

THE ROSEN LAW FIRM, P.A.
Phillip Kim, Esq. (PK 9384)
Laurence M. Rosen, Esq. (LR 5733)
275 Madison Ave., 40th Floor
New York, New York 10016
Telephone: (212) 686-1060
Fax: (212) 202-3827
Email: pkim@rosenlegal.com
lrosen@rosenlegal.com

Counsel for Plaintiff

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

GANESAN ALAGAPPAN, Individually and on
behalf of all others similarly situated,

Plaintiff,

v.

BAIDU, INC., ROBIN YANHONG LI,
HERMAN CHENG-CHUN YU, and
JENNIFER XINZHE LI,

Defendants.

Case No.

CLASS ACTION COMPLAINT FOR
VIOLATION OF THE FEDERAL
SECURITIES LAWS

JURY TRIAL DEMANDED

CLASS ACTION

Plaintiff Ganesan Alagappan (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and upon information and belief as to all other matters based on the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of U.S. Securities and Exchange Commission (“SEC”) filings by Baidu, Inc. (“Baidu” or the “Company”), as well as media and analyst reports about the Company and Company press releases. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons and entities other than Defendants (defined below) who purchased or otherwise acquired the publicly traded securities of Baidu between April 8, 2016 and August 13, 2020, both dates inclusive (the “Class Period”). Plaintiff seeks to recover compensable damages caused by Defendants’ violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder.

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

3. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §1331 and §27 of the Exchange Act.

4. Venue is proper in this judicial district pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) as the alleged misstatements entered and subsequent damages took place within this judicial district.

5. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

6. Plaintiff, as set forth in the accompanying Certification, purchased the Company's securities at artificially inflated prices during the Class Period and was damaged upon the revelation of the alleged corrective disclosure.

7. Defendant Baidu purports to provide Internet search services in China and internationally. It operates through two segments, one of which is iQIYI. The iQIYI segment provides online entertainment service, including original and licensed content; membership services; and online advertising services. The Company was formerly known as Baidu.com, Inc. and changed its name to Baidu, Inc. in December 2008.

8. Defendant Baidu is incorporated in the Cayman Islands and maintains its principal executive offices at No. 10 Shangdi 10th Street, Haidian District, Beijing, 100085, The People's Republic of China. Baidu's American depository shares ("ADSs") are listed on the NASDAQ under the ticker symbol "BIDU." The Company's agent for service in the United States is C T Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

9. Defendant Robin Yanhong Li ("Y. Li") is a co-founder of the Company and has served as the Company's Chief Executive Officer ("CEO") and Chairman during the Class Period.

10. Defendant Herman Cheng-Chun Yu ("Yu") has served as the Company's Chief Financial Officer since September 2017.

11. Defendant Jennifer Xinzhe Li ("X. Li") served as the Company's Chief Financial Officer during the Class Period until September 2017.

12. Defendants Y. Li, Yu, and X. Li are collectively referred to herein as the "Individual Defendants:

- (a) directly participated in the management of the Company;

- (b) was directly involved in the day-to-day operations of the Company at the highest levels;
- (c) was privy to confidential proprietary information concerning the Company and its business and operations;
- (d) was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;
- (e) was directly or indirectly involved in the oversight or implementation of the Company's internal controls;
- (f) was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or
- (g) approved or ratified these statements in violation of the federal securities laws.

13. The Company is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

14. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to the Company under *respondeat superior* and agency principles.

15. The Company and the Individual Defendants are referred to herein, collectively, as the "Defendants."

SUBSTANTIVE ALLEGATIONS

Background

16. In November 2012, Baidu obtained the controlling interest in what was then named Qiyi.com, Inc. (now iQIYI, Inc.) ("iQIYI"). In early 2018, iQIYI held its initial public offering and listed on the NASDAQ exchange. Baidu is still the majority owner of its subsidiary, iQIYI.

Materially False and Misleading Statements

17. On April 8, 2016, Baidu filed with the SEC its annual report for the year ended December 31, 2015 (the “2015 Annual Report”) on a Form 20-F signed by Defendant Y. Li. Attached to the 2015 Annual Report were certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) signed by Defendants Y. Li and X. Li attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal control over financial reporting and the disclosure of all fraud.

