

Autohome Inc.
Form 20-F
April 12, 2019
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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, 2018.

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: 001-36222

Autohome 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)

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The People's Republic of China

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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	Name of Each Exchange on Which Registered
Class A ordinary shares, par value US\$0.01 per share*	The New York Stock Exchange

* Not for trading, but only in connection with the listing on The New York Stock Exchange of the American depositary shares (ADSs). Currently, one ADS represents one Class A ordinary share.

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. **118,056,345 Class A ordinary shares, par value US\$0.01 per share, and 0 Class B ordinary shares, par value US\$0.01 per share, were outstanding as of December 31, 2018.**

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 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, and 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 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

Other

by the International Accounting Standards Board

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

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

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

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

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INTRODUCTION

Unless otherwise indicated and except where the context otherwise requires, references in this annual report on Form 20-F to:

ADSs are to our American depositary shares, each of which represents one Class A ordinary share;

CAGR refers to compound annual growth rate;

China or the PRC are to the People's Republic of China, excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan;

shares or ordinary shares are our ordinary shares, par value US\$0.01 per share, before our initial public offering, or IPO, and our Class A and Class B ordinary shares, par value US\$0.01 per share, after our initial public offering;

RMB and Renminbi are to the legal currency of China;

we, us, our, our company and the Company are to Autohome Inc., its predecessors, subsidiaries and various interest entities, or VIEs;

U.S. GAAP refers to generally accepted accounting principles in the United States; and

\$, dollars, US\$ or U.S. dollars refers to the legal currency of the United States.

Substantially all of our operations are conducted in China and substantially all of our revenues are denominated in RMB. This annual report contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the readers. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this annual report were made at a rate of RMB6.8755 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System as of December 31, 2018. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that reflect our current expectations and views of future events. The forward-looking statements are contained principally in the sections entitled Item 3. Key Information D. Risk Factors, Item 4. Information on the Company B. Business Overview and Item 5. Operating and Financial Review

and Prospects. These forward-looking statements are made under the safe-harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Known and unknown risks, uncertainties and other factors, including those listed under Item 3. Key Information D. Risk Factors, may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

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

our ability to attract and retain users and customers;

our business strategies and initiatives as well as our new business plans;

our future business development, financial condition and results of operations;

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our ability to further enhance our brand recognition;

our ability to attract, retain and motivate key personnel;

competition in our industry in China; and

relevant government policies and regulations relating to our industry.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Other sections of this annual report include additional factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, 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 materially from those contained in any forward-looking statements. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from, or worse than, what we expect. We qualify all of our forward-looking statements by these cautionary statements.

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

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

PART I.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

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The following tables present the selected consolidated financial information for our company. Our selected consolidated statements of operations data presented below for the years ended December 31, 2016, 2017 and 2018 and our selected consolidated balance sheet data as of December 31, 2017 and 2018 have been derived from our consolidated financial statements, which are included in this annual report beginning on page F-1. Our selected consolidated balance sheet data as of December 31, 2014, 2015 and 2016 and the selected consolidated statements of operations data for 2014 and 2015 presented below have been derived from our consolidated financial statements not included in this annual report. Our historical results for any period are not necessarily indicative of results to be expected for any future period. You should read the following selected financial data in conjunction with the consolidated financial statements and related notes and the information under Item 5. Operating and Financial Review and Prospects in this annual report. Our audited consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

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For the Year Ended December 31,
(in thousands, except for number of shares and per share data)

	2014 RMB	2015 RMB	2016 RMB	2017 RMB	2018 RMB	US\$
Selected Consolidated Statements of Operations Data:						
Net revenues ⁽¹⁾	2,132,949	3,463,975	5,961,621	6,210,181	7,233,151	1,052,018
Cost of revenues	(381,498)	(669,121)	(2,393,165)	(1,358,685)	(820,288)	(119,306)
Gross profit	1,751,451	2,794,854	3,568,456	4,851,496	6,412,863	932,712
Operating expenses						
Sales and marketing expenses	(559,070)	(1,127,484)	(1,536,939)	(1,647,519)	(2,435,236)	(354,190)
General and administrative expenses	(129,751)	(193,655)	(306,794)	(281,951)	(314,846)	(45,792)
Product development expenses	(158,395)	(273,908)	(571,354)	(878,773)	(1,135,247)	(165,115)
Total Operating expenses	(847,216)	(1,595,047)	(2,415,087)	(2,808,243)	(3,885,329)	(565,097)
Other income, net	2,544	13,064	13,953	8,577	341,391	49,653
Operating profit	906,779	1,212,871	1,167,322	2,051,830	2,868,925	417,268
Interest income	34,682	63,218	88,168	220,282	358,811	52,187
Earnings/(loss) from equity method investments		102	(6,638)	(10,571)	24,702	3,593
Fair value change of other non-current assets					(11,017)	(1,602)
Income before income taxes	941,461	1,276,191	1,248,852	2,261,541	3,241,421	471,446
Income tax expense	(192,781)	(285,542)	(32,629)	(267,082)	(377,890)	(54,962)
Net income	748,680	990,649	1,216,223	1,994,459	2,863,531	416,484
Net loss attributable to noncontrolling interests			11,691	7,160	7,484	1,089
Net income attributable to Autohome Inc.	748,680	990,649	1,227,914	2,001,619	2,871,015	417,573
Earnings per share for ordinary shares						

Basic	7.01	8.83	10.75	17.20	24.40	3.55
Diluted	6.64	8.57	10.58	16.95	24.08	3.50
Weighted average number of shares used to compute earnings per share⁽²⁾						
Ordinary shares ⁽³⁾ :						
Basic	106,735,303	112,227,405	114,237,600	116,379,846	117,671,971	117,671,971
Diluted	112,831,585	115,646,826	116,036,327	118,058,856	119,235,379	119,235,379
Dividend per share ⁽⁴⁾						

