

This Agreement may be executed in one or more counterparts by wet-ink or other means (including by means of telecopied signature pages or electronic transmission in portable document format (pdf) or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com), each of which shall be deemed to constitute any original, but all of which together shall constitute one and the same document. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document will have the same effect as physical delivery of the paper document bearing the original signature.

Section 7.7. Confidentiality; Public Announcements.

- (a) Each Party shall keep confidential any nonpublic material or information with respect to the business, technology, financial conditions, and other aspects of the other Parties which it is aware of, or have access to, in signing or performing the Transaction Documents (including written or oral information, hereinafter the "Confidential Information"). Confidential Information shall not include any information that is (a) previously known on a non- confidential basis by the receiving Party, (b) in the public domain through no fault of such receiving Party, its Affiliates or its or its Affiliates' officers, directors or employees, (c) received from a party other than the Company or the Company's representatives or agents, so long as such party was not, to the knowledge of the receiving Party, subject to a duty of confidentiality to the Company or (d) developed independently by the receiving Party without reference to confidential information of the disclosing Party. No Party shall disclose such Confidential Information to any third party other than in accordance with the provisions set forth herein. Either Party may use the Confidential Information only for the purpose of, and to the extent necessary for performing this Agreement or any other Transaction Documents, and shall not use such Confidential Information for any other purposes. The Parties hereby agree, for the purpose of this Section 7.7, that the existence and terms and conditions of this Agreement and other Transaction Documents and schedule hereof shall be deemed as Confidential Information until such Transaction Document has been duly filed with the SEC.
- (b) No press release or public announcement related to this Agreement or the transactions contemplated herein shall be issued or made by any Party or its Affiliates without the prior written approval of the other Parties, unless required by Applicable Laws in which case such other Party shall have the right to review, comment on and have reasonable comments incorporated on such press release, announcement or communication prior to issuance, distribution or publication. Notwithstanding the foregoing, the Investors and its Affiliates shall not be restricted from communicating with their respective investors and potential investors in connection with informational or reporting activities; provided that the recipient of such information is subject to a customary obligation to keep such information confidential. The Company may file this Agreement with the SEC and may provide information about the subject matter of this Agreement in connection with equity or debt issuances, share repurchases, or marketing, informational or reporting activities; provided that any description of the subject matter of this Agreement or the Investors or their Affiliates (if not previously approved by the Investors) shall be approved by the Investors in advance.
- (c) Each Party may disclose the Confidential Information to its Affiliates and its and its Affiliates' partners, officers, directors, employees, agents, professional advisors and other representatives on a need-to-know basis in the performance of the Transaction Documents; provided that, such Party shall procure such persons are made aware of and will comply with the confidentiality obligations hereunder. A Party may disclose Confidential Information if such disclosure is required by (i) an order of any court of competent jurisdiction or any regulatory, judicial, governmental or similar body or any taxation authority of competent jurisdiction, (ii) the rules of any listing authority or stock exchange on which its shares are listed or traded, or (iii) by Applicable Law, provided that in such case, such Party shall (1) to the extent permitted by law, promptly provide the other Parties with written notice of that fact so that such other Parties may seek a protective order, confidential treatment or other appropriate remedy and (2) shall furnish only that portion of the information that is legally required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information.

- (d) Without the prior written consent of the Investor, the Company shall not, and shall cause its Affiliates not to, use in advertising, publicity, announcements, or otherwise, the name of any Investor or any Affiliate of any Investor, either alone or in combination with any company name, trade name, trademark, service mark, domain name, device, design, symbol or any abbreviation, contraction or simulation thereof owned or used by any Investor or any of its Affiliates; provided that the Company and its Affiliates may refer to the Investors as holders of the Notes or holders of shares or ADS of the Company in the filings or disclosure required to be made by Applicable Laws or the rules of the stock exchange on which its shares are listed or traded.
- (e) The confidentiality obligations of each Party hereunder shall survive the termination of this Agreement. Each Party shall continue to abide by the confidentiality clause hereof and perform the obligation of confidentiality it undertakes until the other Party approves release of that obligation or until a breach of the confidentiality clause hereof will no longer result in any prejudice to the other Party.

Section 7.8. Expenses.

- (a) Upon the Closing, the Company shall reimburse the Investors for its reasonable documented out-of-pocket fees and expenses incurred in connection with the negotiation, preparation, execution and performance of this Agreement and other Transaction Documents and the transactions contemplated hereby and thereby (excluding any transactions that may be agreed under Section 4.2 or 4.3), including fees and expenses of attorneys, accountants, consultants, up to an aggregate amount of US\$5,000,000.
- (b) Each Party shall bear its own costs and expenses incurred in connection with the Transaction Documents and the transaction contemplated thereunder if this Agreement is terminated pursuant to Section 7.1.
- (c) For the avoidance of doubt, the Company shall be responsible for the payment of any fees of the transfer agent, Trustee, DTC or other administrative agents, relating to or arising out of the issuance and sale of the Notes by the Company as contemplated hereby.

Section 7.9. Successors and Assigns.

- (a) Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the Company's successors and assigns and the Investors' successors and assigns, and no other person.
- (b) Neither the Company nor the Investors may assign its respective rights or delegate its respective obligations under this Agreement (including the rights and obligations under Section 4.9), whether by operation of law or otherwise, and any assignment by the Company or the Investors in contravention hereof shall be null and void; provided, that (i) prior to the Closing, each Investor may assign all of its rights and obligations under this Agreement or any portion thereof to one or more Affiliates who execute and deliver a Joinder without the prior consent of the Company, and such Affiliate shall be deemed an Investor hereunder and shall have all rights and obligations of an Investor or any portion thereof (as set forth in the Joinder); provided further that no such assignment will relieve the Investor of its obligations hereunder prior to the Closing, (ii) any Affiliate of the Investor who after the Closing Date executes and delivers a Joinder and is a permitted transferee of any Notes or Company Ordinary Shares shall be deemed an Investor hereunder and have all the rights and obligations of an Investor or any portion thereof (as set forth in the Joinder), (iii) the rights of a holder of Registrable Securities under Schedule II may be transferred but only together with the Notes or Registrable Securities in a transfer of such Notes or Registrable Securities to an Affiliate of the transferor that executes and delivers to the Company a Joinder.

- (c) Section 4.5 and Section 4.6(a) shall terminate automatically upon a PAG Asia Change of Control. “PAG Asia Change of Control” shall mean (A) the acquisition, directly or indirectly, by any person or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of (1) the beneficial ownership of securities of PAG Asia possessing more than fifty percent (50%) of the total combined voting power of all outstanding securities of PAG Asia or (2) control (as defined in the definition of Affiliate) of PAG Asia; (B) a merger, consolidation, recapitalization or reorganization involving PAG Asia, unless securities representing more than 50% of the total voting power of the successor company is immediately thereafter beneficially owned, directly or indirectly, by the Persons who beneficially owned PAG Asia’s outstanding voting securities immediately prior to such transaction; or (C) the acquisition, directly or indirectly, by any of Baidu’s competitors or the Companies’ competitors (each based on a list of competitors provided by Baidu or the Company (by action of Board of Directors) to the Investors prior to the Closing Date, which list may be updated by Baidu or the Company (by action of Board of Directors) by written notice to PAG Asia every 6 month after the Closing) of more than 10% of the beneficial ownership of equity securities of PAG Asia. For the avoidance of doubt, references to PAG Asia in this Section mean PAG Asia or its Affiliate that has the rights under Section 4.5 or Section 4.6(a) at the time of the relevant change of control event.

Section 7.10. Governing Law; Arbitration.

- (a) This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of Hong Kong without regard to the conflict of laws principles thereof.
- (b) Any dispute arising out of or relating to this Agreement, including any question regarding its existence, validity or termination (“Dispute”) shall be referred to and finally resolved by arbitration at the Hong Kong International Arbitration Centre in accordance with the Hong Kong International Arbitration Centre Administered Arbitration Rules then in force. There shall be three arbitrators. Each of the Parties has the right to appoint one arbitrator and the third arbitrator shall be appointed by the Hong Kong International Arbitration Centre. The language to be used in the arbitration proceedings shall be English. The seat of arbitration shall be in Hong Kong.
- (c) Each of the Parties irrevocably waives any immunity to jurisdiction to which it may be entitled or become entitled (including without limitation sovereign immunity, immunity to pre-award attachment, immunity to post-award attachment or otherwise) in any arbitration proceedings and/or enforcement proceedings against it arising out of or based on this Agreement or the transactions contemplated hereby.

Section 7.11. Severability

If any provision of this Agreement is determined to be invalid, illegal or unenforceable, the remaining provisions of this Agreement shall remain in full force and effect provided that the economic and legal substance of, any of the transactions contemplated under the Transaction Documents is not affected in any manner materially adverse to any Party. In the event of any such determination, the Parties agree to negotiate in good faith to modify this Agreement to fulfill as closely as possible the original intent and purpose hereof. To the extent permitted by law, the Parties hereby to the same extent waive any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

Section 7.12. Specific Performance

The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each Party agrees that in the event of any breach or threatened breach by any other Party of any covenant or obligation contained in this Agreement, the non-breaching Party shall be entitled (in addition to any other remedy that may be available to it, whether in law or equity) to obtain (i) a decree or order of specific performance to enforce the observance and performance of such covenant or obligation, and (ii) an injunction restraining such breach or threatened breach. Each of the Parties agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief on the basis that any other Party has an adequate remedy at law or that any award of specific performance is not an appropriate remedy for any reason at law or in equity. Any Party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement shall not be required to provide any bond or other security in connection with any such order or injunction.

Section 7.13. Headings

The headings of Articles and Sections contained in this Agreement are for reference purposes only and are not part of this Agreement.

Section 7.14. Non-Recourse

This Agreement may only be enforced against, and any claim or cause of action based upon, arising out of, or related to this Agreement or the transactions contemplated hereby may only be brought against the entities that are expressly named as Parties and their respective successors and assigns (including any Person that executes and delivers a Joinder). Except as set forth in the immediately preceding sentence, no past, present or future director, officer, employee, incorporator, member, partners, stockholder, Affiliate, agent, attorney, advisor or representative of any Party (collectively, the "Specified Persons") shall have any liability for any obligations or liabilities of any Party or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first herein above written.

COMPANY:

iQIYI, Inc.

By: /s/ Yu Gong

Name: Yu Gong

Title: Director

[Signature Page to Investment Agreement]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first herein above written.

INVESTOR:

PAGAC IV-1 (CAYMAN) LIMITED

By: /s/ Koichi Ito

Name: Koichi Ito

Title: Director

[Signature Page to Investment Agreement]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first herein above written.

INVESTOR:

PAG PEGASUS FUND LP

By: /s/ JON ROBERT LEWIS

Name: JON ROBERT LEWIS

Title: Director of PAG Pegasus GP Limited, acting as a
General Partner of PAG Pegasus Fund LP

[Signature Page to Investment Agreement]

SCHEDULE I

LIST OF INVESTORS

SCHEDULE II

REGISTRATION RIGHTS

SCHEDULE III

COLLATERAL ARRANGEMENTS

SCHEDULE IV

2025 NOTES REPURCHASE

Exhibit A

Form of Indenture

Exhibit B

Form of Joinder

The undersigned is executing and delivering this Joinder dated [•] pursuant to that certain Investment Agreement, dated as of August [•], 2022 (as amended, restated, supplemented or otherwise modified in accordance with the terms thereof, the “Investment Agreement”), by and among iQIYI, Inc, PAGAC IV-1 (Cayman) Limited (“PAG Asia”), PAG Pegasus Fund LP (“PAG Pegasus”) and any other Persons who become a party thereto in accordance with the terms thereof. Capitalized terms used but not defined in this Joinder shall have the respective meanings ascribed to such terms in the Investment Agreement.

The undersigned, an Affiliate of [assignor to be specified] (“Transferring Investor”), entered into [agreement to be described] with the Transferring Investor, pursuant to which the Transferring Investor [describe the rights transferred and obligations delegated].

By executing and delivering this Joinder to the Investment Agreement, the undersigned hereby adopts and approves the Investment Agreement and agrees, effective commencing on the date hereof, to become a party to, and to be bound by and comply with the provisions of, the Investment Agreement applicable to the transferring Investor in the same manner as if the undersigned were an original Investor signatory to the Investment Agreement and had executed the Investment Agreement as “PAG Asia” or “PAG Pegasus”, as applicable, depending on the identity of such Transferring Investor.

The contact information of the undersigned for the purpose of Section 7.4 of the Investment Agreement is set forth below:

[contact info to be included]

[Remainder of page intentionally left blank]

DEED OF AMENDMENT

This DEED OF AMENDMENT (this “**Deed**”) is dated December 30, 2022 by and among:

- (i) **iQIYI, Inc**, a Cayman Islands incorporated company listed on NASDAQ under the ticker IQ (the “**Company**”);
- (ii) **PAGAC IV-1 (Cayman) Limited**, an exempted company incorporated in Cayman Islands, with the registered address at P.O. Box 472, Harbour Place, 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands (“**PAG Asia**”); and
- (iii) **PAG Pegasus Fund LP**, an exempted limited partnership established and registered under the laws of the Cayman Islands, with the registered address at P.O. Box 472, Harbour Place, 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands (“**PAG Pegasus**”).

Each of the parties to this Deed is referred herein individually as a “**Party**”, and collectively as the “**Parties**”.

RECITALS

- A. The Parties hereto entered into an investment agreement dated August 30, 2022 (the “**Investment Agreement**”).
- B. PAG Pegasus intends to transfer all of its rights and obligations under the Investment Agreement to PAG Asia.
- C. The Parties also intend to enter into this Deed to effect certain amendments to the Investment Agreement.

NOW, THEREFORE, the Parties intending to be legally bound hereto, hereby agree as follows and intend that this Deed shall take effect as a deed:

1. Definitions

All capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Investment Agreement.

2. Novation

Effective from the date hereof:

- 2.1. PAG Pegasus transfers all its rights and obligations under the Investment Agreement to PAG Asia;
- 2.2. PAG Asia assumes all the rights, benefits, obligations and responsibilities of PAG Pegasus under the Investment Agreement;

- 2.3. PAG Pegasus ceases to be party to the Investment Agreement, and all obligations and responsibilities of PAG Pegasus towards the Company thereunder and all obligations and responsibilities of the Company towards PAG Pegasus thereunder are released.

3. Amendment to Investment Agreement

- 3.1. Each Party agrees that the following definitions of the Investment Agreement shall be amended and restated in its entirety as follows, for the purposes of the Transaction Documents:
- a. “**Security Documents**” means the list of documents as set forth in Schedule 1 of this Deed, as may be amended, restated and supplemented from time to time.
 - b. “**Collateral Arrangements**” shall mean all the arrangements in relation to the Collateral Package as set forth in the Security Documents.
 - c. “**Collateral Package**” shall mean the guarantee and security interests created by and constituted under the Security Documents, with a value not lower than (i) 130% of the total principal amount of the Notes held by the Investor or its Affiliates, prior to the exercise of the Oversubscription Right, and (ii) 120% of the total principal amount of the Notes held by the Investor or its Affiliates, after the exercise of the Oversubscription Right (the thresholds under clause (i) and (ii), the “**Value Thresholds**”).
- 3.2. Each Party agrees that Section 4.10(a)(i) of the Investment Agreement shall be amended and restated in its entirety as follows:
- Any default by the Company or any Subsidiary of the Company under the Security Documents in any of its obligations under the Security Documents, which, per opinion of counsel, materially and adversely affects the enforceability, validity or priority of the applicable Lien on the Collateral Package or which materially and adversely affects the condition or value of the Collateral Package or the security interest under the Security Documents, taken as a whole, in each case, which, is either not curable or has not been remedied within thirty (30) days after written notice from the Investor; other than any limitation set out in Schedule III agreed as part of the Collateral Arrangement.
- 3.3. Each Party agrees that Section 4.6(b) of the Investment Agreement is no longer applicable and shall be deleted in its entirety.

4. Miscellaneous

- 4.1. This Deed shall have legal and binding effect on the Parties immediately upon the execution of this Deed by each Party.
- 4.2. This Deed is supplemental to and amends the Investment Agreement. With effect from the date hereof, all references to “this Agreement” in the Investment Agreement shall be deemed as references to such Investment Agreement as amended and modified hereby. Other than as amended by this Deed, the Investment Agreement shall remain in full force and effect.
- 4.3. This Deed shall be governed by and its provisions construed and enforced in accordance with the laws of Hong Kong without regard to the conflict of laws principles thereof.

4.4. Section 1.2 (*General Interpretative Principles*) and Article VII (*Miscellaneous*) of the Investment Agreement shall apply *mutatis mutandis* to this Deed as if references therein to “this Agreement” were references to this Deed.

[Signature pages to follow]

IQIYI, INC.

AND

CITICORP INTERNATIONAL LIMITED,

as Trustee

INDENTURE

Dated as of December 30, 2022

6.00% Convertible Senior Notes due 2028

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INDENTURE dated as of December 30, 2022 between IQIYI, INC., a Cayman Islands exempted company, as issuer (the “Company,” as more fully set forth in Section 1.01) and CITICORP INTERNATIONAL LIMITED, a private company limited by shares incorporated in Hong Kong, as trustee (the “Trustee,” as more fully set forth in Section 1.01).

WITNESSETH:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issuance of its 6.00% Convertible Senior Notes due 2028 (the “Notes”), initially in an aggregate principal amount not to exceed US\$500,000,000 (as increased by an amount equal to the aggregate principal amount of any additional Notes purchased by Investors (as defined in the Investment Agreement) pursuant to Section 4.1 of the Investment Agreement), and in order to provide the terms and conditions upon which the Notes are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Form of Note, the certificate of authentication to be borne by each Note, the Form of Notice of Conversion, the Form of Fundamental Change Repurchase Notice, the Form of Repurchase Notice and the Form of Assignment and Transfer to be borne by the Notes are to be substantially in the forms hereinafter provided; and

WHEREAS, all acts and things necessary to make the Notes, when executed by the Company and authenticated and delivered by the Trustee, as in this Indenture provided, the valid, binding and legal obligations of the Company, and this Indenture a valid agreement according to its terms, have been done and performed, and the execution of this Indenture and the issuance hereunder of the Notes have in all respects been duly authorized.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Notes are, and are to be, authenticated, issued and delivered, and in consideration of the premises and of the purchase and acceptance of the Notes by the Holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective Holders from time to time of the Notes (except as otherwise provided below), as follows:

ARTICLE 1

DEFINITIONS

Section 1.01. Definitions

The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. The words “herein,” “hereof,” “hereunder” and words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article include the plural as well as the singular.

“Additional ADSs” shall have the meaning specified in Section 14.03(a).

“Additional Amounts” shall have the meaning specified in Section 4.07(a).

“Additional Interest” means all amounts, if any, payable pursuant to Section 4.06(d), Section 4.06(e) and Section 6.03, as applicable.

“ADS” means an American Depositary Share, issued pursuant to the Deposit Agreement, representing seven Class A Ordinary Shares of the Company as of the date of this Indenture, and deposited with the ADS Custodian.

“ADS Custodian” means JPMorgan Chase Bank, N.A., with respect to the ADSs delivered pursuant to the Deposit Agreement, or any successor entity thereto.

“ADS Depositary” means JPMorgan Chase Bank, N.A., as depositary for the ADSs, or any successor entity thereto.

“ADS Price” shall have the meaning specified in Section 14.03(c).

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any specified Person means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing. Notwithstanding anything to the contrary herein, the determination of whether one Person is an “Affiliate” of another Person for purposes of this Indenture shall be made based on the facts at the time such determination is made or required to be made, as the case may be, hereunder.

“Affiliate Notes” means Rule 144A Notes or Regulation S Notes that are held or beneficially owned by one or more entities that are Affiliates of the Company.

“Agent Parties” shall have the meaning specified in Section 7.02(l).

“Agents” means the Paying Agent, the Transfer Agent, the Note Registrar and the Conversion Agent, in each case, unless the Company is acting in such capacity.

“Applicable PRC Rate” means (i) in the case of deduction or withholding of PRC income tax, 10%, (ii) in the case of deduction or withholding of PRC value added tax (including any related local levies), 6.72%, or (iii) in the case of deduction or withholding of both PRC income tax and PRC value added tax (including any related local levies), 16.72%.

“Applicable Redemption Price” shall mean the Third Anniversary Repurchase Price, the Fundamental Change Repurchase Price, the Tax Redemption Price or the Maturity Date Repayment Price, as applicable.

“Appointment Letter” means the appointment letter, dated the date of this Indenture, by which the Agents are appointed to, and accept their appointment as, Agents.

“Authenticating Agent” shall have the meaning specified in Section 2.11.

“Board of Directors” means the board of directors of the Company or a committee of such board duly authorized to act for it hereunder.

“Board Resolution” means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“Business Day” means, with respect to any Note, each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in the State of New York, the Cayman Islands or, in the case of a payment under the Indenture, place of payment are authorized or obligated by law or executive order to close.

“Capital Stock” means, for any entity, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity.

“Change in Law” shall have the meaning specified in clause (e) of the definition of “Fundamental Change” below.

“Change in Tax Law” shall have the meaning specified in Section 16.01(b).

“Class A Ordinary Shares” means the Class A ordinary shares of the Company, par value US\$0.00001 per share, at the date of this Indenture, subject to Section 14.07.

“Class B Ordinary Shares” means the Class B ordinary shares of the Company, par value US\$0.00001 per share, at the date of this Indenture, subject to Section 14.07.

“Clause A Distribution” shall have the meaning specified in Section 14.04(c)(A).

“Clause B Distribution” shall have the meaning specified in Section 14.04(c)(B).

“Clause C Distribution” shall have the meaning specified in Section 14.04(c).

“close of business” means 5:00 p.m. (New York City time).

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Commission” means the U.S. Securities and Exchange Commission.

“Common Equity” of any Person means Capital Stock of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a corporation, to vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

“Company” shall have the meaning specified in the first paragraph of this Indenture, and subject to the provisions of Article 11, shall include its successors and assigns.

“Company Group” shall have the meaning specified in clause (e) of the definition of “Fundamental Change” below.

“Company Notice” shall have the meaning specified in Section 15.01(a).

“Company Order” means a written order of the Company, signed by an Officer and delivered to the Trustee.

“Conversion Agent” means Citibank, N.A., the conversion agent with respect to the Notes appointed pursuant to the Appointment Letter and, subject to the provisions of the Appointment Letter, shall also include any successor conversion agent.

“Conversion Date” shall have the meaning specified in Section 14.02(c).

“Conversion Obligation” shall have the meaning specified in Section 14.01(a).

“Conversion Price” means as of any time, US\$1,000, *divided by* the Conversion Rate as of such time.

“Conversion Rate” shall have the meaning specified in Section 14.01(a).

“Corporate Trust Office” means the designated office of the Trustee at which at any time this Indenture shall be administered, which office at the date hereof is located at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Hong Kong, Attention: Agency and Trust, Facsimile: + 852 2323 0279, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the designated corporate trust office of any successor trustee (or such other address as such successor trustee may designate from time to time by notice to the Holders and the Company).

“Daily VWAP” means, for any Trading Day, the per ADS volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page “IQ <equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such Trading Day (or if such volume-weighted average price is unavailable, the market value of one ADS on such Trading Day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by the Company). The “Daily VWAP” shall be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

“Default” means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

“Defaulted Amounts” means any amounts on any Note (including, without limitation, the Applicable Redemption Price, the Note Acceleration Repayment Price and interest) that are payable but are not punctually paid or duly provided for.

“delivered” means, with respect to any notice to be delivered, given or mailed to a Holder pursuant to this Indenture, notice (x) given to the Depository (or its designee) pursuant to the standing instructions from the Depository or its designee, including by electronic mail in accordance with accepted practices or procedures at the Depository (in the case of a Global Note) or (y) mailed to such Holder by first class mail, postage prepaid, at its address as it appears on the Note Register, in each case in accordance with Section 17.03. Notice so “delivered” shall be deemed to include any notice to be “mailed” or “given,” as applicable, under this Indenture.

“Deposit Agreement” means the Deposit Agreement, dated as of March 28, 2018, among the Company, the ADS Depository, and the holders and owners from time to time of the ADSs issued thereunder, delivered thereunder or, if amended or supplemented as provided therein, as so amended or supplemented.

“Depository” means, with respect to each Global Note, the Person specified in Section 2.05(c) as the Depository with respect to such Notes, until a successor shall have been appointed and become such pursuant to the applicable provisions of this Indenture, and thereafter, “Depository” shall mean or include such successor.

“Distributed Property” shall have the meaning specified in Section 14.04(c).

“DTC” means The Depository Trust Company, a New York corporation.

“Effective Date” shall have the meaning specified in Section 14.03(c), except that, as used in Section 14.04 and Section 14.05, “Effective Date” means the first date on which ADSs trade on the applicable exchange or in the applicable market, regular way, reflecting the relevant share split or share combination, as applicable.

“Eligible Trustee” means a corporation organized and doing business under the laws of the United States, any state of the United States or Hong Kong, that is authorized under such laws to exercise corporate trustee power, and that is subject to supervision or examination by federal or state authorities.

“Event of Default” shall have the meaning specified in Section 6.01.

“Ex-Dividend Date” means the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from the Company or, if applicable, from the seller of the ADSs on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Expiring Rights” means any rights, options or warrants to purchase Class A Ordinary Shares or ADSs that expire on or prior to the Maturity Date.

“FATCA” shall have the meaning specified in Section 4.07(a)(i)(4).

“Form of Assignment and Transfer” shall mean the “Form of Assignment and Transfer” attached as Attachment 4 to the Form of Note attached hereto as Exhibit A.

“Form of Fundamental Change Repurchase Notice” shall mean the “Form of Fundamental Change Repurchase Notice” attached as Attachment 2 to the Form of Note attached hereto as Exhibit A.

“Form of Note” shall mean the “Form of Note” attached hereto as Exhibit A.

“Form of Notice of Conversion” shall mean the “Form of Notice of Conversion” attached as Attachment 1 to the Form of Note attached hereto as Exhibit A.

“Form of Repurchase Notice” shall mean the “Form of Repurchase Notice” attached as Attachment 3 to the Form of Note attached hereto as Exhibit A.

“Fundamental Adverse Regulatory Change” shall mean the event as described in clause (e) in the definition of Fundamental Change.

“Fundamental Change” shall be deemed to have occurred at the time after the Notes are originally issued if any of the following occurs:

(a) except as described in clause (b) below, (A) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act, other than the Company, its Subsidiaries, the employee benefit plans of the Company and its Subsidiaries and any Permitted Holder, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of the Company’s ordinary share capital (including ordinary share capital held in the form of ADSs) representing more than 50% of the voting power of the Company’s ordinary share capital or (B) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of more than 50% of the Company’s then outstanding Class A Ordinary Shares (including Class A Ordinary Shares held in the form of ADSs); *provided*, however, that for purposes of clause (B), in calculating the beneficial ownership percentage of the Class A Ordinary Shares held by any Permitted Holder, any Class A Ordinary Shares (including Class A Ordinary Shares held in the form of ADSs) issued or issuable on conversion of Class B Ordinary Shares, or conversion, exchange or exercise of other securities, in any such case beneficially owned directly or indirectly by any Permitted Holder on the date hereof or issued or issuable by the Company to any Permitted Holder after the date hereof pursuant to rights attached to, or a dividend or other distribution on, any such Class B Ordinary Shares or other securities so owned on the date hereof (or any Class A Ordinary Shares into which they may convert or be exchanged or exercised) shall be excluded from both the numerator and denominator;

(b) the consummation of (A) any recapitalization, reclassification or change of the Class A Ordinary Shares or the ADSs (other than changes resulting from a subdivision or combination) as a result of which the Class A Ordinary Shares or the ADSs would be converted into, or exchanged for, stock, other securities, other property or assets; (B) any share exchange, consolidation or merger of the Company or any similar transaction pursuant to which the Class A Ordinary Shares or the ADSs will be converted into cash, securities or other property; or (C) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries and consolidated affiliated entities, taken as a whole, to any Person other than one of the Company’s Subsidiaries or consolidated affiliated entities; *provided, however*, that a transaction described in clause (B) in which the holders of all classes of the Company’s ordinary share capital immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such transaction in substantially the same proportions vis-à-vis each other as such ownership immediately prior to such transaction shall not be a Fundamental Change pursuant to this clause (b);

(c) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company;

(d) the ADSs (or Class A Ordinary Shares or other Common Equity or American Depositary Shares in respect of Reference Property) cease to be listed or quoted on any of The Nasdaq Global Select Market, The Nasdaq Global Market, The New York Stock Exchange, The Hong Kong Stock Exchange (or any of their respective successors) and none of the ADSs, Class A Ordinary Shares, other Common Equity and American Depositary Shares in respect of Reference Property is listed or quoted on one of The Nasdaq Global Select Market, The Nasdaq Global Market, The New York Stock Exchange or The Hong Kong Stock Exchange (or any of their respective successors) within one Trading Day of such cessation; or

(e) any change in or amendment to the laws, regulations and rules of the PRC or the official interpretation or official application thereof (a “Change in Law”) that results in (x) the Company, its subsidiaries and its consolidated affiliated entities (collectively, the “Company Group”) (as in existence immediately subsequent to such Change in Law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Company Group (as in existence immediately prior to such Change in Law) as of the last date of the period described in the Company’s consolidated financial statements for the most recent fiscal quarter or (y) the Company being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Company Group (as in existence immediately prior to such Change in Law) in the same manner as reflected in the Company’s consolidated financial statements for the most recent fiscal quarter.

provided, however, that a transaction or transactions described in clause (a) or (b) above shall not constitute a Fundamental Change, if at least 90% of the consideration received or to be received by holders of the ADSs, excluding cash payments for fractional ADSs and cash payments made pursuant to dissenters’ appraisal rights, in connection with such transaction or transactions consists of shares of Common Equity or ADSs in respect of Common Equity that are listed or quoted on any of The Nasdaq Global Select Market, The Nasdaq Global Market, The New York Stock Exchange or The Hong Kong Stock Exchange (or any of their respective successors) or will be so listed or quoted when issued or exchanged in connection with such transaction or transactions and as a result of such transaction or transactions such consideration, excluding cash payments for fractional ADSs, becomes Reference Property for the Notes.