18. The 2015 Annual Report stated the following regarding iQIYI and its revenues:

In November 2012, we obtained the controlling interest in Qiyi.com, 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, and have merged it with iQiyi and have since then consolidated its financial results into our consolidated financial statements.

* * *

Our business consists of three segments, namely, search services, transaction services and iQiyi. Search services are keyword-based marketing services targeted at and triggered by internet users’ search queries, which mainly include our P4P services and other online marketing services. . . . iQiyi is an online video platform with a content library that includes licensed movies, television series, cartoons, variety shows and other programs.

* * *

iQiyi

iQiyi and PPS. iQiyi is an online video platform with a content library that includes licensed movies, television series, cartoons, variety shows and other programs. The programs are provided by content providers under licensing arrangements. Apart from sourcing licensed contents, iQiyi also produces a wide array of original content. In addition, iQiyi provides online community services to facilitate user communication and interaction. Users can also search and watch ad-supported iQiyi.com videos on their mobile devices free of charge. Paying subscribers can enjoy premium services on iQiyi, including ad-free video streaming and access to premium content. In May 2013, we acquired the online video business of PPS and

have merged it with iQiyi. PPS has since then operated as a sub-brand of iQiyi. The combined platform is one of the leaders of online video business in China.

* * *

Reorganization of Operating Segments

In the second quarter of 2015, we reorganized our operating segments from one operating segment into three operating segments, namely search services, transaction services and iQiyi. The primary reason for such reorganization is that our chief operating decision maker increasingly assesses the performance of our company and makes decisions in respect of the allocation of company resources by analyzing the operational results of these three business units separately.

Revenues

We generate revenues from the provision of search services, transaction services and iQiyi. The following table sets forth our revenues by segment, with each segment revenues including inter-segment revenues:

Revenues:	Year ended December 31,			
	2013	2014		2015
	RMB	RMB	RMB	US\$
	(In thousands, except percentages)			
Search Services	29,590,276	43,727,459	55,667,478	8,593,577
Transaction Services	1,319,187	3,822,456	7,005,941	1,081,531
iQiyi	1,345,042	2,873,552	5,295,760	817,525

* * *

Segment Revenues

The following table sets forth our revenues by segment and year-over-year rate of growth for the periods indicated, with each segment revenues including inter-segment revenues:

Revenues:	Year ended December 31,					
	2013	2014		2015		
	RMB	RMB	YoY%	RMB	US\$	YoY%
	(In thousands, except percentages)					
Search Services	29,590,276	43,727,459	47.8	55,667,478	8,593,577	27.3
Transaction Services	1,319,187	3,822,456	189.8	7,005,941	1,081,531	83.3
iQiyi	1,345,042	2,873,552	113.6	5,295,760	817,525	84.3

* * *

iQiyi. Our iQiyi revenues increased by 84.3% from RMB2.9 billion in 2014 to RMB5.3 billion (US\$0.8 billion) in 2015. This increase was mainly attributable to the increase in online marketing revenues and subscription services revenues.

iQiyi revenues increased by 113.6% from RMB1.3 billion in 2013 to RMB2.9 billion in 2014. This increase was mainly attributable to the increase in online marketing revenues.

* * *

The table below provides a summary of the Group's operating segment results for the years ended December 31, 2013, 2014 and 2015.

	For the years ended December 31,			
	2013 RMB	2014 RMB	2015 RMB	2015 US\$
	(In thousands)			
Search Services				
Revenues	29,590,276	43,727,459	55,667,478	8,593,577
Operating profit	14,178,852	20,547,793	28,117,837	4,340,646
Transaction Services				
Revenues	1,319,187	3,822,456	7,005,941	1,081,531
Operating profit	(1,522,279)	(5,973,978)	(13,145,445)	(2,029,307)
IQiyi				
Revenues	1,345,042	2,873,552	5,295,760	817,525
Operating profit	(743,013)	(1,110,299)	(2,383,438)	(367,939)
Inter-segment				
Revenues	(310,581)	(1,371,149)	(1,587,450)	(245,060)
Operating profit	(207,113)	302,988	469,718	72,512
Segment operating profit	11,706,447	13,766,504	13,058,672	2,015,912
Unallocated expenses	(514,727)	(962,740)	(1,387,118)	(214,134)
Group consolidated operating profit	11,191,720	12,803,764	11,671,554	1,801,778

(Emphasis added.)