- (1) In May 2014, the Financial Accounting Standards Board issued ASC 606, *Revenue from Contracts with Customers*, a new standard related to revenue recognition. The most significant impact on our company is the change of the presentation of value-added tax from gross basis to net basis. We adopted this guidance effective from January 1, 2018 using the modified retrospective method. The comparative information has not been restated and continues to be reported under the accounting standards in effect for the relevant periods. As a result, the operating results for the years ended December 31, 2014, 2015, 2016 and 2017 have not been restated and are presented on a gross basis with value-added tax being included in the net revenues and cost of revenues in such years, while the operating results for the year ended December 31, 2018 are presented on net basis, with the value-added tax being excluded from the net revenues and cost of revenues in such year.
- (2) Earnings per share for ordinary shares (diluted) for each year from 2014 to 2018 were computed after taking into account the dilutive effect of the shares underlying our employees' share-based awards.
- (3) Represents our Class A and Class B ordinary shares, par value US\$0.01 per share, after our IPO. In June 2016, all of our Class B ordinary shares were converted into Class A ordinary shares when Telstra Holdings, our then largest shareholder, transferred approximately 47.4% of our then total issued and outstanding shares to Yun Chen Capital Cayman. As holders of Class A and Class B ordinary shares have the same dividend right in our undistributed earnings, the basic and diluted net income per Class A ordinary share and Class B ordinary share were the same for all the periods presented during which there were two classes of ordinary shares in issue. The weighted average number of shares represents the sum of the weighted average number of Class A and Class B ordinary shares. Please see *Earnings per Share* under Note 17 to our audited consolidated financial statements included in this annual report for additional information regarding the computation of the per share amounts and the weighted average numbers of ordinary shares.

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- (4) The special cash dividends declared in November 2017 to the holders of our Class A ordinary shares of record as of the close of business on January 4, 2018 were paid in the amount of US\$0.76 per share (inclusive of applicable fees payable to our depository bank) on or about January 15, 2018. See Item 8. Financial Information A. Consolidated Statements and Other Financial Information Dividend Policy.

	2014	2015	As of December 31,		2018	
	RMB	RMB	2016	2017	RMB	US\$
			RMB	RMB		
			(in thousands)			
Selected Consolidated Balance Sheet Data:						
Cash and cash equivalents, restricted cash, current and short-term investments	2,772,191	4,169,053	5,733,321	8,154,224	10,061,458	1,463,379
Accounts receivable, net	736,695	1,075,456	1,205,924	1,893,737	2,795,835	406,637
Total current assets	3,582,797	5,696,498	7,432,532	10,258,586	13,141,317	1,911,326
Total assets	5,278,515	7,530,076	9,392,026	12,294,975	15,756,201	2,291,644
Deferred revenue	438,797	872,487	1,012,143	1,409,485	1,510,726	219,726
Total current liabilities	1,080,657	2,156,534	2,544,040	3,889,316	4,164,769	605,740
Total non-current liabilities	532,435	522,506	496,773	470,373	479,989	69,812
Total liabilities	1,613,092	2,679,040	3,040,813	4,359,689	4,644,758	675,552
Total Autohome Inc. shareholders equity	3,665,423	4,851,036	6,360,404	7,951,637	11,135,278	1,619,559
Total equity	3,665,423	4,851,036	6,351,213	7,935,286	11,111,443	1,616,092

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors**Risks Related to Our Business and Industry**

We rely on China's automotive industry for substantially all of our revenues and future growth, the prospects of which are subject to many uncertainties, including government regulations and policies.

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We rely on China's automotive industry for substantially all of our revenues and future growth. We have greatly benefited from the growth of China's automotive industry during the past few years. China is one of the world's major automotive markets. However, car ownership rate in China is still low, indicating significant room for continued growth. We cannot predict how this industry will develop in the future. Furthermore, in 2018, China's automotive industry experienced negative growth for the first time in the past 28 years and the growth of China's automotive industry could be affected by many factors, including general economic conditions in China, the urbanization rate of China's population, the growth of disposable household income, the costs of new automobiles, the trade barriers and other governmental protectionist measures, as well as taxes and incentives related to automobile purchases. For example, on July 6, 2018, the Trump Administration imposed 25% tariffs on a variety of imports from China, and China responded to the multiple U.S. tariff lists by announcing several lists of products, including automobiles and automobile parts and components, from the U.S. that are subject to an additional 25% tariff upon import to China. Although the imposition of the additional tariffs are currently suspended, tariffs or a global trade war could increase the cost of imported automobiles, which could negatively impact the demand for automobiles and adversely impact our business. In addition, governmental policies may have a considerable impact on the growth of the automotive industry in China. For example, in an effort to alleviate traffic congestion and improve air quality, the Beijing municipal government issued a regulation in December 2010 to limit the number of new passenger vehicle plates issued in Beijing each year to 240,000 commencing in 2011, and the limit was subsequently reduced to 100,000 starting from 2014 to 2019. There are similar policies that restrict the issuance of new passenger vehicle plates in several other major cities in China. The Limits and Measurement Methods for Emissions from Light-duty Vehicles (China 5), which was issued on September 17, 2013, have become effective nationwide in China since January 1, 2018. In 2015, the PRC government released new tax benefits for electric cars. In 2014, 2017 and 2018, the PRC government released multiple rules allowing the purchase of new energy vehicles to be exempt from vehicle purchase tax between 2014 and 2020. Moreover, since the beginning of 2018, there are various rules promulgated by the PRC government that have tightened the regulation of the entire automobile industry, such as setting higher standards and more stringent requirements for approval of automobile loans, more stringent emission standards for light-duty vehicles starting from January 1, 2018 together with progressively stricter requirements on all sales and registration of light-duty vehicles starting from July 1, 2020, and the cancellation of the reduction of vehicle purchase tax on light vehicles by reverting the tax rate back to 10% starting from January 1, 2018. Such regulatory developments, as well as other uncertainties, may adversely affect the growth prospects of China's automotive industry, and in turn reduce demand for automobiles. If automakers and automobile dealers were to reduce their marketing expenditures as a result, our business, financial condition and results of operations could be materially and adversely affected.