“Fundamental Change Company Notice” shall have the meaning specified in Section 15.02(c).

“Fundamental Change Repurchase Date” shall have the meaning specified in Section 15.02(a).

“Fundamental Change Repurchase Notice” shall have the meaning specified in Section 15.02(b)(i).

“Fundamental Change Repurchase Price” shall have the meaning specified in Section 15.02(a).

“Global Note” shall have the meaning specified in Section 2.05(b).

“Holder”, as applied to any Note, or other similar terms, shall mean any Person in whose name at the time a particular Note is registered on the Note Register.

“Indenture” means this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

“Interest Payment Date” means each January 1, April 1, July 1 and October 1 of each year, beginning on April 1, 2023.

“Investment Agreement” means the Investment Agreement, dated as of August 30, 2022, by and among the Company and the Investors (as provided therein).

“Last Reported Sale Price” of the ADSs on any date means the closing sale price per ADS (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which the ADSs are traded. If the ADSs are not listed for trading on a U.S. national or regional securities exchange on the relevant date, the “Last Reported Sale Price” shall be the last quoted bid price for the ADSs in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If the ADSs are not so quoted, the “Last Reported Sale Price” shall be the average of the mid-point of the last bid and ask prices for the ADSs on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose.

“Make-Whole Fundamental Change” means any transaction or event described in clause (a), (b), (d) or (e) of the definition of Fundamental Change (determined after giving effect to any exceptions to or exclusions from such definition, including in the *proviso* immediately succeeding clause (e) of the definition thereof, but without regard to the *proviso* in clause (b) of the definition thereof).

“Market Disruption Event” means, for the purposes of determining amounts due upon conversion (a) a failure by the primary U.S. national or regional securities exchange or market on which the ADSs are listed or admitted for trading to open for trading during its regular trading session or (b) the occurrence or existence prior to 1:00 p.m., New York City time, on any Scheduled Trading Day for the ADSs for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in the ADSs or in any options contracts or futures contracts relating to the ADSs.

“Maturity Date” means January 1, 2028.

“Maturity Date Repayment Price” means, with respect to a Note, the principal amount and the Maturity Premium (as provided in such Note) of such Note that become due and payable by the Company on the Maturity Date.

“Merger Event” shall have the meaning specified in Section 14.07(a).

“New Listing Reference Date” shall have the meaning specified in Section 14.01(b).

“Note” or “Notes” shall have the meaning specified in the first paragraph of the recitals of this Indenture.

“Note Acceleration Repayment Price” means, with respect to a Note, (i) 120% of the principal amount of such Note, if the relevant Event of Default that causes the Note Acceleration Repayment Price to be due occurs on or prior to third (3rd) anniversary of the date of this Indenture or (ii) 130% of the principal amount of such Note, if the relevant Event of Default that causes the Note Acceleration Repayment Price to be due occurs after the third (3rd) anniversary of the date of this Indenture

“Note Register” shall have the meaning specified in Section 2.05(a).

“Note Registrar” shall have the meaning specified in Section 2.05(a).

“Notes Fungibility Date” means the date, if any, following the Resale Restriction Termination Date on which all of the Rule 144A Notes and all of the Regulation S Notes (other than Affiliate Notes) are no longer Restricted Securities, do not bear the restrictive legend required by Section 2.05(c) are fungible for U.S. securities law purposes and are assigned an identical, unrestricted CUSIP number. “Notice of Conversion” shall have the meaning specified in Section 14.02(b).

“Officer” means, with respect to the Company, the Chairman, the President, the Chief Executive Officer, the Chief Financial Officer, the Treasurer, the Secretary, or any Vice President (in each case, whether or not such person is designated by a number or numbers or word or words added before or after the title of such person).

“Officer’s Certificate,” when used with respect to the Company, means a certificate that is delivered to the Trustee and that is signed by an Officer of the Company. Each such certificate shall include the statements provided for in Section 17.06 if and to the extent required by the provisions of such Section. The Officer giving an Officer’s Certificate pursuant to Section 4.09 shall be the principal executive, financial or accounting officer of the Company.

“open of business” means 9:00 a.m. (New York City time).

“Opinion of Counsel” means an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, or other counsel who is reasonably acceptable to the Trustee, that is delivered to the Trustee, which opinion may contain customary exceptions and qualifications as to the matters set forth therein. Each such opinion shall include the statements provided for in Section 17.06 if and to the extent required by the provisions of such Section 17.06.

“Optional Redemption” shall have the meaning specified in Section 16.01.

“Ordinary Shares” means the Class A Ordinary Shares and the Class B Ordinary Shares.

“outstanding,” when used with reference to Notes, shall, subject to the provisions of Section 8.04, mean, as of any particular time, all Notes authenticated and delivered by the Trustee under this Indenture, except:

(a) Notes theretofore canceled by the Trustee or accepted by the Trustee for cancellation;

(b) Notes, or portions thereof, that have become due and payable and in respect of which monies in the necessary amount shall have been deposited with the Trustee or with any Paying Agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent);

(c) Notes that have been paid pursuant to Section 2.06 or Notes in lieu of which, or in substitution for which, other Notes shall have been authenticated and delivered pursuant to the terms of Section 2.06 unless proof satisfactory to the Trustee is presented that any such Notes are held by protected purchasers in due course;

(d) Notes converted pursuant to Article 14 and required to be cancelled pursuant to Section 2.08;

(e) Notes redeemed pursuant to Article 16; and

(f) Notes repurchased by the Company pursuant to the third sentence of Section 2.10.

“Paying Agent” means Citibank, N.A., the paying agent with respect to the Notes appointed pursuant to the Appointment Letter and, subject to the provisions of the Appointment Letter, shall also include any successor paying agent.

“Paying Agent Office” means the designated office of the Paying Agent at which at any time this Indenture shall be administered, which office at the date hereof is located at 388 Greenwich Street, 14th Floor, New York, New York, 10013, USA, Attention: Agency and Trust, Facsimile: +1 201 258 3567, or such other address as the Paying Agent may designate from time to time by notice to the Holders and the Company, or the designated office of any successor paying agent (or such other address as such successor paying agent may designate from time to time by notice to the Holders and the Company).

“Permitted Holder” means (i) any holder or “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of the Class B Ordinary Shares as of the date hereof and permitted transferees of such holder or beneficial owner under the terms of the Class B Ordinary Shares as of the date hereof, PAGAC IV-1 (Cayman) Limited and any Affiliate of PAGAC IV-1 (Cayman) Limited and (ii) any “group” within the meaning of Section 13(d) of the Exchange Act consisting of one or more Permitted Holders.

“Person” means an individual, a corporation, a limited liability company, an association, a partnership, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

“Physical Notes” means permanent certificated Notes in registered form issued in minimum denominations of US\$1,000 principal amount and integral multiples of US\$1,000 in excess thereof.

“PRC” means the People’s Republic of China, excluding, for the purpose of this Indenture only, Taiwan, Hong Kong, and Macau.

“Predecessor Note” of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 2.06 in lieu of or in exchange for a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note that it replaces.

“Record Date” means, with respect to any dividend, distribution or other transaction or event in which the holders of the Class A Ordinary Shares (directly or in the form of ADSs) (or other applicable security) have the right to receive any cash, securities or other property or in which the Class A Ordinary Shares (directly or in the form of ADSs) (or such other security) are exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of security holders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors, statute, contract or otherwise).

“Redemption Date” shall have the meaning specified in Section 16.01(b).

“Redemption Notice” shall have the meaning specified in specified in Section 16.01(b).

“Redemption Reference Date” shall have the meaning specified in Section 14.03(g).

“Redemption Reference Price” shall have the meaning specified in Section 14.03(g).

“Reference Property” shall have the meaning specified in Section 14.07(a).

“Regular Record Date,” with respect to any Interest Payment Date, shall mean the March 15, June 15, September 15 or December 15 (whether or not such day is a Business Day) immediately preceding the applicable Interest Payment Date, respectively.

“Regulation S” means Regulation S under the Securities Act or any successor to such regulation.

“Regulation S Notes” means the Notes initially offered and sold outside the United States pursuant to Regulation S.

“Relevant Jurisdiction” shall have the meaning specified in Section 4.07(a).

“Relevant Taxing Jurisdiction” shall have the meaning specified in Section 4.07(a).

“Repurchase Date” shall have the meaning specified in Section 15.01(a).

“Repurchase Expiration Time” shall have the meaning specified in Section 15.01(a).

“Repurchase Notice” shall have the meaning specified in Section 15.01(a).

“Repurchase Period” shall have the meaning specified in Section 15.01(a).

“Resale Restriction Termination Date” shall have the meaning specified in Section 2.05(c).

“Responsible Officer” means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter relating to this Indenture is referred because of such Person’s knowledge of and familiarity with the particular subject and who, in each case, shall have direct responsibility for the administration of this Indenture.

“Restricted Securities” shall have the meaning specified in Section 2.05(c).

“Rule 144” means Rule 144 as promulgated under the Securities Act.

“Rule 144A” means Rule 144A as promulgated under the Securities Act.

“Rule 144A Notes” means the Notes initially offered and sold pursuant to Rule 144A.

“Scheduled Trading Day” means a day that is scheduled to be a Trading Day on the principal U.S. national or regional securities exchange or market on which the ADSs are listed or admitted for trading. If the ADSs are not so listed or admitted for trading, “Scheduled Trading Day” means a Business Day.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Significant Subsidiary” means a Subsidiary of the Company that meets the definition of “significant subsidiary” in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act. Each of the Company’s consolidated affiliated entities will be deemed to be a “subsidiary” for the purposes of the definition of “significant subsidiary” in Article 1, Rule 1-02 of Regulation S-X.

“Spin-Off” shall have the meaning specified in Section 14.04(c).

“Subsidiary” means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, general partners or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person; (ii) such Person and one or more Subsidiaries of such Person; or (iii) one or more Subsidiaries of such Person. For the avoidance of doubt, the term “Subsidiary” or “Subsidiaries” should include the Company’s consolidated affiliated entities, including its variable interest entities and their Subsidiaries.

“Successor Company” shall have the meaning specified in Section 11.01(a).

“Tax Redemption Price” shall have the meaning specified in Section 16.01(b).

“Third Anniversary Repurchase Price” shall have the meaning specified in Section 15.01(a).

“Trading Day” means a day on which (i) trading in the ADSs (or other security for which a closing sale price must be determined) generally occurs on The Nasdaq Global Market or, if the ADSs (or such other security) are not then listed on The Nasdaq Global Market, on the principal other U.S. national or regional securities exchange on which the ADSs (or such other security) are then listed or, if the ADSs (or such other security) are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the ADSs (or such other security) are then traded and (ii) a Last Reported Sale Price for the ADSs (or closing sale price for such other security) is available on such securities exchange or market; *provided that*, if the ADSs (or such other security) are not so listed or traded, “Trading Day” means a Business Day; and *provided, further*, that for purposes of determining amounts due upon conversion only, “Trading Day” means a day on which (x) there is no Market Disruption Event and (y) trading in the ADSs generally occurs on The Nasdaq Global Market or, if the ADSs are not then listed on The Nasdaq Global Market, on the principal other U.S. national or regional securities exchange on which the ADSs are then listed or, if the ADSs are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the ADSs are then listed or admitted for trading, except that if the ADSs are not so listed or admitted for trading, “Trading Day” means a Business Day.

“transfer” shall, as used in Section 2.05(c) and Section 2.05(d), have the meaning specified in Section 2.05(c).

“Transfer Agent” means Citibank, N.A., the transfer agent with respect to the Notes appointed pursuant to the Appointment Letter and, subject to the provisions of the Appointment Letter, shall also include any successor transfer agent.

“Trigger Event” shall have the meaning specified in Section 14.04(c).

“Trustee” means the Person named as the “Trustee” in the first paragraph of this Indenture until a successor trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Trustee” shall mean or include each Person who is then a Trustee hereunder.

“unit of Reference Property” shall have the meaning specified in Section 14.07(a).

“Valuation Period” shall have the meaning specified in Section 14.04(c).

Section 1.02. References to Interest

Unless the context otherwise requires, any reference to interest on, or in respect of, any Note in this Indenture shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of Section 4.06(d), Section 4.06(e) and Section 6.03. Unless the context otherwise requires, any express mention of Additional Interest in any provision hereof shall not be construed as excluding Additional Interest in those provisions hereof where such express mention is not made.

ARTICLE 2

ISSUE, DESCRIPTION, EXECUTION, REGISTRATION AND EXCHANGE OF NOTES

Section 2.01. Designation and Amount

The Notes shall be designated as the “6.00% Convertible Senior Notes due 2028.” The aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is initially limited to US\$500,000,000 (as increased by an amount equal to the aggregate principal amount of any additional Notes purchased by the Investors (as defined in the Investment Agreement) pursuant to Section 4.1 of the Investment Agreement), subject to Section 2.10 and except for Notes authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of other Notes pursuant to Section 2.05, Section 2.06, Section 2.07, Section 10.04, Section 14.02 and Section 15.04.

Section 2.02. Form of Notes

The Notes and the Trustee’s certificate of authentication to be borne by such Notes shall be substantially in the respective forms set forth in Exhibit A, the terms and provisions of which shall constitute, and are hereby expressly incorporated in and made a part of this Indenture. To the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Any Global Note may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Indenture as may be required by the Depository, or as may be required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange or automated quotation system upon which the Notes may be listed or traded or designated for issuance or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Notes are subject.

Any of the Notes may have such letters, numbers or other marks of identification and such notations, legends or endorsements as the Officer executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, or to conform to usage or to indicate any special limitations or restrictions to which any particular Notes are subject.

Each Global Note shall represent such principal amount of the outstanding Notes as shall be specified therein and shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be increased or reduced to reflect redemptions, repurchases, cancellations, conversions, transfers or exchanges permitted hereby. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee or the Note Registrar, at the direction of the Trustee in such manner and upon instructions given by the Holder of such Notes in accordance with this Indenture. Payment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, and accrued and unpaid interest on a Global Note shall be made to the Holder of such Note on the date of payment, unless a record date or other means of determining Holders eligible to receive payment is provided for herein.

Section 2.03. Date and Denomination of Notes; Payments of Interest and Defaulted Amounts

(a) The Notes shall be issuable in registered form without coupons in minimum denominations of US\$1,000 principal amount and integral multiples of US\$1,000 in excess thereof. Each Note shall be dated the date of its authentication and shall bear interest from the date specified on the face of such Note. Accrued interest on the Notes shall be computed on the basis of a 360-day year composed of twelve 30-day months and, for partial months, on the basis of the number of days actually elapsed over a 30-day month.

(b) The Person in whose name any Note (or its Predecessor Note) is registered on the Note Register at the close of business on any Regular Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date. Interest shall be payable at the office or agency of the Company maintained by the Company for such purposes in the contiguous United States, which shall initially be the Paying Agent Office. The Company shall pay, or cause the Paying Agent to pay (to the extent funded by the Company) the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, and interest (i) on any Physical Notes to Holders holding Physical Notes by wire transfer in immediately available funds to the account within the United States specified by the Holder or (ii) on any Global Note by wire transfer of immediately available funds to the account of the Depository or its nominee.

(c) Any Defaulted Amounts shall forthwith cease to be payable to the Holder on the relevant payment date but shall accrue interest per annum at the rate borne by the Notes plus seven percent, subject to the enforceability thereof under applicable law, from, and including, such relevant payment date, and such Defaulted Amounts together with such interest thereon shall be paid by the Company, at its election in each case, as provided in clause (i) or (ii) below:

(i) The Company may elect to make payment of any Defaulted Amounts to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a special record date for the payment of such Defaulted Amounts, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of the Defaulted Amounts proposed to be paid on each Note and the date of the proposed payment (which shall be not less than 25 days after the receipt by the Trustee of such notice, unless the Trustee in its sole discretion shall consent to an earlier date), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount to be paid in respect of such Defaulted Amounts or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Amounts as in this clause provided. Thereupon the Company shall fix a special record date for the payment of such Defaulted Amounts which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment, and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Company shall promptly notify the Trustee and Holders of the proposed payment of such Defaulted Amounts and the special record date therefor at its address as it appears in the Note Register or by electronic means to the Depository in the case of Global Notes, not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Amounts and the special record date therefor having been so delivered, such Defaulted Amounts shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such special record date and shall no longer be payable pursuant to the following clause (ii) of this Section 2.03(c). The Trustee shall have no responsibility whatsoever for the calculation of any Defaulted Amounts.

(ii) The Company may make payment of any Defaulted Amounts in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, and upon such notice as may be required by such exchange or automated quotation system, if, after written notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Section 2.04. Execution, Authentication and Delivery of Notes

The Notes shall be signed in the name and on behalf of the Company by the manual or facsimile signature of any of its Chief Executive Officer, President, Chief Financial Officer, Treasurer, Secretary or any of its Executive or Senior Vice Presidents. Typographical and other minor errors or defects in any signature shall not affect the validity or enforceability of any Note which has been duly authenticated and delivered by the Trustee.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes, and the Trustee in accordance with such Company Order shall authenticate and deliver such Notes, without any further action by the Company hereunder; *provided* that, with respect to any issuance of Notes after the initial issuance of Notes on or about the date of this Indenture, the Trustee shall be entitled to receive an Officer's Certificate and an Opinion of Counsel with respect to the issuance, authentication and delivery of such Notes.

The Company Order shall specify the amount of Notes to be authenticated (including the initial amount of Rule 144A Notes and the initial amount of Regulation S Notes) the applicable rate at which interest will accrue on such Notes, the date on which the original issuance of such Notes is to be authenticated, the date from which interest will begin to accrue, the date or dates on which interest on such Notes will be payable and the date on which the principal of such Notes will be payable and other terms relating to such Notes. The Trustee shall thereupon authenticate and deliver said Notes pursuant to the written order of the Company (as set forth in such Company Order).

Only such Notes as shall bear thereon a certificate of authentication substantially in the form set forth on the Form of Note attached as Exhibit A hereto, executed manually or electronically by an authorized officer of the Trustee, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Note executed by the Company shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

In case any Officer of the Company who shall have signed any of the Notes shall cease to be such Officer before the Notes so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such Notes nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Notes had not ceased to be such Officer of the Company; and any Note may be signed on behalf of the Company by such Persons as, at the actual date of the execution of such Note, shall be the Officers of the Company, although at the date of the execution of this Indenture any such Person was not such an Officer.

Section 2.05. Exchange and Registration of Transfer of Notes; Restrictions on Transfer; Depository

(a) The Company shall cause to be kept at the Paying Agent Office a register (the register maintained in such office or in any other office or agency of the Company designated pursuant to Section 4.02, the “Note Register”) in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. Such register shall be in written form or in any form capable of being converted into written form within a reasonable period of time. Citibank, N.A. is hereby initially appointed the “Note Registrar” for the purpose of registering Notes and transfers of Notes as herein provided. The Company may appoint one or more co-Note Registrars in accordance with Section 4.02.

Prior to the Notes Fungibility Date, upon surrender for registration of transfer of any Rule 144A Note or Regulation S Note, as the case may be, to the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Rule 144A Notes or Regulation S Notes, as the case may be, of any authorized denominations and of a like aggregate principal amount and bearing such restrictive legends as may be required by this Indenture. Following the Notes Fungibility Date, upon surrender for registration of transfer of any Note (other than any Affiliate Note) to the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denominations and of a like aggregate principal amount and not bearing the restrictive legends required by Section 2.05(c).

Prior to the Notes Fungibility Date, Rule 144A Notes and Regulation S Notes, as the case may be, may be exchanged for other Rule 144A Notes or Regulation S Notes, as the case may be, of any authorized denominations and of a like aggregate principal amount, upon surrender of the Rule 144A Notes or Regulation S Notes, as the case may be, to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02. Whenever any Rule 144A Notes or Regulation S Notes, as the case may be, are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Rule 144A Notes or Regulation S Notes, as the case may be, that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding. Following the Notes Fungibility Date, Notes (other than any Affiliate Note) may be exchanged for other Notes of any authorized denominations and of a like aggregate principal amount but not bearing the restrictive legend required by Section 2.05(c), upon surrender of the Notes to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02. Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Notes that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding.

All Notes presented or surrendered for registration of transfer or for exchange, repurchase or conversion shall (if so required by the Company, the Trustee, the Note Registrar or any co-Note Registrar) be duly endorsed, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and duly executed, by the Holder thereof or its attorney-in-fact duly authorized in writing.

No service charge shall be imposed by the Company, the Transfer Agent, the ADS Depositary, the Note Registrar, any co-Note Registrar or the Paying Agent for any exchange or registration of transfer of Notes, but the Company may require a Holder to pay a sum sufficient to cover any documentary, stamp or similar issue or transfer tax required in connection therewith as a result of the name of the Holder of new Notes issued upon such exchange or registration of transfer being different from the name of the Holder of the old Notes surrendered for exchange or registration of transfer. The Company shall pay the ADS Depositary's fees for issuance of the ADSs.

None of the Company, the Trustee, the Note Registrar or any co-Note Registrar shall be required to exchange or register a transfer of (i) any Notes surrendered for conversion or, if a portion of any Note is surrendered for conversion, such portion thereof surrendered for conversion, (ii) any Notes, or a portion of any Note, surrendered for repurchase (and not withdrawn) in accordance with Article 15 or (iii) any Notes selected for redemption in accordance with Article 16.

All Notes issued upon any registration of transfer or exchange of Notes in accordance with this Indenture shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture as the Notes surrendered upon such registration of transfer or exchange.

(b) So long as the Notes are eligible for book-entry settlement with the Depositary, unless otherwise required by law, subject to the fourth paragraph from the end of Section 2.05(c) all Notes shall be represented by one or more Notes in global form (each, a "Global Note") registered in the name of the Depositary or the nominee of the Depositary. The transfer and exchange of beneficial interests in a Global Note that does not involve the issuance of a Physical Note shall be effected through the Depositary in accordance with this Indenture (including the restrictions on transfer set forth herein) and the applicable procedures of the Depositary therefor. Prior to the Notes Fungibility Date, the Rule 144A Notes shall be represented by one or more Global Notes and the Regulation S Notes shall be represented by one or more separate Global Notes. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes (other than any Affiliate Note) may be represented by one or more of the same Global Notes.

(c) Every Note that bears or is required under this Section 2.05(c) to bear the legend set forth in this Section 2.05(c) (together with any ADSs (including the Class A Ordinary Shares represented thereby) delivered upon conversion of the Notes that is required to bear the legend set forth in Section 2.05(d), collectively, the "Restricted Securities") shall be subject to the restrictions on transfer set forth in this Section 2.05(c) (including the legend set forth below), unless such restrictions on transfer shall be eliminated or otherwise waived by written consent of the Company, and the Holder of each such Restricted Security, by such Holder's acceptance thereof, agrees to be bound by all such restrictions on transfer. As used in this Section 2.05(c) and Section 2.05(d), the term "transfer" encompasses any sale, pledge, transfer or other disposition whatsoever of any Restricted Security.

Until the date (the "Resale Restriction Termination Date") that is the later of (1) the date that is one year after the date hereof, or such shorter period of time as permitted by Rule 144 or any successor provision thereto, and (2) such later date, if any, as may be required by applicable law, any certificate evidencing such Note (and all securities issued in exchange therefor or substitution thereof, other than ADSs (including the Class A Ordinary Shares represented thereby) issued upon conversion thereof, which shall bear the legend set forth in Section 2.05(d), if applicable) shall bear a legend in substantially the following form (unless such Notes have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company in writing, with notice thereof to the Trustee):

THIS SECURITY, THE AMERICAN DEPOSITARY SHARES DELIVERABLE UPON CONVERSION OF THIS SECURITY, IF ANY, AND THE CLASS A ORDINARY SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS (A) A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF IQIYI, INC. (THE “COMPANY”) (OTHER THAN ANY ENTITY THAT BECOMES AFFILIATED WITH THE COMPANY FOLLOWING ITS PURCHASE OF THE NOTES), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) TO A NON-U.S. PERSON OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS (OTHER THAN ANY ENTITY THAT BECOMES AFFILIATED WITH THE COMPANY FOLLOWING ITS PURCHASE OF THE NOTES) MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS NOTE OR A BENEFICIAL INTEREST HEREIN.

No transfer of any Note prior to the Resale Restriction Termination Date will be registered by the Note Registrar unless the applicable box on the Form of Assignment and Transfer has been checked.

Notwithstanding the foregoing, Notes which in whole or in part constitute Affiliate Notes shall at all times bear the foregoing legend unless removed in connection with a transfer pursuant to a registration statement that has become effective under the Securities Act and that continues to be effective at the time of such transfer, or sold pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company in writing, with notice thereof to the Trustee.

Any Note other than an Affiliate Note (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of such Note for exchange to the Note Registrar in accordance with the provisions of this Section 2.05, be exchanged for a new Note or Notes, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 2.05(c) and shall not be assigned a restricted CUSIP number. The Company shall be entitled to instruct the Trustee in writing to so surrender any Global Note as to which such restrictions on transfer shall have expired in accordance with their terms for exchange, and, upon such instruction, the Trustee shall so surrender such Global Note for exchange; and any new Global Note so exchanged therefor shall not bear the restrictive legend specified in this Section 2.05(c) and shall not be assigned a restricted CUSIP number. The Company shall promptly notify the Trustee in writing upon the occurrence of the Resale Restriction Termination Date and after a registration statement, if any, with respect to the Notes or the ADSs (including the Class A Ordinary Shares represented thereby) issued upon conversion of the Notes has been declared effective under the Securities Act. Any exchange pursuant to the foregoing paragraph shall be in accordance with the applicable procedures of the Depositary.

Notwithstanding any other provisions of this Indenture (other than the provisions set forth in this Section 2.05(c)), a Global Note may not be transferred as a whole or in part except (i) by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary and (ii) for exchange of a Global Note or a portion thereof for one or more Physical Notes in accordance with the second immediately succeeding paragraph.

The Depositary shall be a clearing agency registered under the Exchange Act. The Company initially appoints The Depositary Trust Company to act as Depositary with respect to each Global Note. Initially, each Global Note shall be issued to the Depositary, registered in the name of Cede & Co., as the nominee of the Depositary, and deposited with the Trustee as custodian for Cede & Co.