19. The 2015 Annual Report stated the following, in pertinent part, regarding the Company's 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, 2015, 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, 2015.

* * *

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.

20. On March 31, 2017, Baidu filed with the SEC its annual report for the year ended December 31, 2016 (the “2016 Annual Report”) on a Form 20-F signed by Defendant Y. Li. Attached to the 2016 Annual Report were certifications pursuant to SOX signed by Defendants Y. Li and X. Li attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal control over financial reporting and the disclosure of all fraud.

21. The 2016 Annual Report stated the following regarding iQIYI and the subsidiaries’ revenues:

. . . iQiyi’s mobile application maintained its industry leadership with 125 million daily active users, 480 million monthly active users, and 335 billion minutes monthly user time in December 2016, according to Alexa.com, an internet analytics firm.

* * *

Revenues

We generate revenues from the provision of search services, transaction services and iQiyi. The following table sets forth our revenues by segment, with each segment revenues including inter-segment revenues:

	Year ended December 31,			
	2014	2015		2016
	RMB	RMB	RMB	US\$
(In thousands, except percentages)				
Revenues:				
Search Services	43,727,459	55,667,478	55,375,031	7,975,663
Transaction Services	3,822,456	7,005,941	4,894,486	704,953
iQiyi	2,873,552	5,295,760	11,283,329	1,625,137

* * *

Segment Revenues

The following table sets forth our revenues by segment and year-over-year change rate for the periods indicated, with each segment revenues including inter-segment revenues:

Revenues:	Year ended December 31,					
	2014	2015		2016		
	RMB	RMB	YoY%	RMB	US\$	YoY%
	(In thousands, except percentages)					
Search Services	43,727,459	55,667,478	27.3	55,375,031	7,975,663	(0.5)
Transaction Services	3,822,456	7,005,941	83.3	4,894,486	704,953	(30.1)
iQiyi	2,873,552	5,295,760	84.3	11,283,329	1,625,137	113.1

* * *

iQiyi. Our iQiyi revenues increased by 113.1% from RMB5.3 billion in 2015 to RMB11.3 billion (US\$1.6 billion) in 2016. This increase was mainly attributable to the increase in online marketing revenues and subscription services revenues.

iQiyi revenues increased by 84.3% from RMB2.9 billion in 2014 to RMB5.3 billion in 2015. This increase was mainly attributable to the increase in online marketing revenues and subscription services revenues.

* * *

Segment Reporting

We historically had only one single reportable segment because our chief operating decision maker, or CODM, formerly relied on the consolidated results of operations when making decisions on allocating our resources and assessing our performance. Beginning in the quarter ended June 30, 2015, we have changed our reportable segments as a result of significant growth in our operations and expansion of services to multiple businesses in recent years. Our chief executive officer, who has been identified as the CODM, reviews the operating results of different service lines in order 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, or ASC 280, *Segment Reporting*.

We have reorganized our operation into three segments since the second quarter of 2015, consisting of the Search Services, Transaction Services and iQiyi. . . . iQiyi is an online video platform with a content library that includes licensed movies, television series, cartoons, variety shows and other programs. We do not allocate any share-based compensation expenses to these segments as the CODM does not use this information to measure the performance of the operating segments.

* * *

The table below provides a summary of the Group's operating segment results for the years ended December 31, 2014, 2015 and 2016.

	For the years ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US\$
	(In thousands)			
Search Services				
Revenues	43,727,459	55,667,478	55,375,031	7,975,663
Operating profit	20,547,793	28,117,837	27,152,807	3,910,818
Transaction Services				
Revenues	3,822,456	7,005,941	4,894,486	704,953
Operating loss	(5,973,978)	(13,145,445)	(12,386,035)	(1,783,960)
iQiyi				
Revenues	2,873,552	5,295,760	11,283,329	1,625,137
Operating loss	(1,110,299)	(2,383,438)	(2,765,169)	(398,267)
Inter-segment				
Revenues	(1,371,149)	(1,587,450)	(1,003,482)	(144,531)
Operating profit (loss)	302,988	469,718	(192,535)	(27,732)
Segment operating profit	13,766,504	13,058,672	11,809,068	1,700,859
Unallocated expenses	(962,740)	(1,387,118)	(1,759,988)	(253,491)
Group consolidated operating profit	12,803,764	11,671,554	10,049,080	1,447,368

(Emphasis added.)