We face significant competition, and if we fail to compete effectively, we may lose market share and our business, prospects and results of operations may be materially and adversely affected.

The markets for our services are highly competitive. With respect to our auto media business, we face competition from China's automotive vertical websites and mobile applications, such as *Xcar*, *PCauto* and *BitAuto*, from the automotive channels of major internet portals, such as *Sina* and *Sohu*, and from companies engaged in mobile social media, news, video and live-streaming applications. We may also face competition from online automobile transaction platforms, such as *maodou.com*, *taoche.com*, *51auto*, *Uxin*, *Guazi*, and *Renrenche* as we develop our auto e-commerce business. Our auto finance business faces competition from other auto finance companies, such as *Yixin* and *Souche*. In addition, we also face competition from companies engaged in social media business, such as *ByteDance* and *Tencent*. Competition with these and other websites and mobile applications is primarily centered on increasing user reach, user engagement and brand recognition, relationships with the suppliers, and attracting and retaining advertisers or customers, among other factors.

Some of our competitors or potential competitors have longer operating histories and may have greater financial, management, technological, development, sales, marketing and other resources than we do. They may use their

experience and resources to compete with us in a variety of ways, including by competing more heavily for users, advertisers and dealers, investing more heavily in marketing, traffic acquisition and research and development, and making more acquisitions. Some of our competitors have entered or may enter into business cooperation agreements with search engines, which may impact our ability to obtain additional user traffic from the same sources. Our competitors may be acquired and consolidated by, or cooperate with, industry conglomerates who are able to further invest with significant resources into our operating space. We cannot assure you that any such large internet business will not in the future focus on the automotive sector. If we are unable to compete effectively and at a reasonable cost against our existing and future competitors, our business, prospects and results of operations could be materially and adversely affected.

For our media business, we also face competition from traditional advertising media, such as newspapers, magazines, yellow pages, television, radio and outdoor media. Advertisers in China generally allocate a significant portion of their marketing budgets to traditional advertising media. If we cannot effectively compete with traditional media for the marketing budgets of our existing and potential customers, our results of operations and growth prospects could be adversely affected. For our e-commerce business, as online automobile transaction is a relatively new business model and consumers in China might be accustomed to make automobile purchases offline, we cannot guarantee that the automobile consumers in China will accept such business model.

If we cannot maintain customer recognition and trust in us, our results of operations and growth prospects could be adversely affected.

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We have experienced rapid growth in our business in recent years. The number of our employees has grown from 3,752 as of December 31, 2016 to 4,097 as of December 31, 2017 and further to 4,335 as of December 31, 2018. We have increased our net revenues since 2016 to RMB7,233.2 million (US\$1,052.0 million) in 2018, representing a three-year CAGR of 16.3%. We expect to continue to grow our user base and our business operations. We have been implementing our future strategy to integrate four key market segments in our consumer centric automotive ecosystem, namely auto-content, auto-transaction, auto-finance and auto-lifestyle. Our 4+1 strategy continues to drive our growth momentum and guide us in our transformation from a content-led vertical media business to an automotive eco-platform based on our advanced data and technology. Also, we are committed to strengthening our competitive advantage in the core media and leads generation business and have begun to benefit from executing new business initiatives, including data products and auto-financing.

Although we have achieved profitability in recent periods, our rapid expansion and new business initiatives may expose us to new challenges and risks and may make the prediction of our future results of operations difficult. As a growing company facing risks and uncertainties, our historical results of operations should not be taken as indicative of the rate of growth, if any, that can be expected in the future. In addition, we may not have sufficient experience in executing our new business initiatives. To manage the further expansion of our business, we need to continuously expand and enhance our infrastructure and technology, and improve our operational and financial systems, procedures and internal controls. We also need to train, manage and motivate our growing employee base. In addition, we need to maintain and expand our relationships with automakers, automobile dealers, advertising agencies, financial institutions, insurance companies and other third parties. We cannot assure you that our current and planned personnel, infrastructure, systems, procedures and controls will be adequate to support our expanding operations. We may be required to further increase our research and development expenses in order to enhance our technology capabilities, such as artificial intelligence technologies, big data technologies and cloud technologies, to support any such expansion and our efforts may not be effective. In the future, we may also commit our resources to further develop, optimize and expand our new business initiatives. Our new business initiatives may also expose us to new regulatory risks, which are different from what we have experienced before. Lack of experience in handling these new regulatory risks may result in failure to generate the expected results of operations and prospects. Furthermore, we need to quickly respond to the market reaction to our new business initiatives and adjust accordingly. If we fail to manage our expansion and new business initiatives effectively or efficiently, our business and results of operations may be materially and adversely affected.

If we are unable to grow our new vehicle transaction business, we may not be able to achieve our expected business growth and our results of operations may be adversely affected.

We started to develop our new vehicle transaction business in 2014 and expanded to include direct vehicle sales and platform-based services facilitating transactions through our transaction platform. In June 2014, we launched Autohome Mall, which is a full-service online transaction platform for users to review automobile-related information, purchase coupons offered by automakers for discounts and make purchases to complete the transaction. In late 2016, we gradually shifted the focus to becoming an asset-light vehicle e-commerce platform to facilitate transactions between consumers and automakers or independent automobile sellers that obtain vehicles from legitimate distribution channels other than through direct authorization from and dealership arrangements with automakers. In 2018, revenues under our new vehicle transaction business were primarily from (i) platform-based services we provide while facilitating transactions on Autohome Mall, (ii) service fees with respect to the transaction-oriented marketing solutions and (iii) commissions based on transactions facilitated. We cannot guarantee you that our current business model and strategies will be successful to meet consumers' expectation or demand for vehicles on our transaction platform.