If (i) the Depository notifies the Company at any time that the Depository is unwilling or unable to continue as depository for the Global Notes and a successor depository is not appointed within 90 days, (ii) the Depository ceases to be registered as a clearing agency under the Exchange Act and a successor depository is not appointed within 90 days, (iii) an Event of Default with respect to the Notes has occurred and is continuing and, subject to the Depository's applicable procedures, a beneficial owner of any Note requests that its beneficial interest therein be issued as a Physical Note or (iv) a beneficial owner of any Affiliate Note requests that such Affiliate Note be issued as a Physical Note, the Company shall execute, and the Trustee, upon receipt of an Officer's Certificate and a Company Order for the authentication and delivery of Notes, shall authenticate and deliver (x) in the case of clauses (iii) and (iv), a Physical Note to such beneficial owner in a principal amount equal to the principal amount of such Note or Affiliate Note, as applicable, corresponding to such beneficial owner's beneficial interest and (y) in the case of clause (i) or (ii), Physical Notes to each beneficial owner of the related Global Notes (or a portion thereof) in an aggregate principal amount equal to the aggregate principal amount of such Global Notes in exchange for such Global Notes, and upon delivery of the Global Notes to the Trustee such Global Notes shall be canceled.

Physical Notes issued in exchange for all or a part of the Global Note pursuant to this Section 2.05(c) shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, or, in the case of clause (iii) of the immediately preceding paragraph, the relevant beneficial owner, shall instruct the Trustee. Upon execution and authentication, the Trustee shall deliver such Physical Notes to the Persons in whose names such Physical Notes are so registered.

At such time as all interests in a Global Note have been converted, canceled, repurchased, redeemed or transferred, such Global Note shall be, upon receipt thereof, canceled by the Trustee in accordance with standing procedures and existing instructions of the Depository. At any time prior to such cancellation, if any interest in a Global Note is exchanged for Physical Notes, converted, canceled, repurchased, redeemed or transferred to a transferee who receives Physical Notes therefor or any Physical Note is exchanged or transferred for part of such Global Note, the principal amount of such Global Note shall, in accordance with the standing procedures and existing instructions of the Depository, be appropriately reduced or increased, as the case may be, and an endorsement shall be made on such Global Note, by the Trustee, to reflect such reduction or increase.

None of the Company, the Trustee, any agent of the Company or any agent of the Trustee shall have any responsibility or liability for the payment of amounts to beneficial holders, any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Note or maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(d) Until the Resale Restriction Termination Date, any certificate representing ADSs (including the Class A Ordinary Shares represented thereby) issued upon conversion of such Note shall bear a legend in substantially the following form (unless such ADSs (including the Class A Ordinary Shares represented thereby) have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or such ADS or the Class A Ordinary Shares represented thereby have been issued upon conversion of Notes that have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company with written notice thereof to the Trustee and the ADS Depository):

THE CLASS A ORDINARY SHARES ("SHARES") REPRESENTED BY THE AMERICAN DEPOSITARY SHARES (THE "ADSs") EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, THE ADSs AND THE SHARES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF ADSs OR OF A BENEFICIAL INTEREST THEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS (A) A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF IQIYI, INC. (THE “COMPANY”) (OTHER THAN ANY ENTITY THAT BECOMES AFFILIATED WITH THE COMPANY FOLLOWING ITS PURCHASE OF THE NOTES), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THE ADSs OR THE SHARES OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) TO A NON-U.S. PERSON OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS (OTHER THAN ANY ENTITY THAT BECOMES AFFILIATED WITH THE COMPANY FOLLOWING ITS PURCHASE OF THE NOTES) MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THE ADSs, THE SHARES OR A BENEFICIAL INTEREST THEREIN.

Any such ADSs as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of the certificates representing such ADSs for exchange in accordance with the procedures of the ADS Depository, be exchanged for a new certificate or certificates for a like aggregate number of ADSs, which shall not bear the restrictive legend required by this Section 2.05(d).

Notwithstanding the foregoing, any ADSs received upon conversion of an Affiliate Note shall at all times bear the foregoing legend unless removed in connection with a transfer pursuant to a registration statement that has become effective under the Securities Act and that continues to be effective at the time of such transfer, or sold pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act or unless otherwise agreed by the Company with written notice thereof to the Trustee and the ADS Depository.

(e) Any Note or ADS (including the Class A Ordinary Shares represented thereby) delivered upon the conversion or exchange of any Note (including any Affiliate Note) that is repurchased or owned by any Affiliate of the Company (or any Person who was an Affiliate of the Company at any time during the three months immediately preceding) may not be resold by such Affiliate (or such Person, as the case may be) unless registered under the Securities Act or resold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act in a transaction that results in such Note or ADS, as the case may be, no longer being a “restricted security” (as defined under Rule 144). The Company shall cause any Note that is repurchased or owned by it to be surrendered to the Paying Agent for cancellation in accordance with Section 2.08.

(f) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any securities laws or restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depository participants or beneficial owners of interests in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

(g) Neither the Trustee nor any agent shall have any responsibility or liability for any actions taken or not taken by the Depository.

Section 2.06. Mutilated, Destroyed, Lost or Stolen Notes

In case any Note shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon its written request the Trustee shall authenticate and deliver, a new Note, bearing a registration number not contemporaneously outstanding, in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. In every case the applicant for a substituted Note shall furnish to the Company and to the Trustee such security, pre-funding and/or indemnity as may be required by them to save each of them harmless from any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and to the Trustee evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

The Trustee may authenticate any such substituted Note and deliver the same upon the receipt of such security, pre-funding and/or indemnity as the Trustee and the Company may require. No service charge shall be imposed by the Company, the Transfer Agent, the ADS Depositary, the Note Registrar, any co- Note Registrar or the Paying Agent upon the issuance of any substitute Note, but the Company may require a Holder to pay a sum sufficient to cover any documentary, stamp or similar issue or transfer tax required in connection therewith as a result of the name of the Holder of the new substitute Note being different from the name of the Holder of the old Note that became mutilated or was destroyed, lost or stolen. In case any Note that has matured or is about to mature or has been surrendered for required repurchase or is about to be converted in accordance with Article 14 shall become mutilated or be destroyed, lost or stolen, the Company may, in its sole discretion, instead of issuing a substitute Note, pay or authorize the payment of or convert or authorize the conversion of the same (without surrender thereof except in the case of a mutilated Note), as the case may be, if the applicant for such payment or conversion shall furnish to the Company and to the Trustee such security, pre-funding and/or indemnity as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, evidence satisfactory to the Company, and the Trustee evidence of their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

Every substitute Note issued pursuant to the provisions of this Section 2.06 by virtue of the fact that any Note is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be found at any time, and shall be entitled to all the benefits of (but shall be subject to all the limitations set forth in) this Indenture equally and proportionately with any and all other Notes duly issued hereunder. To the extent permitted by law, all Notes shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement, payment, redemption, conversion or repurchase of mutilated, destroyed, lost or stolen Notes and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement, payment, redemption, conversion or repurchase of negotiable instruments or other securities without their surrender.

Section 2.07. Temporary Notes

Pending the preparation of Physical Notes, the Company may execute and the Trustee shall, upon written request of the Company, authenticate and deliver temporary Notes (printed or lithographed). Temporary Notes shall be issuable in any authorized denomination, and substantially in the form of the Physical Notes but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Company. Every such temporary Note shall be executed by the Company and authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the Physical Notes. Without unreasonable delay, the Company shall execute and deliver to the Trustee Physical Notes (other than any Global Note) and thereupon any or all temporary Notes (other than any Global Note) may be surrendered in exchange therefor, at each office or agency maintained by the Company pursuant to Section 4.02 and the Trustee shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of Physical Notes. Such exchange shall be made by the Company at its own expense and without any charge therefor. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Physical Notes authenticated and delivered hereunder.

Section 2.08. Cancellation of Notes Paid, Converted, Etc

The Company shall cause all Notes surrendered for the purpose of payment, repurchase, redemption, registration of transfer or exchange or conversion, if surrendered to any Person other than the Trustee (including any of the Company's agents, Subsidiaries, consolidated affiliated entities or Affiliates), to be delivered and surrendered to the Trustee for cancellation. All Notes delivered to the Trustee shall be canceled promptly by it, and except for Notes surrendered for transfer or exchange, no Notes shall be authenticated in exchange thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall dispose of canceled Notes in accordance with its customary procedures and, after such disposition, shall deliver a certificate of such cancellation and disposition to the Company, at the Company's written request in a Company Order.

Section 2.09. CUSIP Numbers

The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in all notices issued to Holders as a convenience to such Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or on such notice and that reliance may be placed only on the other identification numbers printed on the Notes. The Company shall promptly notify the Trustee in writing of any change in the "CUSIP" or "ISIN" numbers, as applicable. Prior to the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have different "CUSIP" numbers. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have the same "CUSIP" or "ISIN" number, as applicable; *provided* the Company shall cause any Affiliate Notes to bear a different "CUSIP" or "ISIN" number, as applicable.

Section 2.10. Additional Notes; Repurchases

The Company may, with the consent of the Holders of more than 50% of the aggregate principal amount of the Notes then outstanding, and notwithstanding Section 2.01, reopen this Indenture and issue additional Notes hereunder with the same terms as the Notes initially issued hereunder (except for any differences in the issue price, the issue date and interest accrued, if any) in an unlimited aggregate principal amount. Prior to the issuance of any such additional Notes, the Company shall deliver to the Trustee a Company Order, an Officer's Certificate and an Opinion of Counsel, such Officer's Certificate and Opinion of Counsel to cover such matters required by Section 17.06. In addition, the Company may, to the extent permitted by law, and directly or indirectly (regardless of whether such Notes are surrendered to the Company), repurchase Notes in the open market or otherwise, whether by the Company or through its Subsidiaries or consolidated affiliated entities or through a private or public tender or exchange offer or through counterparties to private agreements. The Company shall cause any Notes so repurchased to be surrendered to the Trustee for cancellation in accordance with Section 2.08, and they will no longer be considered "outstanding" under this Indenture upon their cancellation. The Company may also enter into cash-settled swaps or other derivatives with respect to the Notes. For the avoidance of doubt, any Notes underlying such cash-settled swaps or other derivatives shall not be required to be surrendered to the Trustee for cancellation in accordance with Section 2.08 and will continue to be considered "outstanding" for purposes of this Indenture, subject to the provisions of Section 8.04.

Section 2.11. Appointment of Authenticating Agent

As long as any Notes remain outstanding, the Trustee may, by an instrument in writing, appoint with the approval of the Company an authenticating agent (an "Authenticating Agent"), which shall be authorized to act on behalf of the Trustee to authenticate Notes pursuant to this Indenture. Notes authenticated by such Authenticating Agent shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee. Whenever reference is made in this Indenture to the authentication and delivery of Notes by the Trustee or to the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Such Authenticating Agent shall at all times be a Person that is an Eligible Trustee and that has a combined capital and surplus of at least US\$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section 2.11, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

ARTICLE 3

SATISFACTION AND DISCHARGE

Section 3.01. Satisfaction and Discharge

This Indenture shall upon request of the Company contained in an Officer's Certificate cease to be of further effect, and the Trustee, at the expense of the Company, shall execute instruments acknowledging satisfaction and discharge of this Indenture as reasonably requested by the Company, when (a) (i) all Notes theretofore authenticated and delivered (other than Notes which have been destroyed, lost or stolen and which have been replaced, paid or converted as provided in Section 2.06 and have been delivered to the Trustee for cancellation); or (ii) the Company has deposited with the Trustee or delivered to Holders, as applicable, after the Notes have become due and payable, whether on the Maturity Date, the Redemption Date, the Repurchase Date, any Fundamental Change Repurchase Date, upon conversion or otherwise, cash, ADSs or a combination thereof, as applicable, solely to satisfy the Company's Conversion Obligation, sufficient, without consideration of reinvestment, to pay all of the outstanding Notes and all other sums due and payable under this Indenture by the Company; and (b) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.06 shall survive.

ARTICLE 4

PARTICULAR COVENANTS OF THE COMPANY

Section 4.01. Payment of Principal and Interest

The Company covenants and agrees that it will cause to be paid the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, and accrued and unpaid interest on, each of the Notes at the places, at the respective times and in the manner provided herein and in the Notes.

Section 4.02. Maintenance of Office or Agency

The Company will maintain in the contiguous United States of America, an office or agency (which will be the Paying Agent Office initially) where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment or repurchase or for conversion and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be made. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made at the Paying Agent Office.

The Company may also from time to time designate as co-Note Registrars one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided* that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the contiguous United States of America for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency. The terms “Paying Agent” and “Conversion Agent” include any such additional or other offices or agencies, as applicable.

The Company initially designates Citibank, N.A. as the Paying Agent, Note Registrar and Conversion Agent and the Paying Agent Office shall be considered as one such office or agency of the Company for each of the aforesaid purposes.

Section 4.03. Appointments to Fill Vacancies in Trustee’s Office

The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.09, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 4.04. Provisions as to Paying Agent

(a) If the Company shall appoint a Paying Agent other than the Trustee, the Company will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 4.04:

(i) that it will hold all sums held by it as such agent for the payment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, and accrued and unpaid interest on, the Notes for the benefit of the Holders of the Notes;

(ii) that it will give the Trustee prompt written notice of any failure by the Company to make any payment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, and accrued and unpaid interest on, the Notes when the same shall be due and payable; and

(iii) that at any time during the continuance of an Event of Default, upon request of the Trustee, it will forthwith pay to the Trustee all sums so held in trust.

The Company shall, on or before each due date of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, or accrued and unpaid interest on, the Notes, deposit with the Paying Agent a sum in immediately available funds sufficient to pay the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, or accrued and unpaid interest and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee in writing of any failure to take such action; *provided* that such deposit must be received by the Paying Agent by 10:00 a.m., New York City time, on the relevant due date. The Paying Agent shall not be bound to make payment until immediately available funds in such amount as may be required for the purpose of such payment have been received from the Company.

(b) If the Company shall act as its own Paying Agent, it will, on or before each due date of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, and accrued and unpaid interest on, the Notes, set aside, segregate and hold in trust for the benefit of the Holders of the Notes a sum sufficient to pay the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, and accrued and unpaid interest so becoming due and will promptly notify the Trustee in writing of any failure to take such action and of any failure by the Company to make any payment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, or accrued and unpaid interest on, the Notes when the same shall become due and payable.

(c) Anything in this Section 4.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay, cause to be paid or deliver to the Trustee all sums or amounts held by the Company in trust or by any Paying Agent as required by this Section 4.04, such sums or amounts to be held by the Trustee upon the trusts herein contained and upon such payment or delivery by the Company or any Paying Agent to the Trustee, the Company or such Paying Agent shall be released from all further liability but only with respect to such sums or amounts. Upon the occurrence of any event specified in Section 6.01(i) or Section 6.01(j), the Trustee or one of its affiliates shall automatically become the Paying Agent.

(d) Subject to applicable escheatment laws, any money or property deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, and accrued and unpaid interest on, or in satisfaction of its Conversion Obligation with respect to, any Note and remaining unclaimed for two years after the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, or interest has become due and payable, or such Conversion Obligation became due, shall be paid or delivered, as the case may be, to the Company on request of the Company contained in an Officer's Certificate, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such money or property, and all liability of the Company as trustee thereof, shall thereupon cease.

Section 4.05. Existence

Subject to Article 11, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

Section 4.06. Rule 144A Information Requirement and Annual Reports

(a) At any time the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company shall, so long as any of the Notes, any ADSs deliverable upon conversion thereof or any Class A Ordinary Shares underlying ADSs deliverable upon conversion thereof shall, at such time, constitute "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, promptly provide to the Trustee and shall, upon written request, provide to any Holder, beneficial owner or prospective purchaser of such Notes or the ADSs deliverable upon conversion of such Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to facilitate the resale of such Notes or ADSs pursuant to Rule 144A. The Company shall take such further action as any Holder or beneficial owner of such Notes or such ADSs may reasonably request to the extent from time to time required to enable such Holder or beneficial owner to sell such Notes or ADSs in accordance with Rule 144A, as such rule may be amended from time to time.

(b) The Company shall provide to the Trustee within 15 days after the same are required to be filed with the Commission, copies of any documents or reports that the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act (giving effect to any applicable grace period provided by Rule 12b-25 under the Exchange Act). Any such document or report that the Company files with the Commission via the Commission's EDGAR system or any successor thereof shall be deemed to be provided to the Trustee for purposes of this Section 4.06(b) at the time such documents are filed via the EDGAR system or such successor, it being understood that the Trustee shall not be responsible for determining whether such filings have been made. If the Notes become convertible into Reference Property consisting in whole or in part of shares of Capital Stock of any parent company of the Company pursuant to the terms of this Indenture described under Section 14.07 and such parent company provides a full and unconditional guarantee of the notes, the U.S. Securities and Exchange Commission reports of such parent company shall be deemed to satisfy the foregoing reporting requirements.

(c) Delivery of the reports and documents described in subsection (b) above to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute actual or constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely on an Officer's Certificate).

(d) If, at any time during the six-month period beginning on, and including, the date that is six months after the date hereof, the Company fails to timely file any document or report that it is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, as applicable (after giving effect to all applicable grace periods thereunder and other than reports on Form 6-K), or the Notes are not otherwise freely tradable by Holders other than the Company's Affiliates or Holders that were the Company's Affiliates at any time during the three months immediately preceding (as a result of restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes), the Company shall pay Additional Interest on the Notes. Such Additional Interest shall accrue on the Notes at the rate of 0.50% per annum of the principal amount of the Notes outstanding for each day during such period for which the Company's failure to file has occurred and is continuing or the period during which the Notes are not freely tradable, as the case may be. As used in this Section 4.06(d), documents or reports that the Company is required to "file" with the Commission pursuant to Section 13 or 15(d) of the Exchange Act do not include documents or reports that the Company furnishes to the Commission pursuant to Section 13 or 15(d) of the Exchange Act.

(e) If, and for so long as, the restrictive legend on the Notes specified in Section 2.05(c) has not been removed, the Notes are assigned a restricted CUSIP or the Notes are not otherwise freely tradable by Holders thereof other than, in each case by or with respect to, the Company's Affiliates or Holders that were the Company's Affiliates at any time during the three months immediately preceding (without restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes) as of the 376th day after the last date of original issuance of the Notes, the Company shall pay Additional Interest on the Notes at a rate equal to 0.50% per annum of the principal amount of Notes outstanding until the restrictive legend has been removed from the Notes in accordance with Section 2.05(c), the Notes have been assigned an unrestricted CUSIP and the Notes are freely tradable by Holders other than the Company's Affiliates or Holders that were the Company's Affiliates at any time during the three months immediately preceding (without restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes).

(f) Additional Interest will be payable in arrears on each Interest Payment Date following accrual in the same manner as regular interest on the Notes and subject to Section 4.06(d).

(g) The Additional Interest that is payable in accordance with Section 4.06(d) or Section 4.06(e) shall be in addition to, and not in lieu of, any Additional Interest that may be payable as a result of the Company's election pursuant to Section 6.03. In no event shall Additional Interest accrue on any day under the terms of this Indenture (including any Additional Interest payable pursuant to Section 4.06(d) and Section 4.06(e) together with any Additional Interest payable pursuant to Section 6.03) at an annual rate in excess of 0.50%, in the aggregate, for any violation or Default caused by the Company's failure to be current in respect of its Exchange Act reporting obligations.

(h) If Additional Interest is payable by the Company pursuant to Section 4.06(d) or Section 4.06(e), the Company shall deliver to the Trustee an Officer's Certificate to that effect stating (i) the amount of such Additional Interest that is payable and (ii) the date on which such Additional Interest is payable. Unless and until a Responsible Officer of the Trustee receives at the Corporate Trust Office such a certificate, the Trustee may assume without inquiry that no such Additional Interest is payable. If the Company has paid such Additional Interest directly to the Persons entitled to it, the Company shall deliver to the Trustee an Officer's Certificate setting forth the particulars of such payment.

Section 4.07. Additional Amounts

(a) All payments and deliveries made by, or on behalf of, the Company or any successor to the Company under or with respect to this Indenture and the Notes, including payments of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, payments of interest and payments of cash and/or deliveries of ADSs (together with payments of cash for any fractional ADS) upon conversion of the Notes, shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company or any successor to the Company is, for tax purposes, organized or resident or doing business (each, as applicable, a "Relevant Taxing Jurisdiction") or through which payment is made or deemed made (together with each Relevant Taxing Jurisdiction, a "Relevant Jurisdiction," and in each case, any political subdivision or taxing authority thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company or any successor to the Company shall pay to each Holder such additional amounts ("Additional Amounts") as may be necessary to ensure that the net amount received by the Holders after such withholding or deduction (and after deducting any taxes on the Additional Amounts) will equal the amounts that would have been received by such Holders had no such withholding or deduction been required; *provided* that no Additional Amounts shall be payable:

(i) for or on account of:

(1) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction, other than merely holding such Note or the receipt of payments thereunder, including such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(B) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of and interest on such Note or the payment of cash and/or the delivery of ADSs (together with payment of cash for any fractional ADS) upon conversion of such Note became due and payable pursuant to the terms thereof or was made or duly provided for, unless the Holder would have been entitled to such Additional Amounts on the last day of the 30-day period;

(C) the failure of the Holder or beneficial owner to comply with a timely request from the Company or any successor of the Company, addressed to the Holder, to provide certification, information, documents or other evidence concerning such Holder's or beneficial owner's nationality, residence, identity or connection with the Relevant Jurisdiction, or to make any declaration or satisfy any other reporting requirement relating to such matters, if and to the extent that due and timely compliance with such request is required by statute, regulation or administrative practice of the Relevant Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable; or

(D) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(2) any estate, inheritance, gift, sale, transfer, excise, personal property or similar tax, assessment or other governmental charge;

(3) any tax, duty, assessment or other governmental charge that is payable otherwise than by withholding from payments or deliveries under or with respect to the Notes;

(4) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Code ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA or any law enacted by such other jurisdiction to give effect to such agreement, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(5) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (A), (B), (C) or (D); or

(ii) with respect to any payment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of and interest on such Note or the payment of cash and/or the delivery of ADSs (together with payment of cash for any fractional ADS) upon conversion of such Note to a Holder, if the Holder is a fiduciary, partnership or person other than the sole beneficial owner of that payment to the extent that such payment would be required to be included in the income under the laws of the Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a partner or member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, member or beneficial owner been the Holder thereof.

(b) The Trustee and Paying Agent shall also be entitled to make any withholding or deduction pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to FATCA and any regulations or agreements thereunder or official interpretations thereof. If any withholding or deduction is so required under this clause (b) or the preceding clause (a), the Trustee and Paying Agent will not bear any liability in respect of such withholding or deduction.

(c) Any reference in this Indenture or the Notes in any context to the payment of cash and/or the delivery of ADSs (together with payments of cash for any fractional ADS), as applicable, upon conversion of any Note or the payment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of and interest on any Note or any other amount payable with respect to such Note, shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect to that amount pursuant to this Section 4.07.

(d) If the Company or its successor is required to make any deduction or withholding from any payments or deliveries with respect to the Notes, it shall deliver to the Trustee, the Paying Agent and the Holders official tax receipts evidencing the remittance to the relevant tax authorities of the amounts so withheld or deducted.

(e) The Trustee shall have no obligation to determine whether any Additional Amounts are payable under the Indenture or the amount thereof.

(f) The foregoing obligations shall survive termination or discharge of this Indenture.

Section 4.08. Stay, Extension and Usury Laws

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law that would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.09. Compliance Certificate; Statements as to Defaults

The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company (beginning with the fiscal year ending on December 31, 2022) an Officer's Certificate stating that a review has been conducted of the activities of the Company under this Indenture and the Company has fulfilled all obligations under this Indenture, and whether the authorized Officers thereof have knowledge of any Default that occurred during the previous year that is then continuing and, if so, specifying each such Default and the nature thereof.

In addition, the Company shall deliver to the Trustee, as soon as possible, and in any event within 30 days after the Company becomes aware of the occurrence of any such Default under this Indenture, an Officer's Certificate setting forth the details of such Default, its status and the action that the Company is taking or proposing to take in respect thereof.

Section 4.10. Further Instruments and Acts

Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture. The Company shall also provide to the Trustee and/or the Agents (as the case may be), upon written request, information reasonably required by the Trustee and/or the Agents (as the case may be) to comply with any Applicable Law; *provided, however*, that the Company shall not be required to provide any information pursuant to this Section 4.10 to the extent that: (i) any such information is not reasonably available to the Company and cannot be obtained by the Company using reasonable efforts; or (ii) doing so would or might in the reasonable opinion of the Company constitute a breach of any Applicable Law, fiduciary duty or duty of confidentiality. For the purpose of this section, "**Applicable Law**" means law or regulation including, but not limited to: (a) any domestic or foreign statute or regulation; (b) any rule or practice of any Authority with which Company or any Agent is bound or accustomed to comply; and (c) any agreement entered into by the Company or Agents and any Authority or between any two or more Authorities. "**Authority**" means any competent regulatory, prosecuting, tax or governmental authority in any jurisdiction, domestic or foreign.

ARTICLE 5

LISTS OF HOLDERS AND REPORTS BY THE COMPANY AND THE TRUSTEE

Section 5.01. Lists of Holders

The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee, semi-annually, not more than 5 days after each January 1 and July 1 in each year beginning with July 1, 2023, and at such other times as the Trustee may request in writing, within 5 days after receipt by the Company of any such request (or such lesser time as the Trustee may reasonably request in order to enable it to timely provide any notice to be provided by it hereunder), a list in such form as the Trustee may reasonably require of the names and addresses of the Holders as of a date not more than 15 days (or such other date as the Trustee may reasonably request in order to so provide any such notices) prior to the time such information is furnished, except that no such list need be furnished so long as the Trustee is acting as Note Registrar.

Section 5.02. Preservation and Disclosure of Lists

The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Holders contained in the most recent list furnished to it as provided in Section 5.01 or maintained by the Trustee in its capacity as Note Registrar, if so acting. The Trustee may destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished.

ARTICLE 6

DEFAULTS AND REMEDIES

Section 6.01. Events of Default

The following events shall be "Events of Default" with respect to the Notes:

- (a) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable and the default continues for a period of 30 days;
- (b) default in the payment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of any Note when due and payable on the Maturity Date, upon Optional Redemption, upon any required repurchase, upon declaration of acceleration or otherwise;
- (c) failure by the Company to comply with its obligation to convert the Notes in accordance with this Indenture upon exercise of a Holder's conversion right and such failure continues for a period of five Business Days;
- (d) failure by the Company to issue a Fundamental Change Company Notice in accordance with Section 15.02(c), or notice of a Make-Whole Fundamental Change in accordance with Section 14.03(a), in each case, when due and such failure continues for a period of five Business Days;
- (e) failure by the Company to comply with its obligations under Article 11;
- (f) failure by the Company for 60 days after written notice from the Trustee or by the Trustee at the request of the Holders of at least 25% in aggregate principal amount of the Notes then outstanding has been received by the Company to comply with any of its other agreements contained in the Notes or this Indenture;
- (g) default by the Company or any Significant Subsidiary of the Company with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of US\$100 million (or the foreign currency equivalent thereof) in the aggregate by the Company and/or any such Significant Subsidiary, whether such indebtedness now exists or shall hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable prior to its stated maturity or (ii) constituting a failure to pay the principal or interest of any such debt when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise and in each case, such indebtedness is not discharged, or such acceleration is not otherwise cured or rescinded, within 30 days;

(h) a final judgment for the payment of US\$100 million (or the foreign currency equivalent thereof) or more (excluding any amounts covered by insurance) rendered against the Company or any Significant Subsidiary of the Company, which judgment is not paid, bonded or otherwise discharged or stayed within 60 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished;

(i) the Company or any Significant Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or any such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any such Significant Subsidiary or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(j) an involuntary case or other proceeding shall be commenced against the Company or any Significant Subsidiary seeking liquidation, reorganization or other relief with respect to the Company or such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Significant Subsidiary or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 30 consecutive days.