22. On March 15, 2018, Baidu filed with the SEC its annual report for the year ended December 31, 2017 (the "2017 Annual Report") on a Form 20-F signed by Defendant Y. Li. Attached to the 2017 Annual Report were certifications pursuant to SOX signed by Defendants Y. Li and Yu attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting and the disclosure of all fraud.

23. The 2017 Annual Report stated the following regarding iQIYI and its revenues:

Our business currently consists of two segments, Baidu Core and iQIYI. . . . iQIYI is an innovative market-leading online entertainment service provider in China. iQIYI's platform features highly popular original content, as well as a comprehensive selection of professionally produced and partner-generated content.

* * *

iQIYI

iQIYI is an innovative market-leading online entertainment service provider in China. iQIYI's platform features highly popular original content, as well as a comprehensive selection of professionally produced and partner-generated content. iQIYI is the largest internet video streaming service in China in terms of user time spent and average total monthly active users in 2017, according to iResearch. iQIYI generates revenues through membership services, online advertising services, and a suite of IP-related monetization methods, including content distribution. iQIYI has also established a track record of creating multiple channels of monetization

through adapting a single popular work into a variety of entertainment products. For the three months ended December 31, 2017, iQIYI had approximately 421 million average mobile monthly active users and approximately 126 million average mobile daily active users. In December 2017, iQIYI's users watched a total of 9.2 billion hours of videos on the platform.

* * *

Reorganization of Operating Segments

In the second quarter of 2017, we reorganized our operating segments from three operating segments into two operating segments, namely Baidu Core and iQIYI. Starting from April 2017, search services and transaction services have been combined into one segment—Baidu Core. The change in operating segments reflects our adjustments to business strategies and operations, as we de-emphasized our transaction services business and shifted such resources to support our online marketing services. Our chief operating decision maker assesses the performance of our company and makes decisions in respect of the allocation of company resources by analyzing the operating results of these two operating segments separately.

* * *

Revenues

We generate revenues from Baidu Core and iQIYI. The following table sets forth our revenues by segment, with each segment revenues including inter-segment revenues:

* * *

Segment Revenues

The following table sets forth our revenues by segment and year-over-year change rate for the periods indicated, with each segment revenues including inter-segment revenues:

	Year ended December 31,					
	2015		2016		2017	
	RMB	RMB	YoY%	RMB	US\$	YoY%
(In millions, except percentages)						
Revenues:						
Baidu Core	61,229	59,470	(2.9)	67,681	10,402	13.8
iQIYI	5,319	11,237	111.3	17,378	2,671	54.6

* * *

Segment Reporting

We historically had only one single reportable segment because our chief operating decision maker, or CODM, formerly relied on the consolidated results of operations when making decisions on allocating our resources and assessing our performance. Starting from the quarter ended June 30, 2015, we have reorganized our operation into three segments, namely the Search Services, Transaction Services and iQIYI, as a result of our expansion of offerings into multiple services.

Starting from April 2017, Search Services and Transaction Services were combined into one segment, namely, Baidu Core. The change in reportable segments reflects the Company's strategic shift and the operational change to scale back transaction services and focus on its core business. As of December 31, 2017, we had two reportable segments, namely, Baidu Core and iQIYI. . . . iQIYI is an online entertainment service provider that, offers original, professionally produced and partner-generated content on its platform.

Our chief executive officer, who has been identified as the CODM, reviews the operating results of Baidu Core and iQIYI in order 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*.