We will need to react quickly to meet the changing consumer preferences and buying trends relating to our transaction business. We will also face competition from other websites and mobile applications engaged in the online automobile transaction business and from traditional dealerships. Furthermore, we must keep up to date with competitive technology trends, including the use of new or improved technology, creative user interfaces and other transaction marketing tools, such as paid search and mobile applications among others, which may increase our costs but may not succeed in increasing sales or attracting consumers. Developing the transaction business may require significant investment in product development, sales and marketing and working capital, and we may not be able to get the expected return on our investment. As online automobile transaction is a relatively new business model, we cannot guarantee that the automobile consumers in China will accept our business model. Due to the limited operating history of our transaction business, we cannot predict that whether consumers, automakers or independent automobile sellers will trust our platform. Also, as we continue to develop our transaction business, we may need to comply with additional laws and regulations, including any evolving licensing requirements. We may fail to obtain and continuously maintain permits or licenses that applicable regulators may deem necessary for our operations. Our failure to successfully mitigate these risks and uncertainties might adversely affect the financial performance of our transaction business, as well as damage our reputation and brand.

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If we are not able to effectively attract consumers, automakers or independent sellers to complete automobile transactions on our platform, the service fees we receive from our transaction business may be negatively affected. Finally, developing the transaction business may take up our management's time and allow them less time to focus on our other businesses. Our transaction business is substantially dependent on the sales level of new vehicles in China, which is sensitive to changing economic conditions.

Also, the success of our transaction business depends, in part, on third parties and factors over which we have limited control. For example, we rely on independent automobile sellers and our logistics partners to perform order fulfillments for vehicles sold on our platform. We may not have full control over the offline order fulfillment procedures, and any dissatisfaction from the consumers might result in customer complaints. We cannot guarantee that such complaints will be resolved in a satisfactory manner. As a result, our reputation could be harmed, which could adversely affect our business and financial performance.

If we are unable to grow our auto finance business, we may not be able to achieve our expected business growth and our results of operations may be adversely affected.

In early 2017, we launched our auto finance business and started to provide services to our cooperative banks and financial institutions by displaying and marketing their financial products, including financing and financial leasing products, on our platform. We enable our cooperative banks and financial institutions to present their financial products to users of our websites and mobile applications and to accept users' auto financing applications. We also introduced merchant loans offered by our cooperative financial institutions to automobile sellers. In addition, we acquired a Chinese insurance broker, Shanghai Tianhe Insurance Brokerage Co., Ltd., or Shanghai Tianhe, in September 2017, and started to engage in offline insurance brokerage business in November 2017. Currently, Shanghai Tianhe primarily engages in offline insurance brokerage business for our users and has launched its online insurance brokerage business through cooperating with a major insurance company since late 2018, after completing the registration process required for engaging in online insurance business in the PRC. Shanghai Tianhe has also begun to cooperate closely with automobile dealers and sellers to promote our financial partners' insurance products to the automobile buyers.

Since our auto finance business is subject to broad regulation and supervision in the PRC, we may need to handle regulatory inspections during our ordinary course of business from time to time. We have developed an internal control system relating to compliance matters for auto finance business to satisfy the applicable PRC regulatory standards. However, as our auto finance business, especially our insurance brokerage business, grows rapidly, we cannot assure you that the internal control system could always work effectively in tracking and administering the compliance matters relevant to our auto finance business and we may need to incur increased compliance costs to maintain and upgrade such internal control system effectively. If we cannot satisfy any of the requirements of competent authorities, we would be exposed to the relevant regulatory risks, which may result in penalties imposed against us. In addition, although we have an existing large user base, we cannot assure you that the business model of our auto finance business will be attractive to users and financial partners. Failure to provide satisfactory services on our platform or facilitate financing transactions between our users and financial product providers would cause an adverse impact on our auto finance business. As a result, we may not be able to achieve our expected business growth and our results of operations may be adversely affected.

If we fail to attract and retain users and customers, our business and results of operations may be materially and adversely affected.

In order to maintain and strengthen our position as a leading online destination for automobile consumers in China, we must continue to attract and retain users to our websites and mobile applications, which requires us to continue to

provide quality content throughout the automobile ownership life cycles. We must also innovate and introduce services and applications that enhance user experience. In addition, we must maintain and enhance our brand recognition among consumers. If we fail to provide high-quality, enriched and customized content, offer a superior user experience or maintain and enhance our brand recognition, we may not be able to attract and retain users. Also, the user experience we offer to automobile consumers may be negatively affected by the non-automobile advertisements displayed on our websites and applications. If our user base decreases, our websites and mobile applications may be rendered less attractive to customers, including automakers and dealers, and our services may become less attractive, which may have a material and adverse impact on our business, financial condition and results of operations.

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We may not be able to successfully monetize and expand our mobile internet services.

We plan to continue to expand our mobile internet services and explore monetization strategies for our mobile internet services. We have made significant efforts in recent years to optimize the mobile version of our websites and mobile applications to display our content and develop new mobile applications to capture a greater number of users that access our services through mobile devices. For example, according to *QuestMobile*, the combined number of average daily unique visitors for our mobile websites and primary application amounted to 29.1 million in December 2018, representing an approximate 10% year-over-year increase. We plan to devote more resources to enhance the functions and user interfaces of our mobile applications. However, if we are unable to attract and retain a substantial number of mobile device users, or if we do not keep up with our competitors in developing attractive services that are adapted for such mobile devices, we may fail to capture a significant share of an increasingly important portion of the mobile internet market for our services or lose existing users. Our limited experience in monetizing our mobile internet services makes it difficult to predict whether we will succeed in developing mobile applications that appeal to automakers and dealers. Our experience in developing browser-based applications may not be relevant to developing mobile applications.