Section 6.02. Acceleration; Rescission and Annulment

If one or more Events of Default shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), then, and in each and every such case (other than an Event of Default specified in Section 6.01(i) or Section 6.01(j) with respect to the Company or any of its Significant Subsidiaries), unless the principal of all of the Notes shall have already become due and payable, the Trustee may by notice in writing to the Company, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding determined in accordance with Section 8.04, by notice in writing to the Company and to the Trustee may, at its sole discretion and without further notice, and the Trustee at the request of such Holders accompanied by security, pre-funding and/or indemnity satisfactory to the Trustee and otherwise subject to the limitations set forth in this Indenture, shall, declare the Note Acceleration Repayment Price of, and accrued and unpaid interest on, all the Notes to be due and payable immediately, and upon any such declaration the same shall become and shall automatically be immediately due and payable, notwithstanding anything contained in this Indenture or in the Notes to the contrary. If an Event of Default specified in Section 6.01(i) or Section 6.01(j) with respect to the Company or any of its Significant Subsidiaries occurs and is continuing, the Note Acceleration Repayment Price of and accrued and unpaid interest on, all Notes shall become and shall automatically be immediately due and payable without any action on the part of the Trustee. If an Event of Default occurs and is continuing, the Agents and any other agents of the Company appointed under this Indenture will be required to act on the direction of the Trustee.

The immediately preceding paragraph, however, is subject to the conditions that if, at any time after the principal of the Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum in immediately available funds sufficient to pay installments of accrued and unpaid interest upon all Notes and the principal of any and all Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of accrued and unpaid interest to the extent that payment of such interest is enforceable under applicable law, and on such principal at the rate per annum borne by the Notes at such time plus seven percent) and amounts due to the Trustee pursuant to Section 7.06, and if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) any and all existing Events of Default under this Indenture, other than the nonpayment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of and accrued and unpaid interest on Notes that shall have become due solely by such acceleration, shall have been cured pursuant to Section 6.01 or waived pursuant to Section 6.09, then and in every such case (except as provided in the immediately succeeding sentence) the Holders of more than 50% of the aggregate principal amount of the Notes then outstanding, by written notice to the Company and to the Trustee, may waive all Defaults or Events of Default with respect to the Notes and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon. Notwithstanding anything to the contrary herein, no such waiver or rescission and annulment shall extend to or shall affect any Default or Event of Default resulting from (i) the nonpayment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, or accrued and unpaid interest on, any Notes, (ii) a failure to repurchase any Notes when required or (iii) a failure to pay or deliver, as the case may be, the consideration due upon conversion of the Notes.

Section 6.03. Additional Interest

Notwithstanding anything in this Indenture or in the Notes to the contrary, to the extent the Company elects, the sole remedy for an Event of Default relating to the Company's failure to comply with its obligations as set forth in Section 4.06(b) shall after the occurrence of such an Event of Default (which will be the 60th day after written notice is provided to the Company pursuant to Section 6.01(f)) consist exclusively of the right to receive Additional Interest on the Notes at a rate equal to:

(a) 0.25% per annum of the principal amount of the Notes outstanding for each day during the period beginning on, and including, the date on which such an Event of Default first occurs and ending on the earlier of (i) the date on which such Event of Default is cured or validly waived and (ii) the 180th day immediately following, and including, the date on which such Event of Default first occurred; and

(b) if such Event of Default has not been cured or validly waived prior to the 181st day immediately following, and including, the date on which such Event of Default first occurred, 0.50% per annum of the principal amount of the Notes outstanding for each day during the period beginning on, and including, the 181st day immediately following, and including, the date on which such an Event of Default first occurred and ending on the earlier of (i) the date on which such Event of Default is cured or validly waived and (ii) the 360th day immediately following, and including, the date on which such Event of Default first occurred.

Interest payable pursuant to this Section 6.03 shall be in addition to, not in lieu of, any Additional Interest payable pursuant to Section 4.06(d) or Section 4.06(e). In no event shall Additional Interest accrue on the Notes on any day under this Indenture (including any Additional Interest payable pursuant to this Section 6.03 together with any Additional Interest payable pursuant to Section 4.06(d) and Section 4.06(e)) at an annual rate accruing in excess of 0.50%, in the aggregate, for any violation or Default caused by the Company's failure to be current in respect of its Exchange Act reporting obligations. If the Company so elects, such Additional Interest shall be payable in the same manner and on the same dates as the stated interest payable on the Notes. On the 361st day after such Event of Default (if the Event of Default with respect to the Company's obligations under Section 4.06(b) is not cured or waived prior to such day), the Notes will be subject to acceleration as provided in Section 6.02. In the event the Company does not elect to pay Additional Interest following an Event of Default in accordance with this Section 6.03 or the Company elected to make such payment but does not pay the Additional Interest when due, the Notes shall be subject to acceleration as provided in Section 6.02.

In order to elect to pay Additional Interest as the sole remedy during the first 180 days after the occurrence of any Event of Default described in the immediately preceding paragraph, the Company must notify in writing all Holders of the Notes, the Trustee and the Paying Agent of such election prior to the beginning of such 180-day period. Upon the Company's failure to timely give such written notice, the Notes shall be immediately subject to acceleration as provided in Section 6.02.

Section 6.04. Payments of Notes on Default; Suit Therefor

If an Event of Default described in clause (a) or (b) of Section 6.01 shall have occurred, the Company shall, upon demand of the Trustee, pay to the Trustee, for the benefit of the Holders of the Notes, the whole amount then due and payable on the Notes for the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, and interest, if any, with interest accruing on any overdue Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, and interest, if any, at the rate per annum borne by the Notes at such time plus seven percent, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 7.06. If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may at its sole discretion and without further notice institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated; *provided* that the Trustee will not be bound to make any such proceeding unless (i) it shall have been so directed by the Holders of at least 25% of the aggregate principal amount of the Notes then outstanding, (ii) it shall have been indemnified, pre-funded and/or secured to its satisfaction and (iii) the Trustee is satisfied that the act or exercise of any of the rights or powers vested in it by this Indenture will not result in any of its directors, officers, employees or agents incurring personal liability.

In the event there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Notes under Title 11 of the United States Code, or any other applicable law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Company or such other obligor, the property of the Company or such other obligor, or in the event of any other judicial proceedings relative to the Company or such other obligor upon the Notes, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 6.04, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, and accrued and unpaid interest, if any, in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents and to take such other actions as it may deem necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceedings relative to the Company or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute the same after the deduction of any amounts due to the Trustee under Section 7.06; and any receiver, assignee or trustee in bankruptcy or reorganization, liquidator, custodian or similar official is hereby authorized by each of the Holders to make such payments to the Trustee, as administrative expenses, and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for reasonable compensation, expenses, advances and disbursements, including agents and counsel fees, and including any other amounts due to the Trustee under Section 7.06, incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses, advances and disbursements out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, monies, securities and other property that the Holders of the Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting such Holder or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes.

In any proceedings brought by the Trustee (and in any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of the Notes, and it shall not be necessary to make any Holders of the Notes parties to any such proceedings.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of any waiver pursuant to Section 6.09 or any rescission and annulment pursuant to Section 6.02 or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Holders, and the Trustee shall, subject to any determination in such proceeding, be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Holders, and the Trustee shall continue as though no such proceeding had been instituted.

Section 6.05. Application of Monies Collected by Trustee

Any monies or property collected by the Trustee pursuant to this Article 6 with respect to the Notes shall be applied in the following order, at the date or dates fixed by the Trustee for the distribution of such monies, upon presentation of the several Notes, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First, to the payment of all amounts due the Trustee under Section 7.06 and any payments due to the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar;

Second, in case the principal of the outstanding Notes shall not have become due and be unpaid, to the payment of interest on the Notes in default in the order of the date due of the payments of such interest with interest (to the extent that such interest has been collected by the Trustee) upon such overdue payments at the rate per annum borne by the Notes at such time, plus seven percent (including, without duplication, any additional interest on such overdue payments pursuant to Section 6.04), such payments to be made ratably to the Persons entitled thereto;

Third, in case the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of the outstanding Notes shall have become due, by declaration or otherwise, and be unpaid to the payment of the whole amount then owing and unpaid upon the Notes for the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, and interest, if any, with interest on the overdue amount and, to the extent that such interest has been collected by the Trustee, upon overdue installments of interest at the rate per annum borne by the Notes at such time plus seven percent, and in case such monies shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such Applicable Redemption Price or such Note Acceleration Repayment Price, as applicable, and interest without preference or priority of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, over interest, or of interest over such amount or of any installment of interest over any other installment of interest, or of any Note over any other Note, ratably to the aggregate of such Applicable Redemption Price or such Note Acceleration Repayment Price, as applicable, and accrued and unpaid interest; and

Fourth, to the payment of the remainder, if any, to the Company.

Section 6.06. Proceedings by Holders

Except to enforce the right to receive payment of the Applicable Redemption Price, the Note Acceleration Repayment Price, or interest when due, or the right to receive payment or delivery of the consideration due upon conversion, no Holder of any Note shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture, or for the appointment of a receiver, trustee, liquidator, custodian or other similar official, or for any other remedy hereunder, unless:

- (a) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof, as herein provided;
- (b) Holders of at least 25% in aggregate principal amount of the Notes then outstanding shall have made written request upon the Trustee to pursue the remedy;
- (c) such Holders shall have offered to the Trustee such security, pre-funding and/or indemnity satisfactory to it against any loss, liability or expense to be incurred therein or thereby;
- (d) the Trustee does not comply with such written request within 60 days after the later of its receipt of such written request and the offer of security, pre-funding and/or indemnity; and

(e) no direction that, in the opinion of the Trustee, is inconsistent with such written request shall have been given to the Trustee by the Holders of more than 50% of the aggregate principal amount of the Notes then outstanding within such 60-day period pursuant to Section 6.09, it being understood and intended, and being expressly covenanted by the taker and Holder of every Note with every other taker and Holder and the Trustee that no one or more Holders shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder (it being further understood that the Trustee shall not have an affirmative duty to ascertain whether or not any such direction is unduly prejudicial to any other Holder), or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders (except as otherwise provided herein). For the protection and enforcement of this Section 6.06, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision of this Indenture and any provision of any Note, the right of any Holder to receive payment or delivery, as the case may be, of (x) the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, (y) accrued and unpaid interest on, and (z) the consideration due upon conversion of, such Note, on or after the respective due dates expressed or provided for in such Note or in this Indenture, or to institute suit for the enforcement of any such payment or delivery, as the case may be, on or after such respective dates against the Company shall not be impaired or affected without the consent of such Holder.

Section 6.07. Proceedings by Trustee

In case of an Event of Default, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as are necessary to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law; *provided* that the Trustee will not be bound to make any such proceeding unless (i) it shall have been so directed by the Holders of at least 25% of the aggregate principal amount of the Notes then outstanding, (ii) it shall have been indemnified, pre-funded and/or secured to its satisfaction and (iii) the Trustee is satisfied that the act or exercise of any of the rights or powers vested in it by this Indenture will not result in any of its directors, officers, employees or agents incurring personal liability.

Section 6.08. Remedies Cumulative and Continuing

Except as provided in the last paragraph of Section 2.06, all powers and remedies given by this Article 6 to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders of the Notes, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder of any of the Notes to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Default or Event of Default or any acquiescence therein; and, subject to the provisions of Section 6.06, every power and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 6.09. Direction of Proceedings and Waiver of Defaults by Majority of Holders

The Holders of more than 50% of the aggregate principal amount of the Notes at the time outstanding determined in accordance with Section 8.04 shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Notes; *provided, however*, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. The Holders of more than 50% of the aggregate principal amount of the Notes at the time outstanding determined in accordance with Section 8.04 may on behalf of the Holders of all of the Notes waive any past Default or Event of Default hereunder and its consequences except (i) a default in the payment of accrued and unpaid interest on, or the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, the Notes when due that has not been cured pursuant to the provisions of Section 6.01, (ii) a failure by the Company to pay or deliver, or cause to be delivered, as the case may be, the consideration due upon conversion of the Notes or (iii) a default in respect of a covenant or provision hereof which under Article 10 cannot be modified or amended without the consent of each Holder of an outstanding Note affected. Upon any such waiver the Company, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 6.09, said Default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

Section 6.10. Notice of Defaults and Events of Default

If a Default or Event of Default occurs and is continuing and is notified in writing to a Responsible Officer of the Trustee, the Trustee shall, within 90 days after the Responsible Officer of the Trustee receives such written notice or obtains such knowledge, send to all Holders (at the Company's expense) as the names and addresses of such Holders appear upon the Note Register, notice of all Defaults known to a Responsible Officer, unless such Defaults shall have been cured or waived before the giving of such notice; *provided* that the Trustee shall not be deemed to have knowledge of any occurrence of a Default or an Event of Default unless a Responsible Officer of the Trustee has received written notice. Except in the case of a Default in the payment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, or accrued and unpaid interest on, any of the Notes or a Default in the payment or delivery of the consideration due upon conversion, the Trustee shall be protected in withholding such notice if and so long as the Trustee (in its sole discretion) in good faith determines that the withholding of such notice is in the interests of the Holders.

Section 6.11. Undertaking to Pay Costs

All parties to this Indenture agree, and each Holder of any Note by its acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; *provided* that the provisions of this Section 6.11 (to the extent permitted by law) shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Notes at the time outstanding determined in accordance with Section 8.04, or to any suit instituted by any Holder for the enforcement of the payment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, on or after the due date expressed or provided for in such Note or to any suit for the enforcement of the right to convert any Note, or receive the consideration due upon conversion, in accordance with the provisions of Article 14.

ARTICLE 7

CONCERNING THE TRUSTEE

Section 7.01. Duties and Responsibilities of Trustee

In case an Event of Default has occurred that has not been cured or waived, and if a Responsible Officer of the Trustee has written notice or actual knowledge of such event, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default of which a Responsible Officer of the Trustee has written notice or actual knowledge of and after the curing or waiving of all Events of Default that may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture to the extent of its own gross negligence or willful misconduct and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee and each Agent may conclusively and without liability rely, and will be protected in acting, or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, security, bond, debenture, note, other evidence of indebtedness or other paper or document (whether in original, email or any other form of electronic communication or facsimile form) believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee and each Agent need not investigate any fact or matter stated in the document, but, in the case of any such certificates or opinions that by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of any mathematical calculations or other facts stated therein);

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless it shall be proved by a decision of a court of competent jurisdiction that the Trustee was grossly negligent in ascertaining the pertinent facts;

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of the requisite percentage of the aggregate principal amount of the Notes at the time outstanding determined as provided in Section 8.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(d) whether or not therein provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Section;

(e) the Trustee shall not be liable in respect of any payment (as to the correctness of amount, entitlement to receive or any other matters relating to payment) or notice effected by the Company or any Paying Agent or any records maintained by any co-Note Registrar with respect to the Notes;

(f) if any party fails to deliver a notice relating to an event the fact of which, pursuant to this Indenture, requires notice to be sent to the Trustee, the Trustee may conclusively and without liability rely on its failure to receive such notice as reason to act as if no such event occurred;

(g) in the absence of written investment direction from the Company, all cash received by the Trustee shall be placed in a non-interest bearing trust account, and in no event shall the Trustee be liable for the selection of investments or for investment losses incurred thereon or for losses incurred as a result of the liquidation of any such investment prior to its maturity date or the failure of the party directing such investments prior to its maturity date or the failure of the party directing such investment to provide timely written investment direction, and the Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of such written investment direction from the Company;

(h) in the event that the Trustee or any of its affiliates is also acting as Note Registrar, Paying Agent, Conversion Agent or Transfer Agent hereunder, the rights and protections afforded to the Trustee pursuant to this Article 7 shall also be afforded to such Note Registrar, Paying Agent, Conversion Agent or Transfer Agent; and

(i) under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Notes.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 7.02. Reliance on Documents, Opinions, Etc

Except as otherwise provided in Section 7.01:

(a) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(b) the Trustee may consult with counsel or other professional advisors of its selection and require an Opinion of Counsel and any other written or verbal advice of such counsel or other professional advisors, and such advice (including an Opinion of Counsel) shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(c) the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the expense of the Company and shall incur no liability of any kind by reason of such inquiry or investigation;

(d) in connection with the exercise by it of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorization or determination), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and in particular, but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any country, state or territory and a Holder shall not be entitled to require, nor shall any Holder be entitled to claim, from the Company, the Trustee or any other Person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided in Section 4.07 or Section 14.02(e) and/or any undertaking given in addition to, or in substitution for, Section 4.07 or Section 14.02(e) pursuant to this Indenture;

(e) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, delegates, custodians, nominees or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, delegate, representative, custodian, nominee or attorney appointed by it with due care hereunder;

(f) the permissive rights of the Trustee enumerated herein shall not be construed as duties;

(g) the Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder;

(h) the Trustee may request that the Company deliver a certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture;

(i) in no event shall the Trustee be liable for any consequential, punitive, special or indirect loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

(j) the Trustee shall have no duty to inquire as to the performance of the Company or any Subsidiary with respect to the covenants contained herein. The Trustee may assume without inquiry in the absence of written notice to the contrary that the Company is duly complying with its obligations contained in this Indenture required to be performed and observed by it, and that no Default or Event of Default or other event which would require repayment of the Notes has occurred. Neither the Trustee nor any Agent shall be charged with knowledge of any Default or Event of Default with respect to the Notes, unless either (1) in the case of the Trustee, a Responsible Officer shall have actual knowledge of such Default or Event of Default or (2) it has received express written notice of such Default or Event of Default;

(k) the Trustee shall treat information provided hereunder as confidential, but (unless consent is prohibited by law) the Company hereby consents to the processing, transfer and disclosure by the Trustee of any information relating to it provided hereunder to and between branches, subsidiaries, representative offices, affiliates and agents of the Trustee solely in connection with the discharge of the Trustee's trusts, powers, authorities, duties and obligations under this Indenture, wherever situated, for confidential use (including to service providers selected by the Trustee with due care for data processing, statistical and risk analysis purposes and for compliance with applicable law). The Trustee and any such branch, subsidiary, representative office, affiliate, agent or third party may transfer and disclose any such information only to the extent required or requested by any applicable law, regulatory authority, court or legal process, including any auditor of the Company and including any payor or payee as required by applicable law, and may use (and its performance will be subject to the rules of) any communications, clearing or payment systems, intermediary bank or other system. The Company acknowledges that the transfers permitted by this Section 7.02(k) may include transfers to jurisdictions which do not have strict data protection or data privacy laws;

(l) the Company hereby irrevocably waives, in favor of the Trustee and the Agents, any conflict of interest that may arise by virtue of the Trustee and/or the Agents acting in various capacities under the Notes or this Indenture or for other customers of the Trustee and the Agents. The Company acknowledges that the Trustee and the Agents and their respective affiliates (together, the “Agent Parties”) may have interests in, or may be providing or may in the future provide financial or other services to other parties with interests which the Company may regard as conflicting with its interests and may possess information (whether or not material to the Company) other than as a result of the Trustee and/or the Agents acting as the Trustee and/or the Agents hereunder, that the Trustee and/or the Agents may not be entitled to share with the Company. The Trustee and the Agents will not disclose confidential information obtained from the Company (without its consent) to any of the Trustee and/or the Agents’ other customers or affiliates nor will it use on behalf of the Company any confidential information obtained from any other customer. Without prejudice to the foregoing, the Company agrees that the Agent Parties may deal (whether for its own or its customers’ account) in, or advise on, securities of any party and that such dealing or giving of advice, will not constitute a conflict of interest for the purposes of the Notes or this Indenture;

(m) the Trustee shall be entitled to take any action or to refuse to take any action which the Trustee regards as necessary for the Trustee to comply with any applicable law, regulation or fiscal requirement, court order, or the rules, operating procedures or market practice of any relevant stock exchange or other market or clearing system;

(n) notwithstanding anything else contained in this Indenture, each of the Trustee and the Agents may refrain without liability from (i) doing anything which would or might in its opinion (after consultation with counsel and reasonably taking into account of the advice or opinion of such counsel) be illegal or contrary to, or would result in the Trustee or any Agent being in breach of, any law of any state or jurisdiction (including, but not limited to, any laws of England and Wales, Hong Kong, and the United States of America or any jurisdiction forming a part of it) or any directive, rule, regulation, request, direction, notice, announcement or similar action of any agency, regulatory authority, stock exchange or self-regulatory organization of any jurisdiction (including, without limitation, Section 619 of the Dodd- Frank Wall Street Reform and Consumer Protection Act), or which would or might otherwise render it liable to any person and may without liability do anything which is, in its opinion, necessary to comply with any such law, directive or regulation or (ii) doing anything which may cause the Trustee to be considered a sponsor of a covered fund under Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any regulations promulgated thereunder. Furthermore, the Trustee may also refrain from taking any action if, in its opinion based upon advice of counsel, it would not have the power to do the relevant thing in the relevant jurisdiction by virtue of any applicable law in such jurisdiction or if it is determined by any court or other competent authority in such jurisdiction that it does not have such power; and

(o) The Trustee may refuse to follow any direction that it in good faith determines is unduly prejudicial to the rights of any other Holder (it being understood that the Trustee shall not have an affirmative duty to ascertain whether or not any such direction is unduly prejudicial to any other Holder), or if it is not provided with security, pre-funding and/or indemnity reasonably satisfactory to it against the losses, costs, expenses and liabilities that might be incurred by it in compliance with such request or direction. In addition, the Trustee will not be required to expend its own funds under any circumstances.

Section 7.03. No Responsibility for Recitals, Etc

The recitals, statements, warranties and representations contained herein and in the Notes (except in the Trustee's certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the accuracy or correctness of the same or the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Company of any Notes or the proceeds of any Notes authenticated and delivered by the Trustee in conformity with the provisions of this Indenture. Notwithstanding the generality of the foregoing, each Holder shall be solely responsible for making its own independent appraisal of, and investigation into, the financial condition, creditworthiness, condition, affairs, status and nature of the Company, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

Section 7.04. Trustee, Paying Agents, Conversion Agents or Note Registrar May Own Notes

The Trustee, any Paying Agent, any Conversion Agent or Note Registrar, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not the Trustee, Paying Agent, Conversion Agent or Note Registrar, and nothing herein shall obligate any of them to account for any profits earned from any business or transactional relationship.

Section 7.05. Monies and ADSs to Be Held in Trust

All monies and ADSs received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received. Money and ADSs held by the Trustee in trust or by the Paying Agent hereunder need not be segregated from other funds or property except to the extent required by law. Neither the Trustee nor the Paying Agent shall be under any liability for interest on any money or ADSs received by it hereunder.

Section 7.06. Compensation and Expenses of Trustee

(a) The Company covenants and agrees to pay to the Trustee, in any capacity under this Indenture, from time to time, and the Trustee shall be entitled to, compensation for all services rendered by it hereunder in any capacity (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) as mutually agreed to in writing between the Trustee and the Company, and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any of the provisions of this Indenture in any capacity thereunder (including the reasonable compensation and the expenses and disbursements of its agents and counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance as shall have been caused by its gross negligence or willful misconduct as determined by a final, non-appealable decision of a court of competent jurisdiction. The Company also covenants to indemnify the Trustee in any capacity under this Indenture and any other document or transaction entered into in connection herewith and its officers, directors, attorneys, employees and agents, and to hold them harmless against, any loss, claim (provided that the Company need not pay for settlement of any such claim made without its consent, which consent shall not be unreasonably withheld), damage, liability or expense incurred without gross negligence or willful misconduct on the part of the Trustee, its officers, directors, agents, attorneys or employees, as the case may be, as determined by a final, non-appealable decision of a court of competent jurisdiction, and arising out of or in connection with the acceptance or administration of this Indenture or in any other capacity hereunder, including the costs and expenses of defending themselves against any claim of liability in the premises. The obligations of the Company under this Section 7.06 to compensate or indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall be secured by a senior lien to which the Notes are hereby made subordinate on all money or property held or collected by the Trustee, except, subject to the effect of Section 6.05, funds held in trust herewith for the benefit of the Holders of particular Notes. The Trustee's right to receive payment of any amounts due under this Section 7.06 shall not be subordinate to any other liability or indebtedness of the Company. The indemnity under this Section 7.06(a) is payable upon demand by the Trustee. The obligation of the Company under this Section 7.06(a) shall survive the satisfaction and discharge of the Indenture and payment of the Notes, the termination of this Indenture and the resignation or removal of the Trustee. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. The indemnification provided in this Section 7.06(a) shall extend to the officers, directors, attorneys, agents and employees of the Trustee. Subject to Section 7.02(e), any negligence or misconduct of any agent, delegate, attorney or representative, in each case, of the Trustee, shall not affect indemnification of the Trustee.

Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee and its agents incur expenses or render services after an Event of Default specified in Section 6.01(i) or Section 6.01(j) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency or similar laws. If a Default or Event of Default shall have occurred or if the Trustee finds it expedient or necessary or is requested by the Company and/or the Holders to undertake duties which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties under this Indenture, the Company will pay such additional remuneration calculated by reference to the Trustee's normal hourly rates in force at such time.

(b) The Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar shall be entitled to the compensation to be agreed upon in writing with the Company for all services rendered by it under this Indenture, and the Company agrees promptly to pay such compensation and to reimburse the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar for its out-of-pocket expenses (including reasonable fees and expenses of counsel) incurred by it in connection with the services rendered by it under this Indenture. The Company hereby agrees to indemnify the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar and their respective officers, directors, agents and employees and any successors thereto for, and to hold it harmless against, any loss, liability or expense (including reasonable fees and expenses of counsel) incurred without gross negligence or willful misconduct on its part, as determined by a final, non-appealable decision of a court of competent jurisdiction, arising out of or in connection with its acting as the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar hereunder. The obligations of the Company under this paragraph (b) shall survive the payment of the Notes, the termination of the Indenture and the resignation or removal of the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar.

Section 7.07. Officer's Certificate as Evidence

Except as otherwise provided in Section 7.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Trustee, and such Officer's Certificate shall be full warrant to the Trustee for any action taken or omitted by it under the provisions of this Indenture upon the faith thereof.

Section 7.08. Eligibility of Trustee

There shall at all times be a Trustee hereunder which shall be a Person that is an Eligible Trustee and has a combined capital and surplus of at least US\$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 7.09. Resignation or Removal of Trustee

(a) The Trustee may at any time resign by giving 30 days' written notice of such resignation to the Company. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 60 days after the mailing of such notice of resignation to the Company, the resigning Trustee may appoint a successor trustee on behalf of and at the expense of the Company or it may, upon ten Business Days' notice to the Company and the Holders and at the expense of the Company, petition any court of competent jurisdiction for the appointment of a successor trustee, or any Holder who has been a bona fide holder of a Note or Notes for at least six months may, subject to the provisions of Section 6.11, on behalf of himself or herself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall cease to be eligible in accordance with the provisions of Section 7.08 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(ii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in either case, the Company may by a Board Resolution remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 6.11, any Holder who has been a bona fide holder of a Note or Notes for at least six months may, on behalf of himself or herself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of more than 50% of the aggregate principal amount of the Notes at the time outstanding, as determined in accordance with Section 8.04, may remove the Trustee by giving 30 days written notice to the Trustee and nominate a successor trustee that shall be deemed appointed as successor trustee unless within ten days after notice to the Company of such nomination the Company objects thereto, in which case the Trustee so removed or any Holder, upon the terms and conditions and otherwise as in Section 7.09(a) provided, may petition any court of competent jurisdiction for an appointment of a successor trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 7.09 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 7.10.

Section 7.10. Acceptance by Successor Trustee

Any successor trustee appointed as provided in Section 7.09 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due to it pursuant to the provisions of Section 7.06, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a senior lien to which the Notes are hereby made subordinate on all money or property held or collected by such trustee as such, except for funds held in trust for the benefit of Holders of particular Notes, to secure any amounts then due to it pursuant to the provisions of Section 7.06.

No successor trustee shall accept appointment as provided in this Section 7.10 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 7.08.

Upon acceptance of appointment by a successor trustee as provided in this Section 7.10, each of the Company and the successor trustee, at the written direction and at the expense of the Company shall deliver or cause to be delivered notice of the succession of such trustee hereunder to the Holders at their addresses as they shall appear on the Note Register. If the Company fails to deliver such notice within ten days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be delivered at the expense of the Company.