* * *

	For the year ended December 31, 2017							
	Baidu Core		iQIYI		Intersegment eliminations & adjustments		Consolidated	
	RMB	US\$	RMB	US\$	RMB	US\$	RMB	US\$
	(In millions)							
Revenues:								
Online marketing services	63,880	9,818	8,159	1,254	1,107	170	73,146	11,242
Other services	3,801	584	9,219	1,417	(1,357)	(209)	11,663	1,792
Total revenues	67,681	10,402	17,378	2,671	(250)	(39)	84,809	13,034
Operating costs and expenses:								
Cost of revenues	(25,688)	(3,949)	(17,386)	(2,672)	12	2	(43,062)	(6,619)
Selling, general and administrative	(10,586)	(1,627)	(2,675)	(411)	133	20	(13,128)	(2,018)
Research and development	(11,692)	(1,797)	(1,270)	(195)	34	5	(12,928)	(1,987)
Total operating costs and expenses	(47,966)	(7,373)	(21,331)	(3,278)	179	27	(69,118)	(10,624)
Operating profit (loss)	19,715	3,029	(3,953)	(607)	(71)	(12)	15,691	2,410
Other income:								
Interest income	3,231	497	83	13	(160)	(25)	3,154	485
Interest expense	(1,497)	(230)	(278)	(43)	160	25	(1,615)	(248)
Foreign exchange (loss) income, net	(883)	(136)	401	62	—	—	(482)	(74)
Income from equity method investments	(63)	(10)	—	—	—	—	(63)	(10)
Other income, net	4,597	707	2	—	(1)	—	4,598	707
Total other income, net	5,385	828	208	32	(1)	—	5,592	860
Income (loss) before income taxes	25,100	3,857	(3,745)	(575)	(72)	(12)	21,283	3,270
Income taxes	(3,001)	(461)	8	1	(2)	—	(2,995)	(460)
Net income (loss)	22,099	3,396	(3,737)	(574)	(74)	(12)	18,288	2,810

(Emphasis added.)

24. On March 15, 2019, Baidu filed with the SEC its annual report for the year ended December 31, 2018 (the “2018 Annual Report”) on a Form 20-F signed by Defendant Y. Li. Attached to the 2018 Annual Report were certifications pursuant to SOX signed by Defendants Y. Li and Yu attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal control over financial reporting and the disclosure of all fraud.

25. The 2018 Annual Report stated the following regarding iQIYI and its revenues:

. . . In March 2018, iQIYI raised approximately US\$2.4 billion of net proceeds through its initial public offering. iQIYI’s American Depositary Shares trade on the NASDAQ Global Market under the symbol “IQ”. ***We continue to control iQIYI and consolidate its financial results into our own in accordance with U.S. GAAP.***

* * *

iQIYI

iQIYI is an innovative market-leading online entertainment service provider in China. For the year of 2018, iQIYI’s average mobile MAUs were 455 million, and its average mobile DAUs were 135 million. On average, users spent 9.4 billion hours per month watching video content on iQIYI platform through all devices, and spent 1.6 hours per day per user watching video content on its mobile apps during the year.

* * *

Online marketing revenues for iQIYI in 2018 were RMB9.3 billion (US\$1.4 billion), growing by 21% year over year (if both years’ revenues were net of VAT), primarily due to our improved efficiency in the monetization of brand advertising business, driven by iQIYI’s strong and expanding library of self-produced and licensed content, as well as the growth of feed-based advertising business, partially offset by tightening advertising budget of advertisers. Average brand advertising revenues per brand advertiser in 2018 were RMB6.7 million (US\$1.0 million), increasing by 25% year over year (if both years’ revenues were net of VAT).

* * *

	Year ended December 31,					
	2016	2017		2018		
	RMB	RMB	YoY%	RMB	US\$	YoY%
(In millions, except percentages)						
Revenues:						
Baidu Core	59,470	67,681	14	78,271	11,384	22(1)
iQIYI	11,237	17,378	55	24,989	3,634	52(2)

(1) The revenue in 2017 was RMB63,903 million excluding the impact of RMB3,778 million of VAT.

(2) The revenue in 2017 was RMB16,396 million excluding the impact of RMB982 million of VAT.

* * *

iQIYI. iQIYI revenues was RMB25.0 billion (US\$3.6 billion) in 2018, increasing by 44% from 2017 (or 52%, if both years' revenues were net of VAT). This increase was mainly attributable to the increase in membership services revenues and online marketing revenues.

iQIYI revenues increased by 55% from RMB11.2 billion in 2016 to RMB17.4 billion in 2017. This increase was mainly attributable to the increase in membership services revenues and online marketing revenues.

* * *

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*.