We believe an increasing number of sales leads were generated from our mobile applications as evidenced by the significant increase of our advertising revenue via our mobile platform. However, we cannot guarantee you that monetization strategies for our mobile internet services will continue to be successful. As our users continue to allocate more time on our mobile services instead of our traditional PC services, mobile monetization has become increasingly important to our results of operations. Accordingly, if we are unable to successfully implement monetization strategies for our mobile internet users, our results of operations may be negatively affected.

A limited number of automaker advertisers have accounted for, and are expected to continue to account for, a large portion of our media services revenues. Failure to maintain or to increase revenues from these advertisers could harm our prospects.

A limited number of automaker advertisers have accounted for, and are expected to continue to account for, a large portion of our media services revenues. In 2016, 2017 and 2018, 95, 101 and 103 automakers operating in China used our media services, respectively. These automakers include independent Chinese automakers, joint ventures between Chinese and international automakers and international automakers that sell cars made outside of China. In 2018, our top five automaker advertisers contributed 22.2% of our media services revenues. We believe that our major future revenue growth will be focused on deepening our existing commercial relationships with automakers to increase our share of each automaker's advertising budget. In addition, we have been prioritizing the direct cooperation with the automaker advertisers on ad placement since 2018. Compared to the indirect cooperation through advertising agencies, such direct cooperation model requires us to undertake more obligations and may impose extra costs and risks on us, such as the periodic issuance of advertising reports to the automaker advertisers and a longer payment collection period for advertising fees to be paid by automaker advertisers. We cannot assure you that our automaker advertisers will continue to be satisfied with our direct cooperation model and strategy as well as our media services, or our relationships with any of these automaker customers will continue in the future. Failure to issue and provide periodic advertising reports satisfactory to our automaker customers or failure to reach a mutually amicable agreement with our automaker customers on the collection of advertising fees may adversely impact our relationships with our automaker customers, which would have a negative impact on our reputation and results of operations. If we lose one or more of our important automaker customers, or if they materially reduce their purchase of our services, our results of operations would be materially and adversely affected.

Due to the limited number of automakers operating in China and our revenue concentration attributable to a small number of these companies, any of the following events, among others, may cause a material decline in our revenue

and materially and adversely affect our results of operations and prospects:

contract reduction, delay or cancellation by one or more significant advertisers and our failure to identify and acquire additional or replacement advertisers;

dissatisfaction with our advertising services by one or more of our significant advertisers;

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a substantial reduction by one or more of our significant advertisers in the price they are willing to pay for our services; and

financial difficulty of one or more of our significant advertisers who become unable to make timely payment for the advertisements placed on our websites and mobile applications.

If we are unable to grow our used automobile-related business, we may not be able to achieve our expected business growth and our results of operations may be adversely affected.

Our *che168.com* website has been focusing on used automobile information and content since October 2011. We also launched *che168.com* mobile application in 2012. Through these platforms, we offer used automobile listing services to used automobile dealers and individual car owners through a user interface that allows potential used car buyers to identify listings that meet their specific requirements and contact the seller. To further enhance user experience and optimize our used automobile-related business, in June 2018, we invested in TTP Car Inc., or TTP, a company operating an online bidding platform for used automobiles.

We may not be able to successfully grow our used automobile-related business. Although the used automobile market in China is growing due to the increased number of consumer-owned automobiles, there is still significant uncertainty regarding the extent to which our used automobile-related business may benefit from such growth. We may not be able to source sufficient used automobiles or attract a broad user base to our *che168.com* website and mobile application or be successful compared to our competitors. Even if we are able to do so, we may not be able to establish a business model that allows us to effectively monetize the user traffic. We may not be able to successfully facilitate used car transactions and our services might not be satisfactory to the used car buyers or sellers. Additionally, customers may not respond well to our new business initiatives as we expect. In such cases, we may suffer negative publicity and may not be able to achieve our expected business growth and our results of operations may be adversely affected.

Our results of operations will be materially and adversely affected if our services do not gain market acceptance or result in the loss of our current customer base.

One element of our growth strategy is to expand our services to customers. As a result, we have added additional services in the past few years. To serve our dealer customers, we had local sales and service representatives covering 192 cities across China as of December 31, 2018. We intend to increase our penetration in existing dealer advertising and subscription services markets. We have implemented business strategies to further monetize our large dealer network by enlarging the offering of products and services with new technologies on our dealer digital platform, increasing the average spending of our existing dealer subscribers and upselling our dealership packages for our leads generation services. In order to increase the average spending of our existing dealer subscribers, we keep close communications and negotiations with relevant parties such as dealers, dealers group and automakers. However, we may not succeed in making our customers sufficiently aware of existing and future services or in creating customer acceptance of these services at the prices we would want to charge, and we cannot guarantee that our pricing strategy and measures will always be agreed and accepted by any and all of our customers. We may not be able to achieve the market acceptance of our products and services as we expect and thus may fail to achieve an increase from our share of wallet approach. Our existing customers may even terminate their cooperation with us if they are not satisfied with our pricing strategy or measures, which may subject us to negative publicity and adversely impact our business. Also, we may not identify trends correctly, or may not be able to bring new services to market as quickly, effectively or price-competitively as our competitors. New services may alienate existing customers or cause us to lose business to our competitors. If the number of our dealer customers decreases, we will not be able to generate sufficient revenues to cover our increased costs and expenses. As a result, our business and results of operations may be materially and

adversely affected.

Our business depends on strong brand recognition, and failure to maintain or enhance our brands could adversely affect our business and prospects.