Section 7.11. Succession by Merger, Etc

Any corporation or other entity into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or other entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee (including the administration of this Indenture), shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto; *provided* that in the case of any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee such corporation or other entity shall be eligible under the provisions of Section 7.08.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor trustee hereunder or in the name of the successor trustee; and in all such cases such certificates shall have the full force which it is anywhere in the

Notes or in this Indenture provided that the certificate of the Trustee shall have; *provided, however*, that the right to adopt the certificate of authentication of any predecessor trustee or to authenticate Notes in the name of any predecessor trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 7.12. Trustee's Application for Instructions from the Company

Any application by the Trustee for written instructions from the Company (other than with regard to any action proposed to be taken or omitted to be taken by the Trustee that affects the rights of the Holders of the Notes under this Indenture) may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three Business Days after the date such application is deemed to have been given to any Officer of the Company pursuant to Section 17.03, unless any such Officer shall have consented in writing to any earlier date), unless, prior to taking any such action (or the effective date in the case of any omission), the Trustee shall have received written instructions in accordance with this Indenture in response to such application specifying the action to be taken or omitted.

ARTICLE 8

CONCERNING THE HOLDERS

Section 8.01. Action by Holders

Whenever in this Indenture it is provided that the Holders of a specified percentage of the aggregate principal amount of the Notes may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action, the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Holders in person or by agent or proxy appointed in writing, or (b) by the record of the Holders voting in favor thereof at any meeting of Holders duly called and held in accordance with the provisions of Article 9, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Holders. Whenever the Company or the Trustee solicits the taking of any action by the Holders of the Notes, the Company or the Trustee may fix, but shall not be required to, in advance of such solicitation, a date as the record date for determining Holders entitled to take such action. The record date if one is selected shall be not more than fifteen days prior to the date of commencement of solicitation of such action.

Section 8.02. Proof of Execution by Holders

Subject to the provisions of Section 7.01, Section 7.02 and Section 9.05, proof of the execution of any instrument by a Holder or its agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Notes shall be proved by the Note Register or by a certificate of the Note Registrar. The record of any Holders' meeting shall be proved in the manner provided in Section 9.06.

Section 8.03. Who Are Deemed Absolute Owners

The Company, the Trustee, any Paying Agent, any Transfer Agent, any Conversion Agent and any Note Registrar may deem the Person in whose name a Note shall be registered upon the Note Register to be, and may treat it as, the absolute owner of such Note (whether or not such Note shall be overdue and notwithstanding any notation of ownership or other writing thereon made by any Person other than the Company or any Note Registrar) for the purpose of receiving payment of or on account of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of and (subject to Section 2.03) accrued and unpaid interest on such Note, for the purpose of conversion of such Note and for all other purposes under this Indenture; and none of the Company, the Trustee, any Transfer Agent, any Paying Agent, any Conversion Agent or any Note Registrar shall be affected by any notice to the contrary. The sole registered holder of a Global Note shall be the Depositary or its nominee. All such payments or deliveries so made to any Holder for the time being, or upon its order, shall be valid, and, to the extent of the sums or ADSs so paid or delivered, effectual to satisfy and discharge the liability for monies payable or ADSs deliverable upon any such Note. Notwithstanding anything to the contrary in this Indenture or the Notes following an Event of Default, any owner of a beneficial interest in a Global Note may directly enforce against the Company, without the consent, solicitation, proxy, authorization or any other action of the Depositary or any other Person, such owner's right to exchange such beneficial interest for a Note in certificated form in accordance with the provisions of this Indenture.

Section 8.04. Company-Owned Notes Disregarded

In determining whether the Holders of the requisite aggregate principal amount of Notes have concurred in any direction, consent, waiver or other action under this Indenture, Notes that are owned by the Company, by any Subsidiary thereof or by any Affiliate of the Company or any Subsidiary thereof (excluding any Investor (as defined in the Investment Agreement)) shall be disregarded and deemed not to be outstanding for the purpose of any such determination; *provided* that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent, waiver or other action only Notes in respect of which a Responsible Officer is notified in writing shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as outstanding for the purposes of this Section 8.04 if the pledgee shall establish its right to so act with respect to such Notes and that the pledgee is not the Company, a Subsidiary thereof or an Affiliate of the Company or a Subsidiary thereof (excluding any Investor (as defined in the Investment Agreement)). Within five days of acquisition of the Notes by any of the above described persons or entities, the Company shall furnish to the Trustee promptly an Officer's Certificate listing and identifying all Notes, if any, known by the Company to be owned or held by or for the account of any of the above described Persons; and, subject to Section 7.01, the Trustee shall be entitled to accept such Officer's Certificate as conclusive evidence of the facts therein set forth and of the fact that all Notes not listed therein are outstanding for the purpose of any such determination.

Section 8.05. Revocation of Consents: Future Holders Bound

At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the Holders of the percentage of the aggregate principal amount of the Notes specified in this Indenture in connection with such action, any Holder of a Note that is shown by the evidence to be included in the Notes the Holders of which have consented to such action may, by filing written notice with the Trustee at its Corporate Trust Office and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Note. Except as aforesaid, any such action taken by the Holder of any Note shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Note and of any Notes issued in exchange or substitution therefor or upon registration of transfer thereof, irrespective of whether any notation in regard thereto is made upon such Note or any Note issued in exchange or substitution therefor or upon registration of transfer thereof.

ARTICLE 9

HOLDERS' MEETINGS

Section 9.01. Purpose of Meetings

A meeting of Holders may be called at any time and from time to time pursuant to the provisions of this Article 9 for any of the following purposes:

(a) to give any notice to the Company or to the Trustee or to give any directions to the Trustee permitted under this Indenture, or to consent to the waiving of any Default or Event of Default hereunder and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article 6;

(b) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article 7;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Article 10; or

(d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Notes under any other provision of this Indenture or under applicable law.

Section 9.02. Call of Meetings by Trustee

The Trustee may at any time call a meeting of Holders to take any action specified in Section 9.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting and the establishment of any record date pursuant to Section 8.01, shall be delivered to Holders of such Notes at their addresses as they shall appear on the Note Register. Such notice shall also be delivered to the Company. Such notices shall be delivered not less than 20 nor more than 90 days prior to the date fixed for the meeting.

Any meeting of Holders shall be valid without notice if the Holders of all Notes then outstanding are present in person or by proxy or if notice is waived before or after the meeting by the Holders of all Notes then outstanding, and if the Company and the Trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

Section 9.03. Call of Meetings by Company or Holders

In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% of the aggregate principal amount of the Notes then outstanding, shall have requested the Trustee to call a meeting of Holders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have delivered the notice of such meeting within 20 days after receipt of such request, then the Company or such Holders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 9.01, by delivering notice thereof as provided in Section 9.02.

Section 9.04. Qualifications for Voting

To be entitled to vote at any meeting of Holders a Person shall (a) be a Holder of one or more Notes on the record date pertaining to such meeting or (b) be a Person appointed by an instrument in writing as proxy by a Holder of one or more Notes on the record date pertaining to such meeting. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 9.05. Regulations

Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders, in regard to proof of the holding of Notes and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 9.03, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of more than 50% of the aggregate principal amount of the Notes represented at the meeting and entitled to vote at the meeting.

Subject to the provisions of Section 8.04, at any meeting of Holders each Holder or proxyholder shall be entitled to one vote for each US\$1,000 principal amount of Notes held or represented by him or her; *provided, however*, that no vote shall be cast or counted at any meeting in respect of any Note challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Notes held by it or instruments in writing as aforesaid duly designating it as the proxy to vote on behalf of other Holders. Any meeting of Holders duly called pursuant to the provisions of Section 9.02 or Section 9.03 may be adjourned from time to time by the Holders of more than 50% of the aggregate principal amount of Notes represented at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting of Holders of the Notes, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

Section 9.06. Voting

The vote upon any resolution submitted to any meeting of Holders shall be by written ballot on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the outstanding aggregate principal amount of the Notes held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was delivered as provided in Section 9.02. The record shall show the aggregate principal amount of the Notes voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 9.07. No Delay of Rights by Meeting

Nothing contained in this Article 9 shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Holders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Notes.

ARTICLE 10

SUPPLEMENTAL INDENTURES

Section 10.01. Supplemental Indentures Without Consent of Holders

The Company, when authorized by the resolutions of the Board of Directors, and the Trustee, at the Company's expense and direction, may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to provide for the assumption by a Successor Company of the obligations of the Company under this Indenture and the Notes pursuant to Article 11;
- (c) to add guarantees with respect to the Notes;
- (d) to secure the Notes;
- (e) to add to the covenants or Events of Default of the Company for the benefit of the Holders or surrender any right or power conferred upon the Company under this Indenture or the Notes;
- (f) upon the occurrence of any transaction or event described in Section 14.07(a), to
 - (i) provide that the Notes are convertible into Reference Property, subject to Section 14.03, and
 - (ii) effect the related changes to the terms of the Notes described under Section 14.07(a), in each case, in accordance with Section 14.07;
- (g) to make any change that does not adversely affect the rights or interests of any Holder in any material respect; or
- (h) to make changes in connection with an acceptance for listing on The Stock Exchange of Hong Kong, as contemplated under Section 14.01(b).

Upon the written request of the Company, the Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to, but may in its discretion, enter into any supplemental indenture that affects the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 10.01 may be executed by the Company and the Trustee without the consent of the Holders of any of the Notes at the time outstanding, notwithstanding any of the provisions of Section 10.02.

Section 10.02. Supplemental Indentures with Consent of Holders

With the consent (evidenced as provided in Article 8) of the Holders of more than 50% of the aggregate principal amount of the Notes then outstanding (determined in accordance with Article 8 and including, without limitation, consents obtained in connection with a repurchase of, or tender or exchange offer for, Notes), the Company, when authorized by the resolutions of the Board of Directors, and the Trustee, at the Company's expense, may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or any supplemental indenture or of modifying in any manner the rights of the Holders; *provided, however*, that, without the consent of each Holder of an outstanding Note affected, no such supplemental indenture shall:

(a) reduce the amount of Notes whose Holders must consent to an amendment;

(b) reduce the rate of or extend the stated time for payment of interest on any Note;

(c) reduce the principal or premium of or extend the Maturity Date of any Note;

(d) make any change that adversely affects the conversion rights of any Notes;

(e) reduce Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of any Note or amend or modify in any manner adverse to the Holders the Company's obligation to make such payments, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;

(f) make any Note payable in a currency other than U.S. dollars;

(g) change the ranking of the Notes;

(h) impair the right of any Holder to receive payment of any Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, or interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Note;

(i) change the Company's obligation to pay Additional Amounts on any Note; or

(j) make any change in this Article 10 that requires each Holder's consent or in the waiver provisions in Section 6.02 or Section 6.09.

Upon the written request of the Company, and upon the filing with the Trustee of evidence of the consent of the requisite Holders as aforesaid and subject to Section 10.05, the Trustee shall join with the Company in the execution of such supplemental indenture unless (i) the Trustee has not received an Opinion of Counsel stating that such supplemental indenture is authorized and permitted by the terms of this Indenture and not contrary to law or (ii) such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

Holders do not need under this Section 10.02 to approve the particular form of any proposed supplemental indenture. It shall be sufficient if such Holders approve the substance thereof. After any supplemental indenture becomes effective under Section 10.01 or Section 10.02, the Company shall send to the Holders (with a copy to the Trustee) a notice briefly describing such supplemental indenture. However, the failure to give such notice to all the Holders, or any defect in the notice, will not impair or affect the validity of the supplemental indenture.

Section 10.03. Effect of Supplemental Indentures

Upon the execution of any supplemental indenture pursuant to the provisions of this Article 10, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.04. Notation on Notes

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article 10 may, at the Company's expense, bear a notation as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may, at the Company's expense, be prepared and executed by the Company, authenticated upon receipt of a Company Order, by the Trustee and delivered in exchange for the Notes then outstanding, upon surrender of such Notes then outstanding.

Section 10.05. Evidence of Compliance of Supplemental Indenture to Be Furnished Trustee

In addition to the documents required by Section 17.06, the Trustee shall receive an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article 10 and is permitted or authorized by this Indenture and with respect to such Opinion of Counsel, that such supplemental indenture is the valid and binding obligation of the Company enforceable in accordance with its terms, subject to customary exceptions and qualifications.

ARTICLE 11

CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

Section 11.01. Company May Consolidate, Etc. on Certain Terms

Subject to the provisions of Section 11.02, the Company shall not consolidate with, merge with or into, or sell, convey, transfer or lease all or substantially all of its properties and assets to another Person, unless:

(a) the resulting, surviving or transferee Person (the “Successor Company”), if not the Company, shall be a corporation organized and existing under the laws of the United States of America, any State thereof, the District of Columbia, the Cayman Islands, the British Virgin Islands, Bermuda or Hong Kong and the Successor Company (if not the Company) shall expressly assume, by supplemental indenture all of the obligations of the Company under the Notes and this Indenture (including, for the avoidance of doubt, the obligation to pay Additional Amounts pursuant to Section 4.07); and

(b) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing under this Indenture.

For purposes of this Section 11.01, the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of one or more Subsidiaries of the Company to another Person, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Company to another Person.

Section 11.02. Successor Corporation to Be Substituted

In case of any such consolidation, merger, sale, conveyance, transfer or lease and upon the assumption by the Successor Company, by supplemental indenture, executed and delivered to the Trustee of the due and punctual payment of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, and accrued and unpaid interest on all of the Notes (including, for the avoidance of doubt, any Additional Amounts), the due and punctual delivery or payment, as the case may be, of any consideration due upon conversion of the Notes (including, for the avoidance of doubt, any Additional Amounts) and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Company, such Successor Company (if not the Company) shall succeed to and, except in the case of a lease of all or substantially all of the Company’s properties and assets, shall be substituted for the Company, with the same effect as if it had been named herein as the party of the first part. Such Successor Company thereupon may cause to be signed, and may issue either in its own name or in the name of the Company any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such Successor Company instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver, or cause to be authenticated and delivered, any Notes that previously shall have been signed and delivered by the Officers of the Company to the Trustee for authentication, and any Notes that such Successor Company thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Notes so issued shall in all respects have the same legal rank and benefit under this Indenture as the Notes theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Notes had been issued at the date of the execution hereof. In the event of any such consolidation, merger, sale, conveyance or transfer (but not in the case of a lease), upon compliance with this Article 11 the Person named as the “Company” in the first paragraph of this Indenture (or any successor that shall thereafter have become such in the manner prescribed in this Article 11) may be dissolved, wound up and liquidated at any time thereafter and, except in the case of a lease, such Person shall be released from its liabilities as obligor and maker of the Notes and from its obligations under this Indenture and the Notes.

In case of any such consolidation, merger, sale, conveyance, transfer or lease, such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

Section 11.03. Opinion of Counsel to Be Given to Trustee

No consolidation, merger, sale, conveyance, transfer or lease shall be effective unless the Trustee shall receive an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, conveyance, transfer or lease and any such assumption and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, complies with the provisions of this Article 11.

ARTICLE 12

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

Section 12.01. Indenture and Notes Solely Corporate Obligations

No recourse for the payment of the Applicable Redemption Price of, the Note Acceleration Repayment Price of or accrued and unpaid interest on any Note, nor for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture or in any Note, nor because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, Officer or director or Subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Notes.

ARTICLE 13

INTENTIONALLY OMITTED

ARTICLE 14

CONVERSION OF NOTES

Section 14.01. Conversion Privilege

(a) Subject to and upon compliance with the provisions of this Article 14, each Holder of a Note shall have the right, at such Holder's option, to convert all or any portion (if the portion to be converted is US\$1,000 principal amount or an integral multiple thereof) of such Note at any time prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date, in each case, at an initial conversion rate of 216.9668 ADSs (subject to adjustment as provided in this Article 14, the "Conversion Rate") per US\$1,000 principal amount of Notes (subject to, and in accordance with, the settlement provisions of Section 14.02, the "Conversion Obligation"); *provided* that if the Company calls all of the Notes for redemption pursuant to Article 16, a Holder may surrender all or any portion of its Notes for conversion at any time prior to the close of business on the second Business Day immediately preceding the Redemption Date, unless the Company defaults in the payment of the Tax Redemption Price, in which case a Holder of Notes may convert its Notes until the Tax Redemption Price has been paid or duly provided for.

(b) If the Company's ADSs continue to be listed and quoted on any of the Nasdaq Global Select Market, the Nasdaq Global Market or the New York Stock Exchange (or any of their respective successors) and the Company's Ordinary Shares have been accepted for listing on The Stock Exchange of Hong Kong, then, after the date of such acceptance for listing (the "New Listing Reference Date"), the Company may elect, in its sole discretion, to amend the Indenture no later than three calendar months after the New Listing Reference Date to provide the Holders the right to elect to receive Ordinary Shares in lieu of any ADSs deliverable upon conversion (provided that the number of Ordinary Shares the holder is entitled to receive will be equal to the number of ADSs deliverable upon conversion (without taking into account any fractional ADS) *multiplied by* the number of Ordinary Shares represented by one ADS immediately after the close of business on the relevant Conversion Date), including such other provisions that the Company's Board of Directors (or an authorized committee thereof) determines in good faith are appropriate to give effect to the election by the Holders described above. The Company will notify Holders and the Conversion Agent (if other than the Trustee) in writing as promptly as reasonably practicable following the date of such amendment. If the Company does not elect to make such amendment to the Indenture within three calendar months of the New Listing Reference Date, with respect to any conversion of the Notes following three calendar months of the New Listing Reference Date, the Company shall reimburse a Holder any fees it pays to the ADS Depository in connection with the Holder's election to withdraw the Ordinary Shares underlying the ADSs received by the Holder immediately following such conversion.

Section 14.02. Conversion Procedure; Settlement Upon Conversion

(a) Upon conversion of any Note, the Company shall deliver to the converting Holder, in respect of each US\$1,000 principal amount of Notes being converted, a number of ADSs equal to the Conversion Rate, together with a cash payment, if applicable, in lieu of delivering any fractional ADSs in accordance with subsection (j) of this Section 14.02 on the second Business Day immediately following the relevant Conversion Date.

(b) Subject to Section 14.02(e), before any Holder of a Note shall be entitled to convert a Note as set forth above, such Holder shall (i) in the case of a Global Note, comply with the procedures of the Depositary in effect at that time and, if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in Section 14.02(h) and (ii) in the case of a Physical Note (1) complete, manually sign and deliver a duly completed irrevocable notice to the Conversion Agent as set forth in the Form of Notice of Conversion (or a facsimile, PDF or other electronic transmission thereof) (a “Notice of Conversion”) at the office of the Conversion Agent and state in writing therein the principal amount of Notes to be converted and the name or names (with addresses) in which such Holder wishes the certificate or certificates for any ADSs to be delivered upon settlement of the Conversion Obligation to be registered, (2) surrender such Notes, duly endorsed to the Company or in blank (and accompanied by appropriate endorsement and transfer documents), at the office of the Conversion Agent, (3) if required, furnish appropriate endorsements and transfer documents and (4) if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in Section 14.02(h). The Trustee (and if different, the Conversion Agent) shall notify the Company of any conversion pursuant to this Article 14 on the Conversion Date, or promptly following instructions for such conversion. No Notice of Conversion with respect to any Notes may be delivered, and no Notes may be surrendered for conversion, by a Holder thereof if such Holder has also delivered a Fundamental Change Repurchase Notice or Repurchase Notice to the Company in respect of such Notes and has not validly withdrawn such Fundamental Change Repurchase Notice or Repurchase Notice, as the case may be, in accordance with Section 15.03.

If more than one Note shall be surrendered for conversion at one time by the same Holder, the Conversion Obligation with respect to such Notes shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof to the extent permitted thereby) so surrendered.

(c) A Note shall be deemed to have been converted immediately prior to the close of business on the date (the “Conversion Date”) that the Holder has complied with the requirements set forth in subsection (b) above. If any ADSs are due to a converting Holder, the Company shall issue or cause to be issued, and deliver (if applicable) to such Holder, or such Holder’s nominee or nominees, the full number of ADSs to which such Holder shall be entitled, in book-entry format through the Depositary or, in the case of ADSs bearing restrictive legends substantially in the form required by Section 2.05(d), in book-entry format recorded in the registration system maintained by the ADS Depositary (whether the Note so converted is in the form of a Global Note or Physical Note), in satisfaction of the Company’s Conversion Obligation.

(d) In case any certificated Note shall be surrendered for partial conversion, the Company shall execute and the Trustee shall authenticate and deliver to or upon the written order of the Holder of the Note so surrendered a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note, without payment of any service charge by the converting Holder but, if required by the Company or Trustee, with payment of a sum sufficient to cover any documentary, stamp or similar issue or transfer tax or similar governmental charge required by law or that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such conversion being different from the name of the Holder of the old Notes surrendered for such conversion.

(e) If a Holder submits a Note for conversion, the Company shall pay any documentary, stamp, issue, transfer or similar tax due on the delivery of any ADSs upon conversion of the Notes or the issuance of the underlying Class A Ordinary Shares, unless the tax is due because the Holder requests such ADSs (or the Class A Ordinary Shares) to be issued in a name other than the Holder's name, in which case the Holder shall pay that tax. The Company shall pay the ADS Depository's fees for the issuance of the ADSs.

(f) Except as provided in Section 14.04, no adjustment shall be made for dividends on any ADSs issued upon the conversion of any Note as provided in this Article 14.

(g) Upon the conversion of an interest in a Global Note, the Trustee, or the ADS Custodian at the direction of the Trustee, shall make a notation on such Global Note as to the reduction in the principal amount represented thereby. The Company shall notify the Trustee in writing of any conversion of Notes effected through any Conversion Agent other than the Trustee.

(h) Upon conversion, a Holder shall not receive any separate cash payment for accrued and unpaid interest, if any, except as set forth below. The Company's settlement of the full Conversion Obligation shall be deemed to satisfy in full its obligation to pay the principal amount of the Note and accrued and unpaid interest, if any, to, but not including, the relevant Conversion Date. As a result, accrued and unpaid interest, if any, to, but not including, the relevant Conversion Date shall be deemed to be paid in full rather than cancelled, extinguished or forfeited. Notwithstanding the foregoing, if Notes are converted after the close of business on a Regular Record Date and prior to the open of business on the corresponding Interest Payment Date, Holders of such Notes as of the close of business on such Regular Record Date will receive the full amount of interest payable on such Notes on the corresponding Interest Payment Date notwithstanding the conversion. However, Notes surrendered for conversion during the period from the close of business on any Regular Record Date to the open of business on the immediately following Interest Payment Date must be accompanied by an amount in U.S. dollars equal to the amount of interest payable on the Notes so converted (regardless of whether the converting Holder was the holder of record on the corresponding Regular Record Date); *provided* that no such payment shall be required (1) for conversions following the Regular Record Date immediately preceding the Maturity Date; (2) if the Company has specified a Redemption Date that is after a Regular Record Date and on or prior to the second Business Day immediately succeeding the corresponding Interest Payment Date (or, if such Interest Payment Date is not a Business Day, the third Business Day immediately succeeding such Interest Payment Date); (3) if the Company has specified a Fundamental Change Repurchase Date that is after a Regular Record Date and on or prior to the Business Day immediately succeeding the corresponding Interest Payment Date (or, if such Interest Payment Date is not a Business Day, the second Business Day immediately succeeding such Interest Payment Date); or (4) to the extent of any Defaulted Amounts, if any Defaulted Amounts exists at the time of conversion with respect to such Note. Neither the Trustee nor the Conversion Agent (if other than the Trustee) will have any duty to determine or verify determination by the Company of whether any of the conditions to conversion have been satisfied.

(i) The Person in whose name any ADSs shall be issuable upon conversion shall be treated as a stockholder of record as of the close of business on the relevant Conversion Date. Upon a conversion of Notes, such Person shall no longer be a Holder of such Notes surrendered for conversion.

(j) The Company shall not issue any fractional ADSs upon conversion of the Notes and shall instead pay cash in lieu of delivering any fractional ADS issuable upon conversion based on the Daily VWAP for the relevant Conversion Date.

Section 14.03. Increased Conversion Rate Applicable to Certain Notes Surrendered in Connection with Make-Whole Fundamental Changes

(a) If a Make-Whole Fundamental Change occurs prior to the Maturity Date and a Holder elects to convert its Notes in connection with such Make-Whole Fundamental Change, the Company shall, under the circumstances described below, increase the Conversion Rate for the Notes so surrendered for conversion by a number of additional ADSs (the “Additional ADSs”), as described below. A conversion of Notes shall be deemed for these purposes to be “in connection with” such Make-Whole Fundamental Change if the relevant Notice of Conversion is received by the Conversion Agent from, and including, the Effective Date of the Make-Whole Fundamental Change up to, and including, the second Business Day immediately prior to the related Fundamental Change Repurchase Date (or, in the case of a Make-Whole Fundamental Change that would have been a Fundamental Change but for the *proviso* in clause (b) of the definition thereof, the 35th Trading Day immediately following the Effective Date of such Make-Whole Fundamental Change). The Company shall provide written notification to Holders, the Trustee and the Conversion Agent (if other than the Trustee) of the Effective Date of any Make-Whole Fundamental Change and issue a press release announcing such Effective Date no later than five Business Days after such Effective Date.

(b) Upon surrender of Notes for conversion in connection with a Make-Whole Fundamental Change, the Company shall cause to be delivered ADSs, including the Additional ADSs, in accordance with Section 14.02; *provided, however*, that if, at the effective time of a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the Reference Property following such Make-Whole Fundamental Change is composed entirely of cash, for any conversion of Notes following the Effective Date of such Make-Whole Fundamental Change, the Conversion Obligation shall be calculated based solely on the ADS Price for the transaction and shall be deemed to be an amount of cash per US\$1,000 principal amount of converted Notes equal to the Conversion Rate (including any adjustment for Additional ADSs), *multiplied by* such ADS Price. In such event, the Conversion Obligation shall be paid to Holders in cash on the second Business Day following the Conversion Date.

(c) The number of Additional ADSs, if any, by which the Conversion Rate shall be increased shall be determined by reference to the table below, based on the date on which the Make-Whole Fundamental Change occurs or becomes effective (the “Effective Date”) and the price (the “ADS Price”) paid (or deemed to be paid) per ADS in the Make-Whole Fundamental Change. If the holders of the ADSs receive in exchange for their ADSs only cash in a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the ADS Price shall be the cash amount paid per ADS. Otherwise, the ADS Price shall be the average of the Last Reported Sale Prices of the ADSs over the five Trading Day period ending on, and including, the Trading Day immediately preceding the Effective Date of the Make-Whole Fundamental Change.

(d) The ADS Prices set forth in the column headings of the table below shall be adjusted as of any date on which the Conversion Rate of the Notes is otherwise adjusted. The adjusted ADS Prices shall equal the ADS Prices applicable immediately prior to such adjustment, *multiplied by a fraction*, the numerator of which is the Conversion Rate immediately prior to such adjustment giving rise to the ADS Price adjustment and the denominator of which is the Conversion Rate as so adjusted. The number of Additional ADSs set forth in the table below shall be adjusted in the same manner and at the same time as the Conversion Rate as set forth in Section 14.04.

(e) The following table sets forth the number of Additional ADSs to be received per US\$1,000 principal amount of Notes pursuant to this Section 14.03 for each ADS Price and Effective Date set forth below:

Effective date	ADS price											
	US\$3.8408	US\$4.00	US\$4.50	US\$4.6090	US\$5.00	US\$5.50	US\$6.00	US\$7.00	US\$8.00	US\$9.00	US\$10.00	US\$11.00
December 30, 2022	95.4662	83.0313	49.6980	47.0377	40.5833	34.1293	29.1273	21.9769	17.1903	13.8076	11.3130	9.4098
January 1, 2024	95.4662	83.0313	49.6980	49.6526	42.0793	34.6639	29.0528	21.2933	16.3108	12.9099	10.4705	8.6491
January 1, 2025	95.4662	83.0313	49.6980	52.2385	42.9629	34.1889	27.8111	19.4625	14.4479	11.2010	8.9634	7.3415
January 1, 2026	95.4662	83.0808	49.6980	46.7507	38.0933	29.8286	23.7826	15.8966	11.2782	8.4144	6.5399	5.2493
January 1, 2027	121.5025	108.0313	71.9202	65.0906	37.8401	26.9095	19.3235	10.3776	5.9966	3.7918	2.6315	1.9808
January 1, 2028	121.5025	108.0313	71.9202	65.0906	43.0313	19.3949	—	—	—	—	—	—

Effective date	ADS price											
	US\$12.00	US\$13.00	US\$14.00	US\$15.00	US\$16.00	US\$17.00	US\$18.00	US\$19.00	US\$20.00	US\$21.00	US\$22.00	US\$23.00
December 30, 2022	7.9176	6.7216	5.7455	4.9370	4.2973	3.7187	3.2243	2.7988	2.4305	2.1100	1.8300	1.5847
January 1, 2024	7.2442	6.1316	5.2314	4.4902	3.8825	3.3575	2.9097	2.5246	2.1913	1.9011	1.6476	1.4251
January 1, 2025	6.1174	5.1629	4.3990	3.7746	3.2748	2.8345	2.4593	2.1366	1.8568	1.6130	1.3994	1.2115
January 1, 2026	4.3184	3.6187	3.0736	2.6361	2.2849	1.9817	1.7233	1.5005	1.3066	1.1365	0.9864	0.8535
January 1, 2027	1.5848	1.3214	1.1305	0.9821	0.8622	0.7590	0.6694	0.5902	0.5195	0.4558	0.3981	0.3454
January 1, 2028	—	—	—	—	—	—	—	—	—	—	—	—

The exact ADS Prices and Effective Dates may not be set forth in the table above, in which case:

(i) if the ADS Price is between two ADS Prices in the table above or the Effective Date is between two Effective Dates in the table, the number of Additional ADSs shall be determined by a straight-line interpolation between the number of Additional ADSs set forth for the higher and lower ADS Prices and the earlier and later Effective Dates, as applicable, based on a 365-day year;

(ii) if the ADS Price is greater than US\$23.00 per ADS (subject to adjustment in the same manner as the ADS Prices set forth in the column headings of the table above pursuant to subsection (d) above), no Additional ADSs shall be added to the Conversion Rate; and

(iii) if the ADS Price is less than US\$3.8408 per ADS (subject to adjustment in the same manner as the ADS Prices set forth in the column headings of the table above pursuant to subsection (d) above), no Additional ADSs shall be added to the Conversion Rate.