* * *

The following table presents the Company’s revenues disaggregated by revenue source:

	For the years ended			
	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2018
	RMB	RMB	RMB	US\$
(In millions)				
Online marketing	64,525	73,146	81,912	11,914
iQIYI membership service	3,759	6,532	10,603	1,542
iQIYI content distribution	501	1,192	2,163	315
Interest income earned from provision of financial services	222	1,658	1,724	251
Others	1,542	2,281	5,875	854
Other revenue	6,024	11,663	20,365	2,962
Total revenue	70,549	84,809	102,277	14,876

* * *

	For the year ended December 31, 2018							
	Baidu Core		iQIYI		Intersegment eliminations		Consolidated	
	RMB	US\$	RMB	US\$	RMB	US\$	RMB	US\$
Total revenues	78,271	11,384	24,989	3,634	(983)	(142)	102,277	14,876
Operating costs and expenses:								
Cost of revenues	25,370	3,689	27,133	3,946	(759)	(109)	51,744	7,526
Selling, general and administrative	15,310	2,227	4,168	606	(247)	(36)	19,231	2,797
Research and development	13,783	2,005	1,994	290	(5)	(1)	15,772	2,294
Total operating costs and expenses	54,463	7,921	33,295	4,842	(1,011)	(146)	86,747	12,617
Operating profit (loss)	23,808	3,463	(8,306)	(1,208)	28	4	15,530	2,259
Total other income (loss), net	13,169	1,915	(676)	(98)	(698)	(102)	11,795	1,715
Income (loss) before income taxes	36,977	5,378	(8,982)	(1,306)	(670)	(98)	27,325	3,974
Income taxes	4,664	678	79	12	—	—	4,743	690
Net income (loss)	32,313	4,700	(9,061)	(1,318)	(670)	(98)	22,582	3,284
Less: net income (loss) attributable to noncontrolling interests	(1,292)	(188)	49	7	(3,748)	(545)	(4,991)	(726)
Net income (loss) attributable to Baidu, Inc.	33,605	4,888	(9,110)	(1,325)	3,078	447	27,573	4,010

(Emphasis added.)

26. On March 13, 2020, Baidu filed with the SEC its annual report for the year ended December 31, 2019 (the “2019 Annual Report”) on a Form 20-F signed by Defendant Y. Li. Attached to the 2019 Annual Report were certifications pursuant to SOX signed by Defendants Y. Li and Yu attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal control over financial reporting and the disclosure of all fraud.

27. The 2019 Annual Report stated the following regarding iQIYI and the subsidiaries’ revenues:

Consolidated revenues . Our total revenues in 2019 were RMB107.4 billion (US\$15.4 billion), growing by 5% from 2018 to 2019. Our online marketing revenues were RMB78.1 billion (US\$11.2 billion) in 2019, decreasing by 5% year over year. . . .

Online marketing revenues for iQIYI in 2019 were RMB8.3 billion (US\$1.2 billion), decreasing by 11% year over year, primarily due to the challenging macroeconomic environment, the delay of certain content launches and intensified competition in the advertising business. Average brand advertising revenue per brand advertiser decreased by 12% from RMB6.7 million in 2018 to RMB5.9 million (US\$0.9 million) in 2019. We track the average brand advertising revenue per brand advertiser as a key indicator to evaluate iQIYI’s advertising services business and adapt its sales strategy, ad solutions and content scheduling accordingly.

Other revenues in 2019 were RMB29.3 billion (US\$4.2 billion), increasing by 44% year over year, which was primarily due to the strong growth in iQIYI membership, cloud services and smart devices.

Segment Revenues

The following table sets forth our revenues by segment and the year-over-year change, with segment revenues including inter-segment revenues:

	Year ended December 31,					
	2017	2018		2019		
	RMB	RMB	YoY%	RMB	US\$	YoY%
	(In millions, except percentages)					
Revenues:						
Baidu Core	67,681 ⁽¹⁾	78,271	22 ⁽¹⁾	79,711	11,450	2
iQIYI	17,378 ⁽²⁾	24,989	52 ⁽²⁾	28,994	4,165	16

(1) Baidu Core net revenue for 2017, excluding the impact of RMB3,778 million in VAT, was RMB63,903 million.

(2) iQIYI net revenue for 2017, excluding the impact of RMB982 million in VAT, was RMB16,396 million.

* * *

iQIYI. iQIYI revenue was RMB29.0 billion (US\$4.2 billion) in 2019, increasing by 16% from 2018. This increase was mainly attributable to the growth of membership revenue, offset by a decline in online advertising revenue.

iQIYI revenue was RMB25.0 billion in 2018, increasing by 44% from 2017 (or 52%, if both years' revenues were net of VAT). This increase was mainly attributable to an increase in membership services and online marketing revenues.