Maintaining and enhancing our Autohome and Che168 brands is critical to our business and prospects. We believe that brand recognition will become increasingly important as the number of internet users in China grows and competition in our industry intensifies. A number of factors could prevent us from successfully promoting our brands, including user dissatisfaction with the content offered on our websites or mobile applications, negative publicity involving our business, our management, our relationship with our partners and customers, the failure of our sales and marketing activities, employee relationship and welfare, regulatory compliance and financial conditions. If we fail to maintain and enhance our brands, or if we incur excessive expenses in this effort, our business, results of operations and financial condition will be materially and adversely affected.

If we are unable to conduct our marketing activities cost-effectively, our results of operations and financial condition may be materially and adversely affected.

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We have incurred expenses on a variety of marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products and services. Our marketing and promotional activities may not be well received by customers and may not result in the level of sales of products and services that we anticipate. We incurred RMB1,536.9 million, RMB1,647.5 million and RMB2,435.2 million (US\$354.2 million) in sales and marketing expenses in 2016, 2017 and 2018, respectively, representing 28.8%, 29.2% and 33.6%, respectively, of total net revenues in the corresponding years. Marketing approaches and tools in the consumer products market in China are evolving. This further requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and consumer preferences, which may not be as cost-effective as our marketing activities in the past and may lead to significantly higher marketing expenses in the future. We conducted various sales and marketing initiatives to promote our brands through websites, search engines, mobile platforms, navigation sites and traditional media channels, for example, the annual Singles Day event, the AR Auto Show event and TV ad broadcast on China Central Television. We also conducted various offline promotional activities and cooperated with brands and dealers for promotions in target regions. We may not be able to continue or conduct these activities efficiently, and our marketing activities may not yield satisfactory results. Failure to refine our existing marketing approaches or to introduce new effective marketing approaches in a cost-effective manner could impact our net revenues and profitability.

We may not be able to sustain our historical growth.

Our historical growth rates may not be indicative of our future growth, and we may not be able to generate similar growth rates in the future. We have increased our net revenue since 2016 to RMB7,233.2 million (US\$1,052.0 million) in 2018, representing a three-year CAGR of 16.3%. Also, our net income attributable to Autohome Inc. increased from RMB1,227.9 million in 2016 to RMB2,001.6 million in 2017 and RMB2,871.0 million (US\$417.6 million) in 2018, representing a CAGR of 52.9%. Our revenue or profit growth may slow down, or our revenues or profits may decline for any occurrence of possible reasons, including increasing operating expenses, increasing competition, slow growth of our business development, emergence of alternative business models, and changes in government policies or general economic conditions. We cannot assure you that we will grow at the same rate as we had in the past. If our growth rate declines, investors' perceptions of our business and business prospects may be adversely affected and the market price of our ADSs could decline.

Inaccuracy in pricing and listing information provided by third parties on our platform may adversely affect our business and financial performance.

Our automobile listings and promotional information are provided and updated by third parties on our platform, including the automakers, dealers, independent automobile sellers, financial partners and used car sellers. Users interested in particular vehicle models can conveniently search for up-to-date information on such models without having to visit the local showrooms of relevant dealers or solicit related information from other sources. Although we have optimized our system to detect pricing inaccuracy and have leveraged our advanced technology and third-party data to improve the accuracy of price listings and promotional information on our platform, we cannot assure you that these measures are always effective to ensure the accuracy and reliability of pricing and listing information provided to our users. If such listings and promotional information provided by the third parties on our platform are frequently inaccurate or not reliable, our users may lose faith in our websites and mobile applications, resulting in reduced user traffic to our websites and mobile applications and diminished value to advertisers. We may receive more customer complaints, and we may need to allocate more resources in responding and handling such complaints. We cannot guarantee that such complaints will be resolved in satisfactory outcome. Our reputation could be harmed, which could adversely affect our business and financial performance.

If we are unable to maintain our relationships with advertising agencies or if we are unable to collect accounts receivable from advertising agencies in a timely manner, our results of operations and prospects may be materially and adversely affected.

Although we consider automakers and automobile dealers to be our end-customers for our media services and have been prioritizing the direct cooperation with the automaker advertisers on ad placement since 2018, we are currently selling a substantial portion of our advertising services and solutions to third-party advertising agencies that represent the automakers and automobile dealers, who could maintain our business relationships with automakers and automobile dealers. We do not have long-term cooperation agreements or exclusive arrangements with these agencies and they may elect to direct business to other advertising service providers, including our competitors. If we fail to retain and enhance our business relationships with third-party advertising agencies, in particular the few ones we frequently transact with, we may suffer from a loss of advertisers and our business, financial condition, results of operations and prospects may be materially and adversely affected. In our agreements with certain major advertising agencies, we undertake to provide them with most favored pricing terms. Such most favored pricing terms may hinder our ability to acquire new customers using special pricing terms.

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In addition, we have been relying on third-party advertising agencies for the collection of payment from advertisers and we have been relying on a few advertising agencies to collect a significant portion of our total account receivables. As a result, the financial soundness of advertising agencies may affect our collection of accounts receivable. We make a credit assessment of a potential advertising agency to evaluate the collectability of the advertising service fees before entering into an advertising contract. However, we cannot assure you that we will be able to accurately assess the creditworthiness of each advertising agency, and any failure of advertising agencies to pay us in a timely manner may adversely affect our liquidity and cash flows. Initiating legal proceedings against such advertising agencies can be expensive and time-consuming, and could divert our management's attention and other resources from our business operations, which could adversely affect our results of operations. Even if we receive a favorable judgment in such legal proceedings, it may still be challenging and uncertain for us to collect the outstanding payments promptly and in full from the advertising agencies if they are experiencing financial difficulties.

If online advertising and promotion do not continue to grow in China, our ability to increase revenue and profitability could be materially and adversely affected.