Notwithstanding the foregoing, in no event shall the Conversion Rate per US\$1,000 principal amount of Notes exceed 338.4693 ADSs, subject to adjustment in the same manner as the Conversion Rate pursuant to Section 14.04.

(f) Nothing in this Section 14.03 shall prevent an adjustment to the Conversion Rate pursuant to Section 14.04.

(g) If the Holder elects to convert its Notes in connection with the Company's election to redeem the Notes in respect of a Change in Tax Law pursuant to Section 16.01, the Conversion Rate shall be increased by a number of additional ADSs determined pursuant to this Section 14.03(g). The Company shall settle conversions of Notes as described in Section 14.02 and, for the avoidance of doubt, pay Additional Amounts, if any, with respect to any such conversion.

A conversion shall be deemed to be "in connection with" the Company's election to redeem the Notes in respect of a Change in Tax Law if the relevant Notice of Conversion is received by the Conversion Agent during the period from, and including, the date the Company provides the related Redemption Notice to Holders until the close of business on the second Business Day immediately preceding the Redemption Date (or, if the Company fails to pay the Tax Redemption Price, such later date on which the Company pays the Tax Redemption Price).

Simultaneously with providing such Redemption Notice, the Company shall publish a notice containing this information in a newspaper of general circulation in The City of New York or publish the information on the Company's website or through such other public medium as the Company may use at that time.

The number of additional ADSs by which the Conversion Rate will be increased in the event the Company elects to redeem the Notes in respect of a Change in Tax Law will be determined by reference to the table in clause (e) above based on the Redemption Reference Date and the Redemption Reference Price (each as defined below), but determined for purposes of this Section 14.03(g) as if (x) the Holder had elected to convert its Notes in connection with a Make-Whole Fundamental Change, (y) the applicable "Redemption Reference Date" were the "Effective Date" as specified in clause (c) above and (z) the applicable "Redemption Reference Price" were the "ADS price" as specified in clause (c) above. For this purpose, the date on which the Company delivers a Redemption Notice is a "Redemption Reference Date" and the average of the Last Reported Sale Prices of the ADSs over the five Trading Day immediately preceding, the date the Company delivers such Redemption Notice is the "Redemption Reference Price."

Section 14.04. Adjustment of Conversion Rate

If the number of Class A Ordinary Shares represented by the ADSs is changed, after the date of this Indenture, for any reason other than one or more of the events described in this Section 14.04, the Company shall make an appropriate adjustment to the Conversion Rate such that the number of Class A Ordinary Shares represented by the ADSs upon which conversion of the Notes is based remains the same.

Notwithstanding the adjustment provisions described in this Section 14.04, if the Company distributes to holders of the Class A Ordinary Shares any cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company (but excluding Expiring Rights) and a corresponding distribution is not made to holders of the ADSs, but, instead, the ADSs shall represent, in addition to Class A Ordinary Shares, such cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company, then an adjustment to the Conversion Rate described in this Section 14.04 shall not be made until and unless a corresponding distribution (if any) is made to holders of the ADSs, and such adjustment to the Conversion Rate shall be based on the distribution made to the holders of the ADSs and not on the distribution made to the holders of the Class A Ordinary Shares. However, in the event that the Company issues or distributes to all holders of the Class A Ordinary Shares any Expiring Rights, notwithstanding the immediately preceding sentence, the Company shall adjust the Conversion Rate pursuant to Section 14.04(b) (in the case of Expiring Rights described in clause (b) below entitling holders of the Class A Ordinary Shares for a period of not more than 45 calendar days after the announcement date of such issuance to subscribe for or purchase Class A Ordinary Shares or ADSs) or Section 14.04(c) (in the case of all other Expiring Rights).

For the avoidance of doubt, if any event described in this Section 14.04 results in a change to the number of Class A Ordinary Shares represented by the ADSs, then such a change shall be deemed to satisfy the Company's obligation to effect the relevant adjustment to the Conversion Rate on account of such an event to the extent to which such change reflects what a corresponding change to the Conversion Rate would have been on account of such event.

The Conversion Rate shall be adjusted from time to time by the Company if any of the following events occurs, except that the Company shall not make any adjustments to the Conversion Rate if Holders of the Notes participate (other than in the case of a (x) share split or share combination or (y) a tender or exchange offer), at the same time and upon the same terms as holders of the ADSs and solely as a result of holding the Notes, in any of the transactions described in this Section 14.04, without having to convert their Notes, as if they held a number of ADSs equal to the Conversion Rate, *multiplied* by the principal amount (expressed in thousands) of Notes held by such Holder. Neither the Trustee nor the Conversion Agent shall have any responsibility to monitor the accuracy of any calculation of adjustment of the Conversion Rate and the same shall be conclusive and binding on the Holders, absent manifest error. Notice of such adjustment to the Conversion Rate shall be given by the Company promptly in writing to the Holders, the Trustee and the Conversion Agent and shall be conclusive and binding on the Holders, absent manifest error.

(a) If the Company exclusively issues Class A Ordinary Shares as a dividend or distribution on the Class A Ordinary Shares, or if the Company effects a share split or share combination, the Conversion Rate shall be adjusted based on the following formula:

$$CR = CR_0 \times \frac{OS_1}{OS_0}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date of such dividend or distribution, or immediately prior to the open of business on the Effective Date of such share split or share combination, as applicable;
- CR₁ = the Conversion Rate in effect after the close of business on such Record Date or immediately after the open of business on such Effective Date, as applicable;
- OS₀ = the number of Class A Ordinary Shares outstanding immediately prior to the close of business on such Record Date or immediately prior to the open of business on such Effective Date, as applicable (before giving effect to any such dividend, distribution, split or combination) ; and
- OS₁ = the number of Class A Ordinary Shares outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

Any adjustment made under this Section 14.04(a) shall become effective immediately after the close of business on the Record Date for such dividend or distribution, or immediately after the open of business on the Effective Date for such share split or share combination, as applicable. If any dividend or distribution of the type described in this Section 14.04(a) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(b) If the Company issues to all or substantially all holders of the Class A Ordinary Shares (directly or in the form of ADSs) (other than in connection with a stockholder rights plan) any rights, options or warrants entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase Class A Ordinary Shares (directly or in the form of ADSs) at a price per Ordinary Share that is less than the average of the Last Reported Sale Prices of the Class A Ordinary Shares or the ADSs, as the case may be (*divided by*, in the case of the ADSs, the number of Class A Ordinary Shares then represented by one ADS), for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, the Conversion Rate shall be increased based on the following formula:

$$CR = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such issuance;
- CR₁ = the Conversion Rate in effect immediately after the close of business on such Record Date;
- OS₀ = the number of Class A Ordinary Shares outstanding immediately prior to the close of business on such Record Date;
- X = the total number of Class A Ordinary Shares (directly or in the form of ADSs) deliverable pursuant to such rights, options or warrants; and
- Y = the number of Class A Ordinary Shares equal to (i) the aggregate price payable to exercise such rights, options or warrants, divided by (ii) the quotient of (a) the average of the Last Reported Sale Prices of the ADSs over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of the issuance of such rights, options or warrants divided by (b) the number of Class A Ordinary Shares then represented by one ADS.

Any increase made under this Section 14.04(b) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the Record Date for such issuance. To the extent that Class A Ordinary Shares or ADSs are not delivered after the expiration of such rights, options or warrants, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of Class A Ordinary Shares actually delivered (directly or in the form of ADSs). If such rights, options or warrants are not so issued, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if such Record Date for such issuance had not occurred.

For purposes of this Section 14.04(b), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase Class A Ordinary Shares (directly or in the form of ADSs) at a price per Ordinary Share that is less than such average of the Last Reported Sale Prices of the Class A Ordinary Shares or the ADSs, as the case may be (*divided by*, in the case of the ADSs, the number of Class A Ordinary Shares then represented by one ADS), for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement for such issuance, and in determining the aggregate offering price of such Class A Ordinary Shares or ADSs, there shall be taken into account any consideration received by the Company for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) If the Company distributes shares of its Capital Stock, evidences of its indebtedness, other assets or property of the Company or rights, options or warrants to acquire its Capital Stock or other securities, to all or substantially all holders of the Class A Ordinary Shares (directly or in the form of ADSs), excluding (i) dividends, distributions or issuances as to which an adjustment was effected pursuant to Section 14.04(a) or Section 14.04(b), (ii) dividends or distributions paid exclusively in cash as to which an adjustment was effected pursuant to Section 14.04(d), and (iii) Spin-Offs as to which the provisions set forth below in this Section 14.04(c) shall apply (any of such shares of Capital Stock, evidences of indebtedness, other assets or property or rights, options or warrants to acquire Capital Stock or other securities of the Company, the “Distributed Property”), then the Conversion Rate shall be increased based on the following formula:

$$CR = CR_0 \times \frac{SR_0}{SR_0 - FMV}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such distribution;
- CR₁ = the Conversion Rate in effect immediately after the close of business on such Record Date;
- SP₀ = the average of the Last Reported Sale Prices of the ADSs (divided by the number of Class A Ordinary Shares then represented by one ADS) over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and
- FMV = the fair market value (as determined by the Board of Directors) of the Distributed Property with respect to each outstanding Class A Ordinary Share (directly or in the form of ADSs) on the Record Date for such distribution.

Any increase made under the portion of this Section 14.04(c) above shall become effective immediately after the close of business on the Record Date for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if such distribution had not been declared. Notwithstanding the foregoing, if “FMV” (as defined above) is equal to or greater than “SP0” (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, in respect of each US\$1,000 principal amount thereof, at the same time and upon the same terms as holders of the ADSs receive the Distributed Property, the amount and kind of Distributed Property such Holder would have received if such Holder owned a number of ADSs equal to the Conversion Rate in effect on the Record Date for the ADSs for the distribution.

With respect to an adjustment pursuant to this Section 14.04(c) where there has been a payment of a dividend or other distribution on the Class A Ordinary Shares (directly or in the form of ADSs) of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Company, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange (a “Spin-Off”), the Conversion Rate shall be increased based on the following formula:

$$CR = CR_0 \times \frac{FMV + MB}{MB}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the end of the Valuation Period;
- CR₁ = the Conversion Rate in effect immediately after the end of the Valuation Period;
- FMV₀ = the average of the Last Reported Sale Prices of the Capital Stock or similar equity interest distributed to holders of the Class A Ordinary Shares (directly or in the form of ADSs) applicable to one Class A Ordinary Share (determined by reference to the definition of Last Reported Sale Price as set forth in Section 1.01 as if references therein to the ADSs were to such Capital Stock or similar equity interest) over the first 10 consecutive Trading Day period after, and including, the Ex-Dividend Date of the Spin-Off (the “Valuation Period”); and
- MP₀ = the average of the Last Reported Sale Prices of the ADSs (divided by the number of Class A Ordinary Shares then represented by one ADS) over the Valuation Period.

The increase to the Conversion Rate under the preceding paragraph shall occur at the close of business on the last Trading Day of the Valuation Period; *provided* that if the relevant Conversion Date occurs during the Valuation Period, references to “10” in the preceding paragraph shall be deemed to be replaced with such lesser number of Trading Days as have elapsed between the Ex-Dividend Date of such Spin-Off and the Conversion Date in determining the Conversion Rate.

For purposes of this Section 14.04(c) (and subject in all respect to Section 14.11), rights, options or warrants distributed by the Company to all holders of the Class A Ordinary Shares (directly or in the form of ADSs) entitling them to subscribe for or purchase shares of the Company's Capital Stock, including Class A Ordinary Shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events ("Trigger Event"): (i) are deemed to be transferred with such Class A Ordinary Shares (directly or in the form of ADSs); (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Class A Ordinary Shares (directly or in the form of ADSs), shall be deemed not to have been distributed for purposes of this Section 14.04(c) (and no adjustment to the Conversion Rate under this Section 14.04(c) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 14.04(c). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Record Date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 14.04(c) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Conversion Rate shall be readjusted as if such rights, options or warrants had not been issued and (y) the Conversion Rate shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per Ordinary Share redemption or purchase price received by a holder or holders of Class A Ordinary Shares (directly or in the form of ADSs) with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Class A Ordinary Shares (directly or in the form of ADSs) as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of Section 14.04(a), Section 14.04(b) and this Section 14.04(c), if any dividend or distribution to which this Section 14.04(c) is applicable also includes one or both of:

(A) a dividend or distribution of Class A Ordinary Shares (directly or in the form of ADSs) to which Section 14.04(a) is applicable (the "Clause A Distribution"); or

(B) a dividend or distribution of rights, options or warrants to which Section 14.04(b) is applicable (the "Clause B Distribution"),

then (1) such dividend or distribution, other than the Clause A Distribution and the Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section 14.04(c) is applicable (the "Clause C Distribution") and any Conversion Rate adjustment required by this Section 14.04(c) with respect to such Clause C Distribution shall then be made, and (2) the Clause A Distribution and Clause B Distribution shall be deemed to immediately follow the Clause C Distribution and any Conversion Rate adjustment required by Section 14.04(a) and Section 14.04(b) with respect thereto shall then be made, except that, if determined by the Company (I) the "Record Date" of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Record Date of the Clause C Distribution and (II) any Class A Ordinary Shares (directly or in the form of ADSs) included in the Clause A Distribution or Clause B Distribution shall be deemed not to be "outstanding immediately prior to the close of business on such Record Date or immediately after the open of business on such Effective Date" within the meaning of Section 14.04(a) or "outstanding immediately prior to the close of business on such Record Date" within the meaning of Section 14.04(b).

(d) If any cash dividend or distribution is made to all or substantially all holders of the Class A Ordinary Shares (directly or in the form of ADSs), the Conversion Rate shall be adjusted based on the following formula:

$$CR = CR_0 \times \frac{SR_0}{SR_0 - C}$$

where,

CR ₀	=	the Conversion Rate in effect immediately prior to the close of business on the Record Date for such dividend or distribution;
CR ₁	=	the Conversion Rate in effect immediately after the close of business on the Record Date for such dividend or distribution;
SP ₀	=	the Last Reported Sale Price of the ADSs (divided by the number of Class A Ordinary Shares then represented by one ADS) on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and
C	=	the amount in cash per Class A Ordinary Share the Company distributes to all or substantially all holders of the Class A Ordinary Shares (directly or in the form of ADSs).

Any increase pursuant to this Section 14.04(d) shall become effective immediately after the close of business on the Record Date for such dividend or distribution. If such dividend or distribution is not so paid, the Conversion Rate shall be decreased, effective as of the date the Board of Directors determines not to make or pay such dividend or distribution, to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. Notwithstanding the foregoing, if "C" (as defined above) is equal to or greater than "SP₀" (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, for each US\$1,000 principal amount of Notes, at the same time and upon the same terms as holders of the ADSs, the amount of cash that such Holder would have received if such Holder owned a number of ADSs equal to the Conversion Rate on the Record Date for such cash dividend or distribution.

(e) If the Company or any of its Subsidiaries make a payment in respect of a tender or exchange offer for the Class A Ordinary Shares (directly or in the form of ADSs), to the extent that the cash and value of any other consideration included in the payment per Ordinary Share exceeds the average of the Last Reported Sale Prices of the ADSs (divided by the number of Class A Ordinary Shares then represented by one ADS) over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires, the Conversion Rate shall be increased based on the following formula:

$$CR = CR_0 \times \frac{AC + (SR_0 \times OS)}{OS_0 \times SR_0}$$

where,

CR ₀	=	the Conversion Rate in effect immediately prior to the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
CR ₁	=	the Conversion Rate in effect immediately after the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
AC	=	the aggregate value of all cash and any other consideration (as determined by the Board of Directors) paid or payable for Class A Ordinary Shares or ADSs, as the case may be, purchased in such tender or exchange offer;
OS ₀	=	the number of Class A Ordinary Shares outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to the purchase of all Class A Ordinary Shares or ADSs, as the case may be, accepted for purchase or exchange in such tender or exchange offer);
OS ₁	=	the number of Class A Ordinary Shares outstanding immediately after the date such tender or exchange offer expires (after giving effect to the purchase of all Class A Ordinary Shares or ADSs, as the case may be, accepted for purchase or exchange in such tender or exchange offer); and
SP ₁	=	the average of the Last Reported Sale Prices of the ADSs (<i>divided by</i> the number of Class A Ordinary Shares then represented by one ADS) over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires.

The increase to the Conversion Rate under this Section 14.04(e) shall occur at the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires; *provided* that if the relevant Conversion Date occurs during the 10 Trading Days immediately following, and including, the Trading Day next succeeding the expiration date of any tender or exchange offer, references to “10” or “10th” in the preceding paragraph shall be deemed replaced with such lesser number of Trading Days as have elapsed between the date that such tender or exchange offer expires and the Conversion Date in determining the Conversion Rate.

(f) [Reserved.]

(g) Except as stated herein, the Company shall not adjust the Conversion Rate for the issuance of Class A Ordinary Shares or ADSs or any securities convertible into or exchangeable for Class A Ordinary Shares or ADSs or the right to purchase Class A Ordinary Shares or ADSs or such convertible or exchangeable securities.

(h) In addition to those adjustments required by clauses (a), (b), (c), (d) and (e) of this Section 14.04, and to the extent permitted by applicable law and subject to the applicable rules of The Nasdaq Global Market and any other securities exchange on which any of the Company’s securities are then listed, the Company from time to time may increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the Company’s best interest, and the Company may (but is not required to) increase the Conversion Rate to avoid or diminish any income tax to holders of the Class A Ordinary Shares or the ADSs or rights to purchase Class A Ordinary Shares or ADSs in connection with a dividend or distribution of Class A Ordinary Shares or ADSs (or rights to acquire Class A Ordinary Shares or ADSs) or similar event.

(i) Notwithstanding anything to the contrary in this Article 14, the Conversion Rate shall not be adjusted:

(i) upon the issuance of any Class A Ordinary Shares or ADSs pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company’s securities and the investment of additional optional amounts in Class A Ordinary Shares or ADSs under any plan;

(ii) upon the issuance of any Class A Ordinary Shares or ADSs or options or rights to purchase those Class A Ordinary Shares or ADSs pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of the Company's Subsidiaries;

(iii) upon the repurchase of any Ordinary Shares pursuant to an open-market share repurchase program or other buyback transaction that is not a tender offer or exchange offer of the nature described in clause (e) of this Section 14.04 above;

(iv) upon the issuance of any Class A Ordinary Shares or ADSs pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in clause (ii) of this subsection and outstanding as of the date the Notes were first issued;

(v) solely for a change in the par value of the Class A Ordinary Shares or ADSs; or

(vi) for accrued and unpaid interest, if any.

(j) All calculations and other determinations under this Article 14 shall be made by the Company and shall be made to the nearest one-ten thousandth (1/10,000) of an ADS.

(k) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly deliver to the Trustee (and the Conversion Agent if not the Trustee) an Officer's Certificate setting forth (i) the adjusted Conversion Rate, (ii) the subsection of this Section 14.04 pursuant to which such adjustment has been made, showing in reasonable detail the facts upon which such adjustment is based, and (iii) the date as of which such adjustment is effective, and such Officer's Certificate shall be conclusive evidence of the accuracy of such adjustment absent manifest error. Unless and until a Responsible Officer of the Trustee shall have received such Officer's Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Conversion Rate and may assume without inquiry that the last Conversion Rate of which it has knowledge is still in effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall deliver such notice of such adjustment of the Conversion Rate to each Holder at its last address appearing on the Note Register of this Indenture. Failure to deliver such notice shall not affect the legality or validity of any such adjustment. Neither the Trustee nor any Conversion Agent shall be under any duty or responsibility with respect to any such certificate or the information and calculations contained therein.

(l) For purposes of this Section 14.04, the number of Class A Ordinary Shares at any time outstanding shall not include Class A Ordinary Shares held in the treasury of the Company (directly or in the form of ADSs) so long as the Company does not pay any dividend or make any distribution on Class A Ordinary Shares held in the treasury of the Company (directly or in the form of ADSs), but shall include Class A Ordinary Shares issuable in respect of scrip certificates issued in lieu of fractions of Class A Ordinary Shares.

Section 14.05. Adjustments of Prices

Whenever any provision of this Indenture requires the Company to calculate the Last Reported Sale Prices, the Daily VWAPs, or the ADS Price for purposes of a Make-Whole Fundamental Change or the Redemption Reference Price for purposes of our election to redeem the notes in connection with changes in tax laws over a span of multiple days, the Board of Directors shall make appropriate adjustments to each to account for any adjustment to the Conversion Rate that becomes effective pursuant to Section 14.04, or any event requiring an adjustment to the Conversion Rate pursuant to Section 14.04 where the Ex-Dividend Date, Effective Date or expiration date, as the case may be, of the event occurs, at any time during the period when such Last Reported Sale Prices, ADS Prices or the Daily VWAPs are to be calculated.

Section 14.06. Class A Ordinary Shares to Be Fully Paid

The Company shall provide, free from preemptive rights, out of its authorized but unissued Class A Ordinary Shares or Class A Ordinary Shares held in treasury, a sufficient number of Class A Ordinary Shares that corresponds to the number of ADSs due upon conversion of the Notes from time to time as such Notes are presented for conversion (assuming delivery of the maximum number of Additional ADSs pursuant to Section 14.03 and that at the time of computation of such number of Class A Ordinary Shares, all such Notes would be converted by a single Holder).

Section 14.07. Effect of Recapitalizations, Reclassifications and Changes of the Class A Ordinary Shares

(a) In the case of:

- (i) any recapitalization, reclassification or change of the ADSs or Class A Ordinary Shares (other than changes resulting from a subdivision or combination),
- (ii) any consolidation, merger, combination or similar transaction involving the Company,
- (iii) any sale, lease or other transfer to a third party of the consolidated assets of the Company and the Company's Subsidiaries substantially as an entirety or

(iv) any statutory share exchange,

in each case, as a result of which the ADS or the Class A Ordinary Shares would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (any such event, a “Merger Event”), then, prior to or at the effective time of such Merger Event, the Company or the successor or purchasing Person, as the case may be, shall execute with the Trustee a supplemental indenture permitted under Section 10.01(f) providing that, at and after the effective time of such Merger Event, the right to convert each US\$1,000 principal amount of Notes shall be changed into a right to convert such principal amount of Notes into the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) that a holder of a number of ADSs equal to the Conversion Rate immediately prior to such Merger Event would have owned or been entitled to receive (the “Reference Property,” with each “unit of Reference Property” meaning the kind and amount of Reference Property that a holder of one ADS is entitled to receive) upon such Merger Event; *provided, however*, that at and after the effective time of the Merger Event the number of ADSs otherwise deliverable upon conversion of the Notes in accordance with Section 14.02 shall instead be deliverable in the amount and type of Reference Property that a holder of that number of ADSs would have received in such Merger Event.

If the Merger Event causes the ADSs or Class A Ordinary Shares to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of holder election), then (i) the Reference Property into which the Notes will be convertible shall be deemed to be the weighted average of the types and amounts of consideration actually received by the holders of ADSs, and (ii) the unit of Reference Property for purposes of the immediately preceding paragraph shall refer to the consideration referred to in clause (i) attributable to one ADS. If the holders of the ADSs or Class A Ordinary Shares receive only cash in such Merger Event, then for all conversions for which the relevant Conversion Date occurs after the effective date of such Merger Event (A) the consideration due upon conversion of each US\$1,000 principal amount of Notes shall be solely cash in an amount equal to the Conversion Rate in effect on the Conversion Date (as may be increased by any Additional ADSs pursuant to Section 14.03), *multiplied by* the price paid per ADS or Class A Ordinary Share, as applicable, in such Merger Event and (B) the Company shall satisfy the Conversion Obligation by paying cash to converting Holders on the second Business Day immediately following the relevant Conversion Date. The Company shall provide written notice to Holders, the Trustee and the Conversion Agent (if other than the Trustee) of such weighted average as soon as practicable after such determination is made.

Such supplemental indenture described in the second immediately preceding paragraph shall provide for anti-dilution and other adjustments that shall be as nearly equivalent as is practicable to the adjustments provided for in this Article 14 (it being understood that no such adjustments shall be required with respect to any portion of the Reference Property that does not consist of shares of Common Equity (however evidenced) or depository receipts in respect thereof). If, in the case of any Merger Event, the Reference Property includes shares of stock, securities or other property or assets (including cash or any combination thereof) of a Person other than the Company or the successor or purchasing Person, as the case may be, in such Merger Event, then such other Person shall also execute such supplemental indenture, and such supplemental indenture shall contain such additional provisions to protect the interests of the Holders of the Notes, including the right of Holders to require the Company to repurchase their Notes upon a Fundamental Change pursuant to Section 15.02 and the right of Holders to require the Company to repurchase their Notes during the Repurchase Period pursuant to Section 15.01, as the Board of Directors shall consider necessary by reason of the foregoing.

(b) [RESERVED]

(c) The Company shall not become a party to any Merger Event unless its terms are consistent with this Section 14.07. None of the foregoing provisions shall affect the right of a holder of Notes to convert its Notes into ADSs as set forth in Section 14.01 and Section 14.02 prior to the effective date of such Merger Event.

(d) The above provisions of this Section shall similarly apply to successive Merger Events.

Section 14.08. Certain Covenants

(a) The Company covenants that all ADSs delivered upon conversion of Notes, and all Class A Ordinary Shares represented by such ADSs, will be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

(b) The Company covenants that, if any ADSs to be provided for the purpose of conversion of Notes hereunder, or any Class A Ordinary Shares represented by such ADSs, require registration with or approval of any governmental authority under any federal or state law before such ADSs may be validly issued upon conversion, the Company will, to the extent then permitted by the rules and interpretations of the Commission, secure such registration or approval, as the case may be.

(c) The Company further covenants that if at any time the ADSs shall be listed on any national securities exchange or automated quotation system the Company will list and keep listed, so long as the ADSs shall be so listed on such exchange or automated quotation system, any ADSs deliverable upon conversion of the Notes.

(d) The Company further covenants to take all actions and obtain all approvals and registrations required with respect to the conversion of the Notes into ADSs and the issuance, and deposit into the ADS facility, of the Class A Ordinary Shares represented by such ADSs. The Company also undertakes to maintain, as long as any Notes are outstanding, the effectiveness of a registration statement on Form F-6 relating to the ADSs and an adequate number of ADSs available for issuance thereunder such that ADSs can be delivered in accordance with the terms of this Indenture, the Notes and the Deposit Agreement upon conversion of the Notes.