* * *

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.

* * *

	For the years ended			
	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2019
	RMB	RMB	RMB	US\$
	(In millions)			
Online marketing	73,146	81,912	78,093	11,217
iQIYI membership service	6,532	10,603	14,415	2,071
iQIYI content distribution	1,192	2,163	2,544	365
Interest income earned from provision of financial services	1,658	1,724	—	—
Others	2,281	5,875	12,361	1,776
Other revenue	11,663	20,365	29,320	4,212
Total revenue	84,809	102,277	107,413	15,429

* * *

	For the year ended December 31, 2017			
	Baidu Core RMB	iQIYI RMB	Intersegment eliminations & adjustments RMB (In millions)	Consolidated RMB
Total revenues	67,681	17,378	(250)	84,809
Operating costs and expenses:				
Cost of revenues	25,688	17,386	(12)	43,062
Selling, general and administrative	10,586	2,675	(133)	13,128
Research and development	11,692	1,270	(34)	12,928
Total operating costs and expenses	47,966	21,331	(179)	69,118
Operating profit (loss)	19,715	(3,953)	(71)	15,691
Total other income (loss), net	5,385	208	(1)	5,592
Income (loss) before income taxes	25,100	(3,745)	(72)	21,283
Income taxes	3,001	(8)	2	2,995
Net income (loss)	22,099	(3,737)	(74)	18,288
Less: net income (loss) attributable to noncontrolling interests	(9)	—	(4)	(13)
Net income (loss) attributable to Baidu, Inc.	22,108	(3,737)	(70)	18,301

(Emphasis added.)

28. The 2019 Annual Report stated the following regarding the Company's controls and procedures:

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, 2019.

* * *

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.

29. The statements referenced in ¶¶17-28 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operational and financial results, which were known to

Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) Baidu misrepresented the financial and business condition of iQIYI; (2) iQIYI had inadequate controls; and (3) as a result, Defendants' public statements were materially false and/or misleading at all relevant times.

The Truth Emerges

30. On April 7, 2020, during market hours, Wolfpack Research released a report detailing, among other things, how iQIYI had misled investors and failed to disclose pertinent information generally and in its Registration Statement, including: (i) iQIYI overstating its user numbers; (ii) iQIYI inflating its revenues; (iii) iQIYI inflating expenses and prices of assets to conceal its revenue inflation; and (iv) iQIYI misleading financial reporting creating the appearance of a cash generative company.

31. On this news, Baidu's ADSs fell \$4.46 per ADS, or 4%, to close at \$97.33 per ADS on the next full trading day, April 8, 2020, damaging investors.

32. On August 13, 2020, after trading hours, iQIYI issued a press release entitled "iQIYI Announces Second Quarter 2020 Financial Results" which announced the following, in pertinent part:

SEC Investigation

The SEC's Division of Enforcement is seeking the production of certain financial and operating records dating from January 1, 2018, as well as documents related to certain acquisitions and investments that were identified in a report issued by short-seller firm Wolfpack Research in April 2020 ("Wolfpack Report"). The Company is cooperating with the SEC. We cannot predict the timing, outcome, or consequences of the SEC investigation.

In addition, shortly after the publication of the Wolfpack Report, the Company engaged professional advisers to conduct an internal review into certain of the key allegations in the Wolfpack Report and to report their findings to the Company's Audit Committee ("Internal Review"). These professional advisers have been examining the Company's books and records and undertaking testing procedures

that, in their judgment, are necessary and appropriate to evaluating the key allegations in the Wolfpack Report, including accounting policy analysis, data analytics on whether the Company manufactured orders and inflated revenues and/or expenses. The Internal Review is ongoing and we cannot predict the timing for completion, outcome, or consequences of the Internal Review at this time.

(Emphasis added.)

33. On this news, Baidu's ADSs fell \$7.83 per ADS, or 6%, to close at \$116.74 per ADS on August 14, 2020, damaging investors.