With the continuous growth of internet usage in China, the internet has become an increasingly important marketing and advertising channel to China's automotive industry. Although online advertising and promotion have constituted a significant portion of the overall marketing activities of our current and potential advertisers and dealer subscribers, if the promotional effect or outcome realized through online advertising and promotion cannot meet the expectations of advertisers and dealer subscribers or address their needs, our advertisers and dealer subscribers may decrease their spending and efforts on online advertising and promotion and devote more marketing budgets to traditional print and broadcast media. 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:

difficulties associated with developing a larger user base with demographic characteristics attractive to advertisers;

increased competition and potential downward pressure on online advertising prices;

difficulties in acquiring and retaining advertisers or dealer subscribers;

uncertainties and changes in regards to PRC regulations on internet advertisements;

failure to develop an independent and reliable means of verifying online traffic; and

decreased use of the internet or online marketing in China.

If the internet does not become more widely accepted as an effective media platform for advertising and marketing by China's automotive industry, our business, financial condition and results of operations could be materially and adversely affected.

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Our business is subject to fluctuations, which makes our results of operations difficult to predict and may cause our quarterly results of operations to fall short of expectations.

Our quarterly revenues and other operating results have fluctuated in the past and may continue to fluctuate depending upon a number of factors, many of which are beyond our control. Our business experiences seasonal variations in association with the demand for automobiles in China. For example, the first quarter of each year generally contributes the lowest portion of our annual net revenues primarily due to a slowdown in business activity around and during the Chinese New Year holiday, which occurs during the period. Consequently, our results of operations may fluctuate from quarter to quarter. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our historical results as an indication of our future performance. As each of our business lines may have different seasonality factors and the mix of our revenue source may shift from year to year, our past performance may not be indicative of future trends.

In addition, because a significant portion of our revenues arising from our media services is attributable to new model promotion campaigns, the timing of new car releases of our major automaker advertisers can have a significant impact on our results of operations. The timing of such releases, however, is subject to uncertainty due to various factors, such as automakers' design or manufacturing issues, marketing conditions and government incentives or restrictions. These factors may make our results of operations difficult to predict and cause our quarterly results of operations to fall short of expectations.

Problems with our network infrastructure or information technology systems could impair our ability to provide services.

Our ability to provide our users with a high-quality online experience depends on the continuing operation and scalability of our network infrastructure and information technology systems. Our systems are potentially vulnerable to damage or interruption as a result of earthquakes, floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses, hacking or similar events. We may encounter problems when upgrading our systems or services and undetected programming errors could adversely affect the performance of the software we use to provide our services. The development and implementation of software upgrades and other improvements to our internet services is a complex process, and issues not identified during pre-launch testing of new services may only become evident when such services are made available to our entire user base.

In addition, we rely on content delivery networks, data centers and other network facilities provided by third parties. Any disruption to these network facilities may result in service interruptions, decreases in connection speed, degradation of our services or the permanent loss of user data and uploaded content. If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of third-party service providers, our reputation or relationships with our users or advertisers may be damaged and our users and advertisers may switch to our competitors, which may have a material adverse effect on our business, financial condition and results of operations.

Computer viruses and hacking may cause delays or interruptions on our systems and may reduce use of our services and damage our reputation and brand.

Computer viruses and hacking may cause delays or other service interruptions on our systems. Hacking involves efforts to gain unauthorized access to information or systems or to cause intentional malfunctions, loss or corruption of data, including user identity data, software, hardware or other computer equipment. In addition, the inadvertent transmission of computer viruses could result in significant damage to our hardware and software systems and

databases, disruptions to our business activities, including our e-mail and other communications systems, breaches of security and inadvertent disclosure of confidential or sensitive information, interruptions in access to our website through the use of denial of service or similar attacks and other material adverse effects on our operations. We have experienced hacking attacks in the past, and although such attacks in the past have not had a material adverse effect on our operations, there is no assurance that there will be no serious computer viruses or hacking attacks in the future. We may incur significant costs to protect our systems and equipment against the threat of, and to repair any damage caused by, computer viruses and hacking. Moreover, if a computer virus or hacking affects our systems and is highly publicized, our reputation and brand could be materially damaged and use of our services may decrease.

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Ensuring secured transmission of confidential information through public networks is essential to maintaining the confidence of our customers and users. Our existing security measures may not be adequate to protect such confidential information. In addition, computer and network systems are susceptible to breaches by computer hackers. Security breaches could expose us to litigation and potential liability for failing to secure confidential customer information and could harm our reputation and reduce our ability to attract customers and users. Future security breaches, if any, may result in a material adverse effect on our business, financial condition and results of operations.

Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet and mobile platforms have recently come under increased public scrutiny. As China's internet industry continues to evolve, we believe that it is likely that the PRC government will strengthen the supervision and regulation on data privacy on the internet. We may become subject to new laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information that could affect how we store, process and share data with our customers. We generally comply with industry standards and are subject to the terms of our own privacy policies. Compliance with any additional laws could be expensive and may place restrictions on the conduct of our business and the manner in which we interact with our customers. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us, subject us to negative publicity and significant penalties, including administrative warnings, confiscation of illegal gains, a fine between one to ten times of the illegal gains, suspension of relevant businesses, close-down of website or revocation of relevant business permits or business licenses where the circumstances are serious, require us to change our business practices, increase our operating costs and ultimately cause an adverse effect on our business.

Pursuant to the General Rules of the Civil Law of the PRC, which was promulgated in March 2017 and came into effect in October 2017, the Cyber Security Law of the PRC, which was promulgated in November 2016 and became effective in June 2017, and the E-commerce Law of the PRC, which was promulgated in August 2018 and became effective in January 2019, network operators should, in the course of collecting and using personal information, follow the principles of legitimacy, properness and necessity, disclose their rules with respect to data collection and usage, and clearly indicate the purposes, means and scope of collecting and using information. Network operators are not allowed to collect personal information which is irrelevant to the services they provide or to collect or use personal information in violation of laws, regulations and mutual agreements. In addition, network operators should not divulge, tamper with or damage the personal information they have collected, and should not provide the collected personal information to others without the consent of the data subject. Also, network operators should adopt technical measures and other necessary measures to ensure the security of the personal information they have collected and prevent such information from being divulged, damaged or lost. If personal information has been or may be divulged, damaged or lost, it is necessary to take remedial measures immediately, inform users promptly and report the same to the relevant competent governmental authorities. See Item 4. Information on the Company B. Business Overview PRC Regulation Regulations on Internet Privacy.