Section 14.09. Responsibility of Trustee

The Trustee and any other Conversion Agent shall not at any time be under any duty or responsibility to any Holder to determine the Conversion Rate (or any adjustment thereto) or whether any facts exist that may require any adjustment (including any increase) of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any ADSs, or of any securities, property or cash that may at any time be issued or delivered upon the conversion of any Note; and the Trustee and any other Conversion Agent make no representations with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any ADSs or stock certificates or other securities or property or cash upon the surrender of any Note for the purpose of conversion, the accuracy or inaccuracy of any mathematical calculation or formulae under this Indenture, whether by the Company or any Person so authorized by the Company for such purpose under this Indenture or the failure by the Company to comply with any of the duties, responsibilities or covenants of the Company contained in this Article. Without limiting the generality of the foregoing, neither the Trustee nor any Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 14.07 relating either to the kind or amount of ADSs or securities or property (including cash) receivable by Holders upon the conversion of their Notes after any event referred to in such Section 14.07 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 7.01, may accept (without any independent investigation) as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officer's Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto. Neither the Trustee nor the Conversion Agent shall be responsible for determining whether any event contemplated by Section 14.01(b) has occurred that makes the Notes eligible for conversion or no longer eligible therefor until the Company has delivered to the Trustee and the Conversion Agent the notices referred to in Section 14.01(b) with respect to the commencement or termination of such conversion rights, on which notices the Trustee and the Conversion Agent may conclusively rely, and the Company agrees to deliver such notices to the Trustee and the Conversion Agent immediately after the occurrence of any such event or at such other times as shall be provided for in Section 14.01(b). Except as otherwise expressly provided herein, neither the Trustee nor any other agent acting under this Indenture (other than the Company, if acting in such capacity) shall have any obligation to make any calculation.

Section 14.10. Notice to Holders Prior to Certain Actions. In case of any:

(a) action by the Company or one of its Subsidiaries that would require an adjustment in the Conversion Rate pursuant to Section 14.04 or Section 14.11;

(b) Merger Event; or

(c) voluntary or involuntary dissolution, liquidation or winding-up of the Company or any of its Subsidiaries; then, in each case (unless notice of such event is otherwise required pursuant to another provision of this Indenture), the Company shall cause to be filed with the Trustee and the Conversion Agent (if other than the Trustee) and to be delivered to each Holder at its address appearing on the Note Register, as promptly as possible but in any event at least 20 days prior to the applicable date hereinafter specified, a notice stating (i) the date on which a record is to be taken for the purpose of such action by the Company or one of its Subsidiaries or, if a record is not to be taken, the date as of which the holders of Class A Ordinary Shares or ADSs, as the case may be, of record are to be determined for the purposes of such action by the Company or one of its Subsidiaries, or (ii) the date on which such Merger Event, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Class A Ordinary Shares or ADSs, as the case may be, of record shall be entitled to exchange their Class A Ordinary Shares or ADSs, as the case may be, for securities or other property deliverable upon such Merger Event, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such action by the Company or one of its Subsidiaries, Merger Event, dissolution, liquidation or winding-up.

Section 14.11. Stockholder Rights Plans

To the extent that the Company has a rights plan in effect upon conversion of the Notes, each ADS, if any, delivered upon such conversion shall be entitled to receive (either directly or in respect of the Class A Ordinary Shares underlying such ADSs) the appropriate number of rights, if any, and the certificates representing the ADSs delivered upon such conversion shall bear such legends, if any, in each case as may be provided by the terms of any such stockholder rights plan, as the same may be amended from time to time. However, if, prior to any conversion of Notes, the rights have separated from the Class A Ordinary Shares underlying the ADSs in accordance with the provisions of the applicable stockholder rights plan, the Conversion Rate shall be adjusted at the time of separation as if the Company distributed to all or substantially all holders of the Class A Ordinary Shares Distributed Property as provided in Section 14.04(c), subject to readjustment in the event of the expiration, termination or redemption of such rights.

Section 14.12. Limit on Issuance of ADSs Upon Conversion

Notwithstanding anything to the contrary in this Indenture, if an event occurs that would result in an increase in the Conversion Rate by an amount in excess of limitations imposed by any shareholder approval rules or listing standards of any national or regional securities exchange that are applicable to the Company, the Company will, at its option, either obtain stockholder approval of any issuance of ADSs upon conversion of the Notes in excess of such limitations or pay cash in lieu of delivering any ADSs otherwise deliverable upon conversions in excess of such limitations based on the Daily VWAP on the relevant Conversion Date.

Section 14.13. Termination of Depositary Receipt Program

If the Class A Ordinary Shares cease to be represented by ADSs issued under a depositary receipt program sponsored by the Company, all references in this Indenture to the ADSs shall be deemed to have been replaced by a reference to the number of Class A Ordinary Shares (and other property, if any) represented by the ADSs on the last day on which the ADSs represented the Class A Ordinary Shares and as if the Class A Ordinary Shares and the other property had been distributed to holders of the ADSs on that day. In addition, all references to the Last Reported Sale Price of the ADSs will be deemed to refer to the Last Reported Sale Price of the Class A Ordinary Shares, and other appropriate adjustments, including adjustments to the Conversion Rate, will be made to reflect such change. In making such adjustments, where currency translations between U.S. dollars and any other currency are required, the exchange rate in effect on the date of determination will apply. The Company shall provide written notice to the Holders, the Trustee and the Conversion Agent (if other than the Trustee) upon the occurrence of the foregoing.

ARTICLE 15

REPURCHASE OF NOTES AT OPTION OF HOLDERS

Section 15.01. Repurchase at Option of Holders

(a) Each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash on any Business Day during the three-month period commencing on the third (3rd) anniversary of the date of this Indenture (the "Repurchase Period") (the Business Day specified by such Holder on which the Notes are required to be repurchased, at the election of each Holder, pursuant to this Section 15.01, the "Repurchase Date"), all of such Holder's Notes, or any portion thereof that is an integral multiple of US\$1,000 principal amount, at a repurchase price (the "Third Anniversary Repurchase Price") that is equal to the sum of: (i) 100% of the principal amount of the Notes to be repurchased, (ii) a premium equal to 20% of the principal amount thereof, and (iii) accrued and unpaid interest to, but excluding, the Repurchase Date; *provided* (i) that any such accrued and unpaid interest shall be paid not to the Holders submitting the Notes for repurchase on the Repurchase Date but instead to the Holders of such Notes at the close of business on the Regular Record Date immediately preceding the Repurchase Date and (ii) any Repurchase Date shall not be earlier than the 20th Business Day immediately following the delivery of the relevant Repurchase Notice. Not later than 20 Business Days prior to the third (3rd) anniversary of the date of this Indenture, the Company shall mail a notice (the "Company Notice") by first class mail to the Trustee, to the Paying Agent and to each Holder at its address shown in the Note Register of the Note Registrar (and to beneficial owners as required by applicable law). The Company Notice shall include a form of Repurchase Notice to be completed by a holder and shall state:

- (i) [reserved];
- (ii) the Third Anniversary Repurchase Price;
- (iii) the Repurchase Period;
- (iv) the name and address of the Conversion Agent and Paying Agent;
- (v) that the Notes with respect to which a Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Repurchase Notice in accordance with the terms of this Indenture;
- (vi) that the Holder shall have the right to withdraw any Notes surrendered prior to the Repurchase Expiration Time; and
- (vii) the procedures a Holder must follow to exercise its repurchase rights under this Section 15.01 and a brief description of those rights.

At the Company's request, the Trustee shall give such notice in the Company's name and at the Company's expense; *provided, however*, that, in all cases, the text of such Company Notice shall be prepared by the Company.

Simultaneously with providing the Company Notice, the Company shall publish a notice containing the information included in the Company Notice in a newspaper of general circulation in The City of New York or publish such information on the Company's website or through such other public medium as the Company may use at that time.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 15.01.

Repurchases of Notes under this Section 15.01 shall be made, at the option of the Holder thereof, upon:

(A) delivery to the Paying Agent by the Holder of a duly completed notice (the "Repurchase Notice") in the form set forth in Attachment 3 to the Form of Note attached hereto as Exhibit A, if the Notes are Physical Notes, or in compliance with the Depository's procedures for surrendering interests in global notes, if the Notes are Global Notes, in each case during the period beginning at any time from the open of business on the date that is 20 Business Days prior to the first day of the Repurchase Period until the close of business on the date that is 20 Business Days prior to the last day of the Repurchase Period;

(B) delivery of the Notes, if the Notes are Physical Notes, to the Paying Agent at any time after delivery of the Repurchase Notice (together with all necessary endorsements) at the Paying Agent Office, or book-entry transfer of the Notes, if the Notes are Global Notes, in compliance with the procedures of the Depository, in each case such delivery being a condition to receipt by the Holder of the Third Anniversary Repurchase Price therefor.

Each Repurchase Notice shall state:

- (A) in the case of Physical Notes, the certificate numbers of the Notes to be delivered for repurchase;
- (B) the portion of the principal amount of the Notes to be repurchased, which must be US\$1,000 or an integral multiple thereof;
- (C) [reserved];
- (D) the Repurchase Date; and
- (E) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture;

provided, however, that if the Notes are Global Notes, the Repurchase Notice must comply with appropriate Depository procedures.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Repurchase Notice contemplated by this Section 15.01 shall have the right to withdraw, in whole or in part, such Repurchase Notice at any time prior to the close of business on the second Business Day immediately preceding the Repurchase Date (the "Repurchase Expiration Time") by delivery of a duly completed written notice of withdrawal to the Paying Agent in accordance with Section 15.03.

The Paying Agent shall promptly notify the Company of the receipt by it of any Repurchase Notice or written notice of withdrawal thereof.

No Repurchase Notice with respect to any Notes may be delivered and no Note may be surrendered for repurchase pursuant to this Section 15.01 by a Holder thereof to the extent such Holder has also delivered a Fundamental Change Repurchase Notice with respect to such Note in accordance with Section 15.02 and not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 15.03.

(b) Notwithstanding the foregoing, no Notes may be repurchased by the Company at the option of the Holders on the Repurchase Date if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such Repurchase Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Third Anniversary Repurchase Price with respect to such Notes). The Paying Agent will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a Default by the Company in the payment of the Third Anniversary Repurchase Price with respect to such Notes), or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depository shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 15.02. Repurchase at Option of Holders Upon a Fundamental Change

(a) If a Fundamental Change occurs at any time, each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes, or any portion thereof that is equal to US\$1,000 or an integral multiple of US\$1,000, on the Business Day (the "Fundamental Change Repurchase Date") notified in writing by the Company as set forth in Section 15.02(c) that is not less than 3 Business Days or more than 35 Business Days following the date of the Fundamental Change Company Notice, at a repurchase price equal to, (A) in the case of a Fundamental Adverse Regulatory Change, the sum of (i) 100% of the principal amount thereof, (ii) a premium equal to an amount that would yield a return on the principal amount thereof at the rate of 6% per annum, compounded annually, from the date hereof to the Fundamental Change Repurchase Date, and (iii) accrued and unpaid interest thereon to, but excluding, the Fundamental Change Repurchase Date, or (B) in the case of any Fundamental Change other than a Fundamental Adverse Regulatory Change, (x) if the Fundamental Change Repurchase Date is on or prior to the third (3rd) anniversary of the date of this Indenture, the sum of: (i) 100% of the principal amount of the Notes to be repurchased, (ii) a premium equal to 20% of the principal amount thereof, and (iii) accrued and unpaid interest thereon to, but excluding, the Fundamental Change Repurchase Date, or (y) if the Fundamental Change Repurchase Date is after the third (3rd) anniversary of the date of this Indenture, the sum of: (i) 100% of the principal amount of the Notes to be repurchased, (ii) a premium equal to 30% of the principal amount thereof, and (iii) accrued and unpaid interest thereon to, but excluding, the Fundamental Change Repurchase Date (the purchase price under (A) or (B), the "Fundamental Change Repurchase Price"), unless the Fundamental Change Repurchase Date falls after a Regular Record Date but on or prior to the Interest Payment Date to which such Regular Record Date relates, in which case the Company shall instead pay the full amount of accrued and unpaid interest to Holders of record as of such Regular Record Date on such Interest Payment Date, and the Fundamental Change Repurchase Price shall be equal to 100% of the principal amount of Notes to be repurchased, *plus* any premium thereon, in each case, pursuant to this Article 15.

(b) Repurchases of Notes under this Section 15.02 shall be made, at the option of the Holder thereof, upon:

(i) delivery to the Paying Agent by a Holder of a duly completed notice (the "Fundamental Change Repurchase Notice") in the form set forth in Attachment 2 to the Form of Note attached hereto as Exhibit A, if the Notes are Physical Notes, or in compliance with the Depository's procedures for surrendering interests in Global Notes, if the Notes are Global Notes, in each case on or before the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date; and

(ii) delivery of the Notes, if the Notes are Physical Notes, to the Paying Agent at any time after delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements for transfer) or book-entry transfer of the Notes, if the Notes are Global Notes, in compliance with the procedures of the Depository, in each case such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefor.

The Fundamental Change Repurchase Notice in respect of any Notes to be repurchased shall state:

- (i) in the case of Physical Notes, the certificate numbers of the Notes to be delivered for repurchase;
- (ii) the portion of the principal amount of Notes to be repurchased, which must be US\$1,000 or an integral multiple thereof; and
- (iii) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture;

provided, however, that if the Notes are Global Notes, the Fundamental Change Repurchase Notice must comply with appropriate Depository procedures.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Fundamental Change Repurchase Notice contemplated by this Section 15.02 shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Notice at any time prior to the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 15.03.

The Paying Agent shall promptly notify the Company of the receipt by it of any Fundamental Change Repurchase Notice or written notice of withdrawal thereof.

No Fundamental Change Repurchase Notice with respect to any Notes may be delivered and no Note may be surrendered for repurchase pursuant to this Section 15.02 by a Holder thereof to the extent such Holder has also delivered a Repurchase Notice with respect to such Note in accordance with Section

15.01 and not validly withdrawn such Repurchase Notice in accordance with Section 15.03.

(c) On or before the 20th calendar day after the occurrence of the effective date of a Fundamental Change, the Company shall provide to all Holders, the Trustee and the Paying Agent (if other than the Trustee) a written notice (the "Fundamental Change Company Notice") of the occurrence of the effective date of the Fundamental Change and of the repurchase right at the option of the Holders arising as a result thereof. In the case of Physical Notes, such notice shall be by first class mail or, in the case of Global Notes, such notice shall be delivered in accordance with the applicable procedures of the Depository. Simultaneously with providing such notice, the Company shall publish a notice containing the information set forth in the Fundamental Change Company Notice in a newspaper of general circulation in The City of New York or publish such information on the Company's website or through such other public medium as the Company may use at that time. Each Fundamental Change Company Notice shall specify:

- (i) the events causing the Fundamental Change;
- (ii) the date of the Fundamental Change;

- (iii) the last date on which a Holder may exercise the repurchase right pursuant to this Section 15.02;
- (iv) the Fundamental Change Repurchase Price;
- (v) the Fundamental Change Repurchase Date;
- (vi) the name and address of the Paying Agent;
- (vii) if applicable, the Conversion Rate and any adjustments to the Conversion Rate;
- (viii) that the Notes with respect to which a Fundamental Change Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Fundamental Change Repurchase Notice in accordance with the terms of this Indenture; and
- (ix) the procedures that Holders must follow to require the Company to repurchase their Notes.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 15.02.

At the Company's request, the Trustee shall give such notice in the Company's name and at the Company's expense; *provided, however*, that, in all cases, the text of such Fundamental Change Company

Notice shall be prepared by the Company and delivered to the Trustee no later than 2 Business Days (or such shorter period as is acceptable to the Trustee) prior to the date the Fundamental Change Company Notice is to be sent.

(d) Notwithstanding the foregoing, no Notes may be repurchased by the Company on any date at the option of the Holders upon a Fundamental Change if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a Default by the Company in the payment of the Fundamental Change Repurchase Price with respect to such Notes). The Paying Agent will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a Default by the Company in the payment of the Fundamental Change Repurchase Price with respect to such Notes), or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depositary shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the Fundamental Change Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 15.03. Withdrawal of Repurchase Notice or Fundamental Change Repurchase Notice

A Repurchase Notice or Fundamental Change Repurchase Notice may be withdrawn (in whole or in part) by means of a duly completed written notice of withdrawal delivered to the Paying Agent in accordance with this Section 15.03 at any time prior to the close of business on the second Business Day immediately preceding the Repurchase Date or prior to the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date, as the case may be, specifying:

- (i) the principal amount of the Notes with respect to which such notice of withdrawal is being submitted, which principal amount must be in principal amounts of US \$1,000 or an integral multiple of US \$1,000,
- (ii) if Physical Notes have been issued, the certificate number of the Note in respect of which such notice of withdrawal is being submitted, and
- (iii) the principal amount, if any, of such Note that remains subject to the original Repurchase Notice or Fundamental Change Repurchase Notice, as the case may be, which portion must be in principal amounts of US\$1,000 or an integral multiple of US\$1,000;

provided, however, that if the Notes are Global Notes, the notice must comply with appropriate procedures of the Depository.

Section 15.04. Deposit of Third Anniversary Repurchase Price or Fundamental Change Repurchase Price

(a) The Company will deposit with the Paying Agent, or if the Company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 4.04(b) on or prior to 10:00 a.m., New York City time, on the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, an amount of money sufficient to repurchase all of the Notes to be repurchased at the appropriate Third Anniversary Repurchase Price or Fundamental Change Repurchase Price. Subject to receipt of funds and/or Notes by the Paying Agent, payment for Notes surrendered for repurchase (and not withdrawn in accordance with Section 15.03) will be made on the later of (i) the Repurchase Date or Fundamental Change Repurchase Date, as the case may be (*provided* the Holder has satisfied the conditions in Section 15.01 or Section 15.02, as the case may be) and (ii) the time of book-entry transfer or the delivery of such Note to the Paying Agent by the Holder thereof in the manner required by Section 15.01 or Section, as applicable, by mailing checks for the amount payable to the Holders of such Notes entitled thereto as they shall appear in the Note Register; *provided, however*, that payments to the Depository shall be made by wire transfer of immediately available funds to the account of the Depository or its nominee. The Paying Agent shall, promptly after such payment and upon written demand by the Company, return to the Company any funds in excess of the Third Anniversary Repurchase Price or Fundamental Change Repurchase Price, as the case may be.

(b) If by 10:00 a.m., New York City time, on the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, the Paying Agent holds money sufficient to make payment on all the Notes or portions thereof that are to be repurchased on such Repurchase Date or Fundamental Change Repurchase Date, as the case may be, then, with respect to the Notes that have been properly surrendered for repurchase to the Paying Agent and not validly withdrawn, on such Repurchase Date or Fundamental Change Repurchase Date, as the case may be, (i) such Notes will cease to be outstanding, (ii) interest will cease to accrue on such Notes (whether or not book-entry transfer of the Notes has been made or the Notes have been delivered to the Paying Agent) and (iii) all other rights of the Holders of such Notes will terminate (other than the right to receive the Third Anniversary Repurchase Price or Fundamental Change Repurchase Price, as the case may be).

(c) Upon surrender of a certificated Note that is to be repurchased in part pursuant to Section 15.01 or Section 15.02, the Company shall execute and instruct the Trustee who shall authenticate and deliver to the Holder a new certificated Note in an authorized denomination equal in principal amount to the unreurchased portion of the certificated Note surrendered.

Section 15.05. Covenant to Comply with Applicable Laws Upon Repurchase of Notes

In connection with any repurchase offer, the Company will, if required:

- (a) comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act;
- (b) file a Schedule TO or other required schedule under the Exchange Act; and
- (c) otherwise comply with all federal and state securities laws in connection with any offer by the Company to repurchase the Notes;

in each case, so as to permit the rights and obligations under this Article 15 to be exercised in the time and in the manner specified in this Article 15.

The Company shall not be required to purchase, or to make an offer to purchase, the Notes upon a Fundamental Change if a third party makes such an offer in the same manner, at the same time, for the same or greater price and otherwise in compliance with the requirements for an offer made by the Company as set forth above in this Section 15.05 and such third party purchases all Notes properly surrendered and not validly withdrawn under its offer in the same manner, at the same time, for the same or greater price and otherwise in compliance with the requirements for an offer made by the Company as set forth above in this Section 15.05.

Notwithstanding anything to the contrary in this Indenture, to the extent that the provisions of any federal or state securities laws or other applicable laws or regulations adopted after the date on which the Notes are first issued conflict with the provisions of this Indenture relating to the Company's obligations to repurchase the Notes upon a Fundamental Change, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under such provisions of this Indenture by virtue of such conflict.

ARTICLE 16

OPTIONAL REDEMPTION

Section 16.01. Optional Redemption for Changes in the Tax Law of the Relevant Taxing Jurisdiction

Other than as described in this Article 16, the Notes may not be redeemed by the Company at its option prior to maturity. If the Company has, or on the next Interest Payment Date would, become obligated to pay to the Holder of any Note Additional Amounts, as a result of:

(a) any change or amendment on or after December 30, 2022 (or, in the case of a jurisdiction that becomes a Relevant Taxing Jurisdiction on a date that is after December 30, 2022, after such later date) in the laws or any rules or regulations of a Relevant Taxing Jurisdiction; or

(b) any change on or after December 30, 2022 (or, in the case of a jurisdiction that becomes a Relevant Taxing Jurisdiction on a date that is after December 30, 2022, after such later date) in an interpretation, administration or application of such laws, rules or regulations by any legislative body, court, governmental agency, taxing authority or regulatory or administrative authority of such Relevant Taxing Jurisdiction (including the enactment of any legislation and the announcement or publication of any judicial decision or regulatory or administrative interpretation or determination); (each, a “Change in Tax Law”), the Company may, at its option, redeem all but not part of the Notes (an “Optional Redemption”) (except in respect of certain Holders that elect otherwise as described below) at a “Tax Redemption Price” equal to (x) if the date on which the Notes are redeemed (the “Redemption Date”) is on or prior to the third (3rd) anniversary of the date of this Indenture, the sum of (i) 100% of the principal amount of the Notes to be redeemed, (ii) a premium equal to 20% of the principal amount thereof, and (iii) accrued and unpaid interest thereon to, but excluding, the Redemption Date, or (y) if the Redemption Date is after the third (3rd) anniversary of the date of this Indenture, the sum of (i) 100% of the principal amount of the Notes to be redeemed, (ii) a premium equal to 30% of the principal amount thereof, and (iii) accrued and unpaid interest thereon to, but excluding, the Redemption Date, in each case of (x) and (y), including, any Additional Amounts with respect to such Tax Redemption Price; *provided* that the Company may only redeem the Notes if: (i) the Company cannot avoid such obligations by taking commercially reasonable measures available to the Company (*provided* that changing the jurisdiction of incorporation of the Company shall be deemed not to be a commercially reasonable measure); and (ii) the Company delivers to the Trustee an opinion of outside legal counsel or a tax advisor of recognized standing in the Relevant Taxing Jurisdiction and an Officer’s Certificate attesting to such Change in Tax Law and obligation to pay Additional Amounts.

Notwithstanding anything to the contrary herein, neither the Company nor any successor Person may redeem any of the Notes in the case that Additional Amounts are payable in respect of PRC withholding tax at the Applicable PRC Rate or less solely as a result of the Company or its successor Person being considered a PRC tax resident.

If the Redemption Date occurs after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the Company shall pay on the Interest Payment Date the full amount of accrued and unpaid interest, if any, due on such Interest Payment Date to the record holder of the Notes on the Regular Record Date corresponding to such Interest Payment Date, and the Tax Redemption Price payable to the Holder who presents a Note for redemption shall be equal to (x) if the Redemption Date is on or prior to the third (3rd) anniversary of the date of this Indenture, the sum of (i) 100% of the principal amount of the Notes to be redeemed and (ii) a premium equal to 20% of the principal amount thereof or (y) if the Redemption Date is after the third (3rd) anniversary of the date of this Indenture, the sum of (i) 100% of the principal amount of the Notes to be redeemed and (ii) a premium equal to 30% of the principal amount thereof, in each case of (x) and (y), including, any Additional Amounts with respect to such Tax Redemption Price of such Note.

The Company shall give Holders of Notes (with a copy to the Trustee) not less than 25 Scheduled Trading Days' but no more than 40 Scheduled Trading Days' notice (a "Redemption Notice") prior to the Redemption Date. Simultaneously with providing such notice, the Company shall publish a notice containing this information in a newspaper of general circulation in The City of New York or publish the information on the Company's website or through such other public medium as the Company may use at that time. The Redemption Date must be a Business Day and cannot fall after the Maturity Date.

Upon receiving such Redemption Notice, each Holder shall have the right to elect to not have its Notes redeemed, in which case the Company shall not be obligated to pay any Additional Amounts on any payment with respect to such Notes solely as a result of such Change in Tax Law that resulted in the obligation to pay such Additional Amounts (whether upon conversion, required repurchase, maturity or otherwise, and whether in cash, ADSs, or a combination thereof, Reference Property or otherwise) after the Redemption Date (or, if the Company fails to pay the Tax Redemption Price on the Redemption Date, such later date on which the Company pays the Tax Redemption Price), and all future payments with respect to such Notes shall be subject to the deduction or withholding of such Relevant Taxing Jurisdiction and taxes required by law to be deducted or withheld as a result of such Change in Tax Law; *provided* that, notwithstanding the foregoing, if a Holder electing not to have its Notes redeemed converts its Notes in connection with the Company's election to redeem the Notes in respect of such Change in Tax Law pursuant to Section 14.03(g) the Company shall be obligated to pay Additional Amounts, if any, with respect to such conversion.

Subject to the applicable procedures of DTC in the case of Global Notes, a Holder electing to not have its Notes redeemed must deliver to the Company, with a copy to the Paying Agent a written notice of election so as to be received by the Company and the Paying Agent or otherwise by complying with the requirements for conversion in Section 14.02(b) prior to the close of business on the second Business Day immediately preceding the Redemption Date. A Holder may withdraw any notice of election (other than such a deemed notice of election in connection with a conversion) by delivering to the Company and the Paying Agent a written notice of withdrawal prior to the close of business on the Business Day immediately preceding the Redemption Date (or, if the Company fail to pay the Tax Redemption Price on the Redemption Date, such later date on which the Company pays the Tax Redemption Price). If no election is made, the Holder shall have its Notes redeemed without any further action.

No Notes may be redeemed if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date.

ARTICLE 17

MISCELLANEOUS PROVISIONS

Section 17.01. Provisions Binding on Company's Successors

All the covenants, stipulations, promises and agreements of the Company contained in this Indenture shall bind its successors and assigns whether so expressed or not.

Section 17.02. Official Acts by Successor Corporation

Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or Officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation or other entity that shall at the time be the lawful sole successor of the Company.

Section 17.03. Addresses for Notices, Etc

Any notice or demand that by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders on the Company shall be deemed to have been sufficiently given or made, for all purposes if given or served by being deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the Trustee) to iQIYI, Inc., 3/F, iQIYI Youth Center, Yoolee Plaza, No. 21 North Road of Workers' Stadium, Chaoyang District Beijing, 100027, People's Republic of China, Attention: Secretary. Any notice, direction, request or demand hereunder to or upon the Paying Agent shall be deemed to have been given or made by being deposited postage prepaid by registered or certified mail in a post office letter box addressed to the Paying Agent Office or sent electronically in PDF format. Any notice, direction, request or demand hereunder to or upon the Trustee shall be deemed to have been given or made by being deposited postage prepaid by registered or certified mail in a post office letter box addressed to the Corporate Trust Office or sent electronically in PDF format. Notwithstanding any other provision of the Indenture, notices to the Trustee shall only be deemed received upon actual receipt thereof by a Responsible Officer.

So long as and to the extent that the Notes are represented by Global Notes and such Global Notes are held by DTC, notices to owners of beneficial interests in the global notes may be given by delivery of the relevant notice to DTC for communication by it to entitled account holders.

The Trustee, by notice to the Company, may designate additional or different addresses for subsequent notices or communications.

Any notice or communication delivered to a Holder shall be mailed to it by first class mail, postage prepaid, at its address as it appears on the Note Register or delivered by electronic mail and shall be sufficiently given to it if so delivered within the time prescribed.

Failure to mail or deliver a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed or delivered in the manner provided above, it is duly given, whether or not the addressee receives it.

For the avoidance of doubt, all notices, demands or other communications required or permitted to be given under this Indenture shall be in English.

Section 17.04. Governing Law; Jurisdiction

THIS INDENTURE AND EACH NOTE, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS INDENTURE AND EACH NOTE, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE CONFLICTS OF LAWS PROVISIONS THEREOF).