34. As a result of Defendants' wrongful acts and omissions, and the decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

35. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired the publicly traded securities of Baidu during the Class Period (the "Class") and were damaged upon the revelation of the alleged corrective disclosure. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

36. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, the Company's securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by the Company or its transfer agent and may be notified of

the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

37. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

38. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

39. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- (a) whether Defendants' acts as alleged violated the federal securities laws;
- (b) whether Defendants' statements to the investing public during the Class Period misrepresented material facts about the financial condition, business, operations, and management of the Company;
- (c) whether Defendants' statements to the investing public during the Class Period omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) whether the Individual Defendants caused the Company to issue false and misleading SEC filings and public statements during the Class Period;
- (e) whether Defendants acted knowingly or recklessly in issuing false and misleading SEC filings and public statements during the Class Period;

- (f) whether the prices of the Company's securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- (g) whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

40. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

41. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- (a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- (b) the omissions and misrepresentations were material;
- (c) the Company's securities are traded in efficient markets;
- (d) the Company's securities were liquid and traded with moderate to heavy volume during the Class Period;
- (e) the Company traded on the NASDAQ, and was covered by market analysts;
- (f) the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities;
- (g) Plaintiff and members of the Class purchased and/or sold the Company's securities between the time the Defendants failed to disclose or misrepresented material facts

and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts; and

- (h) Unexpected material news about the Company was rapidly reflected in and incorporated into the Company's ADS price during the Class Period.

42. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

43. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

COUNT I
Violation of Section 10(b) of The Exchange Act and Rule 10b-5
Against All Defendants

44. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

45. This Count is asserted against the Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

46. During the Class Period, the Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

47. The Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they: employed devices, schemes and artifices to defraud; made untrue statements of material facts or

omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of the Company's securities during the Class Period.

48. The Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These Defendants by their control over, and/or receipt and/or modification of the Company's allegedly materially misleading statements, and/or their associations with the Company which made them privy to confidential proprietary information concerning the Company, participated in the fraudulent scheme alleged herein.

49. Individual Defendants, who are senior officers and/or a director of the Company, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other personnel of the Company to members of the investing public, including Plaintiff and the Class.

50. As a result of the foregoing, the market price of the Company's securities was artificially inflated during the Class Period. In ignorance of the falsity of the Defendants' statements, Plaintiff and the other members of the Class relied on the statements described above and/or the integrity of the market price of the Company's securities during the Class Period in

purchasing the Company's securities at prices that were artificially inflated as a result of the Defendants' false and misleading statements.

51. Had Plaintiff and the other members of the Class been aware that the market price of the Company's securities had been artificially and falsely inflated by the Defendants' misleading statements and by the material adverse information which the Defendants did not disclose, they would not have purchased the Company's securities at the artificially inflated prices that they did, or at all.

52. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the Class have suffered damages in an amount to be established at trial.

53. By reason of the foregoing, the Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the Plaintiff and the other members of the Class for substantial damages which they suffered in connection with their purchases of the Company's securities during the Class Period.

COUNT II
Violation of Section 20(a) of the Exchange Act
Against the Individual Defendants

54. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

55. During the Class Period, the Individual Defendants participated in the operation and management of the Company, and conducted and participated, directly and indirectly, in the conduct of the Company's business affairs. Because of their senior positions, they knew the adverse non-public information regarding the Company's business practices.

56. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to the

Company's financial condition and results of operations, and to correct promptly any public statements issued by the Company which had become materially false or misleading.

57. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which the Company disseminated in the marketplace during the Class Period. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause the Company to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were controlling persons of the Company within the meaning of Section 20(a) of the Exchange Act. In this capacity, the Individual Defendants participated in the unlawful conduct alleged which artificially inflated the market price of the Company's securities.

58. The Individual Defendants, therefore, acted as controlling persons of the Company. By reason of their senior management positions and/or being a director of the Company, the Individual Defendants had the power to direct the actions of, and exercised the same to cause, the Company to engage in the unlawful acts and conduct complained of herein. The Individual Defendants exercised control over the general operations of the Company and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

59. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by the Company.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: August 19, 2020

Respectfully submitted,

THE ROSEN LAW FIRM, P.A.

/s/Phillip Kim

Phillip Kim, Esq. (PK 9384)

Laurence M. Rosen, Esq. (LR 5733)

275 Madison Ave., 40th Floor

New York, NY 10016

Tel: (212) 686-1060

Fax: (212) 202-3827

Email: lrosen@rosenlegal.com

Email: pkim@rosenlegal.com

Counsel for Plaintiff