The Company irrevocably consents and agrees, for the benefit of the Holders from time to time of the Notes and the Trustee, that any legal action, suit or proceeding against it with respect to obligations, liabilities or any other matter arising out of or in connection with this Indenture or the Notes may be brought in the courts of the State of New York or the courts of the United States located in the Borough of Manhattan, New York City, New York and, until amounts due and to become due in respect of the Notes have been paid, hereby irrevocably consents and submits to the non-exclusive jurisdiction of each such court *in personam*, generally and unconditionally with respect to any action, suit or proceeding for itself in respect of its properties, assets and revenues.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Indenture brought in the courts of the State of New York or the courts of the United States located in the Borough of Manhattan, New York City, New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Each of the parties hereto irrevocably waives any immunity to jurisdiction to which it may be entitled or become entitled (including without limitation sovereign immunity, immunity to pre-award attachment, immunity to post-award attachment or otherwise) in any proceedings against it arising out of or based on this Indenture or the transactions contemplated hereby.

Section 17.05. Submission to Jurisdiction; Service of Process

The Company irrevocably appoints Law Debenture Corporate Services Inc., 801 2nd Avenue, Suite 403, New York, New York, 10017, as its authorized agent in the Borough of Manhattan in the City of New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to the Company by the person serving the same to iQIYI, Inc., 3/F, iQIYI Youth Center, Yoolee Plaza, No. 21 North Road of Workers' Stadium, Chaoyang District Beijing, 100027, People's Republic of China, Attention: Secretary, shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company further agrees to take any and all action as may be necessary to maintain such designation and appointment of such agent in full force and effect for a period of six years from the date of this Indenture. If for any reason such agent shall cease to be such agent for service of process, the Company shall forthwith appoint a new agent of recognized standing for service of process in the State of New York and deliver to the Holders and the Trustee a copy of the new agent's acceptance of that appointment within ten Business Days of such acceptance. Nothing herein shall affect the right of the Trustee, any Agent or any Holder to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company in any other court of competent jurisdiction. To the extent that the Company has or hereafter may acquire any sovereign or other immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Company irrevocably waives such immunity in respect of its obligations hereunder or under any Note.

Section 17.06. Evidence of Compliance with Conditions Precedent; Certificates and Opinions of Counsel to Trustee

Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall, if requested by the Trustee, furnish to the Trustee an Officer's Certificate and an Opinion of Counsel stating that such action is permitted by the terms of this Indenture.

Each Officer's Certificate and Opinion of Counsel provided for, by or on behalf of the Company in this Indenture and delivered to the Trustee with respect to compliance with this Indenture (other than the Officer's Certificates provided for in Section 4.09) shall include (a) a statement that the person signing such certificate is familiar with the requested action and this Indenture; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statement contained in such certificate is based; (c) a statement that, in the judgment of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed judgment as to whether or not such action is permitted by this Indenture; and (d) a statement as to whether or not, in the judgment of such person, such action is permitted by this Indenture and that all covenants and conditions precedent in the Indenture have been complied with.

Notwithstanding anything to the contrary in this Section 17.06, if any provision in this Indenture specifically provides that the Trustee shall or may receive an Opinion of Counsel in connection with any action to be taken by the Trustee or the Company hereunder, the Trustee shall be entitled to such Opinion of Counsel.

Section 17.07. Legal Holidays

In any case where any Interest Payment Date, Fundamental Change Repurchase Date, Redemption Date, Repurchase Date, Conversion Date or Maturity Date is not a Business Day, then any action to be taken on such date need not be taken on such date, but may be taken on the next succeeding Business Day with the same force and effect as if taken on such date, and no interest shall accrue in respect of the delay.

Section 17.08. No Security Interest Created

Nothing in this Indenture or in the Notes, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction.

Section 17.09. Benefits of Indenture

Nothing in this Indenture or in the Notes, expressed or implied, shall give to any Person, other than the Holders, the parties hereto, any Agent and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 17.10. Table of Contents, Headings, Etc

The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 17.11. Execution in Counterparts

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. The exchange of copies of this Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 17.12. Severability

In the event any provision of this Indenture or in the Notes shall be invalid, illegal or unenforceable, then (to the extent permitted by law) the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired.

Section 17.13. Waiver of Jury Trial

EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 17.14. Force Majeure

In no event shall the Trustee or the Agents be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee or the Agents, as the case may be, shall use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 17.15. Calculations

Except as otherwise provided herein, the Company shall be responsible for making all calculations called for under the Notes. These calculations include, but are not limited to, determinations of the Last Reported Sale Prices of the ADSs, the Daily VWAPs, Applicable Redemption Price, the Note Acceleration Repayment Price, accrued interest payable on the Notes, the number of Additional ADSs to be added to the Conversion Rate upon a Make-Whole Fundamental Change, if any, and the Conversion Rate of the Notes. The Company shall make all these calculations in good faith and, absent manifest error, the Company's calculations shall be final and binding on Holders. The Company shall provide a schedule of its calculations to each of the Trustee, the Paying Agent and the Conversion Agent, and each of the Trustee, the Paying Agent. The Conversion Agent shall have no duty to monitor or verify the accuracy of the Company's calculations, and shall be entitled to rely conclusively and without liability upon the accuracy of the Company's calculations without independent verification. The Trustee will forward the Company's calculations to any registered Holder of Notes upon the written request of that Holder at the sole cost and expense of the Company.

Section 17.16. USA PATRIOT Act

The parties hereto acknowledge that in accordance with Section 326 of the USA PATRIOT Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the USA PATRIOT Act.

Section 17.17. HKMA Stay Rules

If this Indenture is or becomes a “covered contract” (within the meaning of the Financial Institutions (Resolution) (Contractual Recognition of Suspension of Termination Rights – Banking Sector) Rules (Cap. 628C) of Hong Kong (the “Stay Rules”)), each party hereto agrees that, despite any other term or conditions of this Indenture or any other agreement, arrangement or understanding, each party hereto will be bound by a suspension of a “termination right” (within the meaning of the Stay Rules) in relation to this Indenture imposed by the Hong Kong Monetary Authority under section 90(2) of the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

IQIYI, INC.

By: /s/ Yu Gong

Name: Yu Gong

Title: Chief Executive Officer

CITICORP INTERNATIONAL LIMITED, as Trustee

By: /s/ Terence Yeung

Name: Terence Yeung

Title: Vice President

[Signature Page to Indenture]

[FORM OF FACE OF NOTE]

[INCLUDE FOLLOWING LEGEND IF A GLOBAL NOTE]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREUNDER IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[INCLUDE FOLLOWING LEGEND IF A RESTRICTED SECURITY]

[THIS SECURITY, THE AMERICAN DEPOSITARY SHARES DELIVERABLE UPON CONVERSION OF THIS SECURITY, IF ANY, AND THE CLASS A ORDINARY SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS (A) A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF IQIYI, INC. (THE “COMPANY”) (OTHER THAN ANY ENTITY THAT BECOMES AFFILIATED WITH THE COMPANY FOLLOWING ITS PURCHASE OF THE NOTES), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT,
OR

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) TO A NON-U.S. PERSON OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS (OTHER THAN ANY ENTITY THAT BECOMES AFFILIATED WITH THE COMPANY FOLLOWING ITS PURCHASE OF THE NOTES) MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS NOTE OR A BENEFICIAL INTEREST HEREIN.]

6.00% Convertible Senior Note due 2028

No. [] [Initially]¹ US\$

CUSIP No. []

ISIN No. []

iQIYI, Inc., a company duly organized and validly existing under the laws of the Cayman Islands (the “Company,” which term includes any successor company or corporation or other entity under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to [CEDE & CO.] [____²]³, or registered assigns, the principal sum [as set forth in the “Schedule of Exchanges of Notes” attached hereto]⁴ [of US\$[]]⁵, which amount of the principal sum, taken together with the principal amounts of all other outstanding Notes, shall not, unless permitted by the Indenture, exceed US\$500,000,000 in aggregate at any time (as increased by an amount equal to the aggregate principal amount of any additional Notes purchased by Investors (as defined in the Investment Agreement) pursuant to Section 4.1 of the Investment Agreement), in accordance with the rules and procedures of the Depository, on January 1, 2028, *plus* a premium that equals to 30% of such principal sum (the “Maturity Premium”), and interest thereon as set forth below.

This Note shall bear interest at the rate of 6.00% per year from December 30, 2022, or from the most recent date to which interest had been paid or provided for to, but excluding, the next scheduled Interest Payment Date until January 1, 2028. Interest is payable quarterly in arrears on each January 1, April 1, July 1 and October 1, commencing on April 1, 2023, to Holders of record at the close of business on the preceding March 15, June 15, September 15 and December 15 (whether or not such day is a Business Day), respectively. Additional Interest will be payable as set forth in Section 4.06(d), Section 4.06(e) and Section 6.03 of the within-mentioned Indenture, and any reference to interest on, or in respect of, any Note therein shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of such Section 4.06(d), Section 4.06(e) or Section 6.03, and any express mention of the payment of Additional Interest in any provision therein shall not be construed as excluding Additional Interest in those provisions thereof where such express mention is not made.

Any Defaulted Amounts shall accrue interest per annum at the rate per annum borne by the Notes plus seven percent, subject to the enforceability thereof under applicable law, from, and including, the relevant payment date to, but excluding, the date on which such Defaulted Amounts shall have been paid by the Company, at its election, in accordance with Section 2.03(c) of the Indenture.

The Company shall pay Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, and interest on this Note, so long as such Note is a Global Note, by wire transfer in immediately available funds to the Depository or its nominee, as the case may be, as the registered Holder of such Note. As provided in and subject to the provisions of the Indenture, the Company shall pay the principal of and premium (if any) on any Notes (other than Notes that are Global Notes) at the office or agency designated by the Company for that purpose. The Company has initially designated Citibank, N.A. as its Paying Agent, Conversion Agent and Note Registrar in respect of the Notes and the Paying Agent Office as a place where Notes may be presented for payment or for registration of transfer.

¹ Include if a Global Note.

² Include if a Global Note.

³ Include if a Physical Note.

⁴ Include if a Global Note.

⁵ Include if a Physical note.

Reference is made to the further provisions of this Note set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Note the right to convert this Note into ADSs, on the terms and subject to the limitations set forth in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note, and any claim, controversy or dispute arising under or related to this Note, shall be construed in accordance with and governed by the laws of the State of New York (without regard to the conflicts of laws provisions thereof).

In the case of any conflict between this Note and the Indenture, the provisions of the Indenture shall control and govern.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed manually or electronically by the Trustee under the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

IQIYI, INC.

By: _____
Name:
Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

CITICORP INTERNATIONAL LIMITED,
as Trustee, certifies that this is one of the Notes described in
the within-named Indenture.

By: _____
Authorized signatory

6.00% Convertible Senior Note due 2028

This Note is one of a duly authorized issue of Notes of the Company, designated as its 6.00% Convertible Senior Notes due 2028 (the “Notes”), limited to the aggregate principal amount of US\$500,000,000 (as increased by an amount equal to the aggregate principal amount of any additional Notes purchased by the Investors (as defined in the Investment Agreement) pursuant to the exercise of its option to purchase additional Notes as set forth in Section 4.1 of the Investment Agreement), all issued or to be issued under and pursuant to an Indenture dated as of December 30, 2022 (the “Indenture”), between the Company and Citicorp International Limited (the “Trustee”), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Notes. Additional Notes may, with the consent of the Holders of more than 50% of the aggregate principal amount of the Notes then outstanding, be issued with the same terms as the Notes initially issued under the Indenture (except for any differences in the issue price, the issue date and interest accrued, if any) and in an unlimited aggregate principal amount, subject to certain conditions specified in the Indenture. The Rule 144A Notes and the Regulation S Notes initially have separate CUSIP numbers and will initially not be fungible. Capitalized terms used in this Notes and not defined in this Note shall have the respective meanings set forth in the Indenture.

In case certain Events of Default shall have occurred and be continuing, the principal of, and interest on, all Notes may be declared, by either the Trustee or Holders of at least 25% in aggregate principal amount of Notes then outstanding, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions and certain exceptions set forth in the Indenture. In case certain Events of Default relating to a bankruptcy (or similar proceeding) with respect to the Company or a Significant Subsidiary of the Company shall have occurred, the Note Acceleration Repayment Price and interest on, all Notes shall automatically become immediately due and payable, as set forth in the Indenture.

Subject to the terms and conditions of the Indenture, the Company will make all payments and deliveries in respect of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, to the Holder who surrenders a Note to the Paying Agent to collect such payments in respect of the Note. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

Subject to the terms and conditions of the Indenture, Additional Amounts will be paid in connection with any payments made and deliveries caused to be made by the Company or any successor to the Company under or with respect to the Indenture and the Notes, including, but not limited to, payments of the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, payments of interest and the payment of cash and/or deliveries of ADSs (together with payments for any fractional ADS) upon conversion of the Notes to ensure that the net amount received by the beneficial owner after any applicable withholding or deduction (and after deducting any taxes on the Additional Amounts) will equal the amount that would have been received by such beneficial owner had no such withholding or deduction been required.

The Indenture contains provisions permitting the Company and the Trustee in certain circumstances, without the consent of the Holders of the Notes, and in certain other circumstances, with the consent of the Holders of more than 50% of the aggregate principal amount of the Notes at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures modifying the terms of the Indenture and the Notes as described therein. It is also provided in the Indenture that, subject to certain exceptions, the Holders of more than 50% of the aggregate principal amount of the Notes at the time outstanding may on behalf of the Holders of all of the Notes waive any past Default or Event of Default under the Indenture and its consequences.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay or cause to be delivered, as the case may be, the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, of, accrued and unpaid interest on, and the consideration due upon conversion of, this Note at the place, at the respective times, at the rate and in the lawful money or ADSs, as the case may be, herein prescribed.

The Notes are issuable in registered form without coupons in minimum denominations of US\$1,000 principal amount and integral multiples of US\$1,000 in excess thereof. At the office or agency of the Company referred to on the face hereof, and in the manner and subject to the limitations provided in the Indenture, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations, without payment of any service charge but, if required by the Company or Trustee, with payment of a sum sufficient to cover any transfer or similar tax that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such exchange of Notes being different from the name of the Holder of the old Notes surrendered for such exchange.

The Company may not redeem the Notes prior to the Maturity Date, except in the event of certain Changes in Tax Law as described in Section 16.01 of the Indenture. No sinking fund is provided for the Notes.

The Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of US\$1,000 or integral multiples thereof) on the Repurchase Date at a price equal to the Third Anniversary Repurchase Price.

Upon the occurrence of a Fundamental Change, the Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of US\$1,000 or integral multiples thereof) on the Fundamental Change Repurchase Date at a price equal to the Fundamental Change Repurchase Price.

Subject to the provisions of the Indenture, the Holder hereof has the right, at its option, prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date, to convert any Notes or portion thereof that is US\$1,000 or an integral multiple thereof, into ADSs at the Conversion Rate specified in the Indenture, as adjusted from time to time as provided in the Indenture.

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM = as tenants in common

UNIF GIFT MIN ACT = Uniform Gifts to Minors Act CUST = Custodian

TEN ENT = as tenants by the entireties

JT TEN = joint tenants with right of survivorship and not as tenants in common Additional abbreviations may also be used though not in the above list.

[FORM OF NOTICE OF CONVERSION]

To: IQIYI, INC.

JPMORGAN CHASE BANK, N.A., as Depositary for the ADSs CITIBANK, N.A., as Conversion Agent

The undersigned registered owner of this Note hereby exercises the option to convert this Note, or the portion hereof (that is US\$1,000 principal amount or an integral multiple thereof) below designated, into ADSs in accordance with the terms of the Indenture referred to in this Note, and directs that any ADSs deliverable upon such conversion, together with any cash payable for any fractional ADS, and any Notes representing any unconverted principal amount hereof, be issued and delivered to the registered Holder hereof unless a different name has been indicated below. If any ADSs or any portion of this Note not converted are to be issued in the name of a Person other than the undersigned, the undersigned will pay all documentary, stamp or similar issue or transfer taxes, if any in accordance with Section 14.02(d) and Section 14.02(e) of the Indenture. Any amount required to be paid to the undersigned on account of interest accompanies this Note. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

In connection with the conversion of this Note, or the portion hereof below designated, the undersigned acknowledges, represents to and agrees with the Company that the undersigned is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Company and has not been an "affiliate" (as defined in Rule 144 under the Securities Act) of the Company during the three months immediately preceding the date hereof

OR

The undersigned is an entity affiliated with the Company that purchased Notes and holds or beneficially owns an Affiliate Note.

[The undersigned further certifies:

1. The undersigned acknowledges (and if the undersigned is acting for the account of another person, that person has confirmed that it acknowledges) that the Restricted Securities received upon conversion of this Note (or securities represented thereby) have not been and are not expected to be registered under the Securities Act.

2. The undersigned further certifies that either:

(a) The undersigned is, and at the time any ADSs are delivered in conversion of its Notes will be, the holder of the ADSs and the Class A Ordinary Shares represented thereby, and (i) the undersigned is not a U.S. person (as defined in Regulation S under the Securities Act) and is located outside the United States (within the meaning of Regulation S) and acquired, or have agreed to acquire and will have acquired, the Notes being converted and the ADSs and the Class A Ordinary Shares represented thereby being delivered in the conversion outside the United States and (ii) the undersigned is not in the business of buying and selling securities or, if the undersigned is in such business, the undersigned did not acquire the Notes being converted from the Company or any affiliate thereof in the initial distribution of the Notes.

OR

(b) The undersigned is a broker-dealer acting on behalf of its customer; its customer has confirmed to the undersigned that it is, and at the time any ADSs are delivered in conversion of our Notes will be, the holder of the ADSs and the Class A Ordinary Shares represented thereby, and (i) it is not a U.S. person (as defined in Regulation S under the Securities Act) and it is located outside the United States (within the meaning of Regulation S) and acquired, or have agreed to acquire and will have acquired, the Notes being converted and the ADSs and the Class A Ordinary Shares represented thereby being delivered in the conversion outside the United States and (ii) it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Notes being converted from the Company or any affiliate thereof in the initial distribution of the Notes.

OR

(c) The undersigned is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) acting for its own account or for the account of one or more qualified institutional buyers and the undersigned is (or such account or accounts are) the sole beneficial owner(s) of any ADSs to be received upon conversion of the Notes.

3. The undersigned acknowledges that the undersigned (and any such other account) may not continue to hold or retain any interest in Restricted Securities received upon conversion of this Note if the undersigned (or such other account) becomes an Affiliate of the Company (except an entity affiliated with the Company that purchased Notes, to the extent of any ADSs received upon conversion bears the restrictive legend set forth in Section 2.05(d) of the Indenture).

4. The undersigned agrees (and if the undersigned is acting for the account of another person, that person has confirmed that it agrees) that, unless and until the undersigned (or such other account) is notified by the Depository that the restrictive legend on such Restricted Security has been removed from such security, the undersigned (and such other account) will not offer, sell, pledge or otherwise transfer the Restricted Security (or securities represented by such Restricted Security) except in accordance with the restrictions set forth in that legend and any applicable securities laws of the United States and any state thereof.]⁷

Dated: _____

Signature(s)

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if ADSs are to be issued, or Notes are to be delivered, other than to and in the name of the registered holder.

⁷ Include if a Restricted Security.

Fill in for registration of ADSs if to be issued, and Notes if to be delivered,
other than to and in the name of the registered holder:

(Name)

(Street Address)

(City, State and Zip Code)

Please print name and address

Principal amount to be converted (if less than all): US\$,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

Social Security or Other Taxpayer Identification Number

[FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE]

To: IQIYI, INC.

Citibank, N.A., as Paying Agent

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from iQIYI, Inc. (the "Company") as to the occurrence of a Fundamental Change with respect to the Company and specifying the Fundamental Change Repurchase Date and requests and instructs the Company to pay to the registered holder hereof in accordance with Section 15.02 of the Indenture referred to in this Note (1) the Applicable Redemption Price or the Note Acceleration Repayment Price, as applicable, and (2) if such Fundamental Change Repurchase Date does not fall during the period after a Regular Record Date and on or prior to the corresponding Interest Payment Date, accrued and unpaid interest thereon to, but excluding, such Fundamental Change Repurchase Date. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

In the case of Physical Notes, the certificate numbers of the Notes to be repurchased are as set forth below:

Certificate Number(s): _____

Dated: _____

Signature(s)

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if ADSs are to be issued, or Notes are to be delivered, other than to and in the name of the registered holder.

Fill in for registration of ADSs if to be issued, and Notes if to be delivered, other than to and in the name of the registered holder:

(Name)

(Street Address)

(City, State and Zip Code)
Please print name and address

Social Security or Other Taxpayer Identification Number

Principal amount to be repaid (if less than all): US\$,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

[FORM OF REPURCHASE NOTICE]

To: iQIYI, Inc.

Citibank, N.A., as Paying Agent

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from iQIYI, Inc. (the "Company") regarding the right of Holders to elect to require the Company to repurchase the entire principal amount of this Note, or the portion thereof (that is US\$1,000 principal amount or an integral multiple thereof) below designated, in accordance with the applicable provisions of the Indenture referred to in this Note, to the registered Holder hereof. The undersigned hereby directs the Company to repurchase the designated principal amount of its Note at the Third Anniversary Repurchase Price on the Repurchase Date, each as described below, in accordance with the Indenture. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

In the case of certificated Notes, the certificate numbers of the Notes to be purchased are as set forth below:

Certificate Number(s): _____

Dated: _____

Signature(s)

Social Security or Other Taxpayer Identification Number

Principal amount to be repaid (if less than all): US\$,000

Repurchase Date: _____

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever:

To: Citicorp International Limited, as Trustee and Citibank, N.A., as Note Registrar

[FORM OF ASSIGNMENT AND TRANSFER]

For value received _____ hereby sell(s), assign(s) and transfer(s) unto (Please insert social security or Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with any transfer of the within Note occurring prior to the Resale Restriction Termination Date, as defined in the Indenture governing such Note, the undersigned confirms that such Note is being transferred:

- To iQIYI, Inc. or a subsidiary thereof; or
- Pursuant to a registration statement that has become or been declared effective under the Securities Act of 1933, as amended; or
- Pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended [("Rule 144A"), and the undersigned confirms that the undersigned reasonably believes that the transferee of such Note is a "qualified institutional buyer" (within the meaning of Rule 144A) that is purchasing for its own account or for the account of another qualified institutional buyer and the undersigned has provided such transferee notice that the transfer is being made in reliance on Rule 144A]⁸; or
- Outside the United States in accordance with Regulation S under the Securities Act of 1933, as amended; or
- Pursuant to and in compliance with Rule 144 under the Securities Act of 1933, as amended (if available).
- Whether occurring prior to, on or after the Resale Restriction Termination Date, the undersigned represents and warrants that the Note being transferred hereunder [is/is not] an Affiliate Note.

Dated: __

Dated: _____

Signature(s)

Signature Guarantee

⁸ Include if Regulation S Note.

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved

signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if Notes are to be delivered, other than to and in the name of the registered holder.

NOTICE: The signature on the assignment must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

List of Principal Subsidiaries and Variable Interest Entities

Subsidiaries:

Baidu Holdings Limited — Incorporated in the British Virgin Islands
Baidu (Hong Kong) Limited — Incorporated in Hong Kong
Baidu Online Network Technology (Beijing) Co., Ltd. — Incorporated in mainland China
Baidu (China) Co., Ltd. — Incorporated in mainland China
Baidu.com Times Technology (Beijing) Co., Ltd. — Incorporated in mainland China
Dulian Network Technology (Hainan) Co., Ltd. — Incorporated in mainland China
iQIYI, Inc. — Incorporated in the Cayman Islands
Beijing QIYI Century Science & Technology Co., Ltd. — Incorporated in mainland China
Baidu Cloud Computing Technology (Beijing) Co., Ltd. — Incorporated in mainland China
Beijing Duyou Information Technology Co., Ltd. — Incorporated in mainland China

Variable Interest Entities:

Beijing Baidu Netcom Science Technology Co., Ltd. — Incorporated in mainland China
Beijing Perusal Technology Co., Ltd. — Incorporated in mainland China
Beijing iQIYI Science & Technology Co., Ltd. — Incorporated in mainland China

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robin Yanhong Li, certify that:

1. I have reviewed this annual report on Form 20-F of Baidu, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 22, 2023

By: /s/ Robin Yanhong Li
Name: Robin Yanhong Li
Title: Chief Executive Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Baidu, Inc. (the “Company”) on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robin Yanhong Li, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 22, 2023

By: /s/ Robin Yanhong Li
Name: Robin Yanhong Li
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Baidu, Inc. (the “Company”) on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Rong Luo, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 22, 2023

By: /s/ Rong Luo
Name: Rong Luo
Title: Chief Financial Officer

[Maples and Calder (Hong Kong) LLP Letterhead]

Baidu, Inc. 百度集團股份有限公司
Baidu Campus
No. 10 Shangdi 10th Street
Haidian District, Beijing 100085
The People's Republic of China

22 March 2023

Dear Sirs

Baidu, Inc. 百度集團股份有限公司

We consent to the reference to our firm under the heading “Item 10.E. Additional Information—Taxation—Cayman Islands Tax Considerations” and “Item 16G. Corporate Governance” in Baidu Inc.’s Annual Report on Form 20-F for the year ended 31 December 2022 (the “**Annual Report**”), which will be filed with the Securities and Exchange Commission (the “**SEC**”) in the month of March 2023, and further consent to the incorporation by reference into the Registration Statement (Form S-8 No. 333-129374) pertaining to Baidu, Inc.’s 2000 Option Plan, Registration Statement (Form S-8 No. 333-158678) pertaining to Baidu, Inc.’s 2008 Share Incentive Plan, Registration Statement (Form S-8 No. 333-232429) pertaining to Baidu Inc.’s 2018 Share Incentive Plan, Registration Statement (Form F-3 No. 333-249314), and Registration Statement (Form F-3 No. 333-254035) of Baidu, Inc. of the summary of our opinion under the heading “Item 10.E. Additional Information—Taxation—Cayman Islands Tax Considerations” and “Item 16G. Corporate Governance” in the Annual Report. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Maples and Calder (Hong Kong) LLP

Maples and Calder (Hong Kong) LLP

[Han Kun Law Offices Letterhead]

March 22, 2023

Baidu, Inc.
Baidu Campus
No. 10 Shangdi 10th Street
Haidian District, Beijing
People's Republic of China 100085

Dear Sir/Madam:

We hereby consent to the reference of our name under the heading “Item 4.B. Information on the Company—Business Overview—Regulations” in Baidu, Inc.’s Annual Report on Form 20-F for the year ended December 31, 2022 (the “**Annual Report**”), which will be filed with the Securities and Exchange Commission (the “**SEC**”) in the month of March 2023, and further consent to the incorporation by reference into the Registration Statement (Form S-8 No. 333-129374) pertaining to Baidu, Inc.’s 2000 Option Plan, Registration Statement (Form S-8 No. 333-158678) pertaining to Baidu, Inc.’s 2008 Share Incentive Plan, Registration Statement (Form S-8 No. 333-232429) pertaining to Baidu Inc.’s 2018 Share Incentive Plan, Registration Statement (Form F-3 No. 333-249314), and Registration Statement (Form F-3 No. 333-254035) of Baidu, Inc. of the summary of our opinion under the heading “Item 4.B. Information on the Company—Business Overview—Regulations” in the Annual Report. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Very truly yours,

/s/ Han Kun Law Offices

Han Kun Law Offices

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-129374) pertaining to the 2000 Option Plan of Baidu, Inc.,
- (2) Registration Statement (Form S-8 No. 333-158678) pertaining to the 2008 Share Incentive Plan of Baidu, Inc.,
- (3) Registration Statement (Form S-8 No. 333-232429) pertaining to the 2018 Share Incentive Plan of Baidu, Inc.,
- (4) Registration Statement (Form F-3 No. 333-249314) of Baidu, Inc., and
- (5) Registration Statement (Form F-3 No. 333-254035) of Baidu, Inc.

of our reports dated March 22, 2023, with respect to the consolidated financial statements of Baidu, Inc. and the effectiveness of internal control over financial reporting of Baidu, Inc. included in this Annual Report (Form 20-F) of Baidu, Inc. for the year ended December 31, 2022.

/s/ Ernst & Young Hua Ming LLP
Beijing, The People's Republic of China
March 22, 2023