Our practices may become inconsistent with new laws or regulations concerning data protection, or the interpretation and application of existing consumer and data protection laws or regulations, which is often uncertain and in flux. If so, in addition to the possibility of fines, this could result in an order requiring that we change our practices, which could have an adverse effect on our business and operating results. For example, the European Union General Data Protection Regulation, or GDPR, which came into effect on May 25, 2018, includes operational requirements for companies that receive or process personal data of residents of the European Economic Area. The GDPR establishes new requirements applicable to the processing of personal data, affords new data protection rights to individuals and imposes penalties for serious data breaches. Individuals also have a right to compensation under the GDPR for

financial or non-financial losses. Although we do not conduct any business in the European Economic Area, in the event that residents of the European Economic Area access our website and input protected information, we may become subject to provisions of the GDPR. 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.

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Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated, well-funded and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, could cause our customers to lose trust in us and could expose us to legal claims. Any perception by the public that online transactions or the privacy of user information is becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of online retail and other online services generally, which may reduce the number of orders we receive.

The continuing and collaborative efforts of our senior management, key employees and highly skilled personnel are crucial to our success, and our business may be harmed if we were to lose their services.

Our success depends on the continuous efforts and services of our senior management team and other key personnel. If one or more of our executive officers or other key personnel are unable or unwilling to continue to provide us with their services, we might not be able to replace them within a short period of time or at all. Our business could be severely disrupted, our financial condition and results of operations could be materially and adversely affected, and we might incur additional expenses to recruit, train and retain personnel. Our senior management team is crucial to executing our business strategies. Failure to retain our key management and personnel may create considerable uncertainty on the direction of our future development. If any of our executive officers joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members. Each of our executive officers has entered into an employment agreement with us, which contains non-competition provisions. However, if any dispute arises between us and our executive officers, we may have to incur substantial costs and expenses in order to enforce these agreements in China.

Our performance and future success also depend on our ability to identify, hire, develop, motivate and retain skilled personnel for all areas of our organization. Competition in the automotive and internet advertising industries and the online automobile transaction industry for qualified employees is intense, and if competition in these industries further intensifies, it may be more difficult for us to hire, motivate and retain highly skilled personnel. If the personnel holding key positions at our company are not as qualified as we expect or 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 or at all.

In addition, employee misconduct could expose us to significant legal liability and reputational harm. If any of our employees and management members engages in improper, illegal or suspicious activities or other misconduct in violation of our ethical policies, regulatory rules or regulations concerning anti-corruption, bribery and other ethical issues, we could suffer serious harm to our reputation, financial condition, relationships with our business partners, automakers and dealers and our ability to attract new users and customers. We could even be subject to regulatory sanctions and significant legal liability.

We may be subject to claims, suits, government investigations, and other proceedings that may result in adverse outcomes.

We may be subject to claims, suits, and government investigations involving competition, intellectual property, privacy, consumer protection, tax, labor and employment, commercial disputes, advertisements and content placed on our websites and mobile applications, and other matters. Our business may also face intellectual property infringement claims, as further discussed elsewhere in this annual report, that expose us to the risk of reputation damage. Such

claims, suits, and government investigations are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome, any of these types of legal proceedings can have an adverse impact on us due to the legal costs, diversion of management resources, negative publicity and other factors involved therein. It is possible that one or more of such proceedings could result in substantial fines and penalties that could adversely affect our business.

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If we fail to protect our intellectual property rights, our brand and business may suffer.

We rely on a combination of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and other measures, to protect our intellectual property rights. Our major brand names and logos are registered trademarks in China. Most of our original generated content and professionally generated content available on our websites and mobile applications and proprietary software are protected by copyright laws. Despite our precautions, third parties may obtain and use our intellectual property without our authorization. Historically, the legal system and courts of the PRC have not protected intellectual property rights to the same extent as the legal system and courts of the United States, and companies operating in the PRC continue to face an increased risk of intellectual property infringement. Furthermore, the validity, application, enforceability and scope of protection of intellectual property rights for many internet-related activities, such as internet commercial methods patents, are uncertain and still evolving in China and abroad, which may make it more difficult for us to protect our intellectual property. From time to time, other websites may use our articles, photos or other content without our proper authorization. Although such use has not in the past caused any material damage to our business, it is possible that there may be misappropriation on a much larger scale with a material adverse impact to our business. If we are unable to adequately protect our intellectual property rights in the future, our brand and business may suffer.

We may be vulnerable to intellectual property infringement claims brought against us by others.

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 violation of other parties rights. We have not experienced any material claims on these issues against us in the past, but as we face increasing competition and as litigation becomes more common in China in resolving commercial disputes, we face a higher risk of being the subject of intellectual property infringement claims. Also, third parties may submit intellectual property infringement claims against us to the app stores where our mobile applications are available. In such cases, our mobile applications may be taken down by the relevant app stores until such claims have been resolved, which could significantly restrict our users from downloading or updating our mobile applications and thus adversely affect our business and results of operations. In addition, we may be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. We could also be subject to claims based upon the content that is displayed on our websites, our mobile platforms or accessible from our websites through links to other websites or information on our websites and mobile applications supplied by third parties. Intellectual property claims and litigation are expensive and time-consuming to investigate and defend and may divert resources and management attention from the operation of our websites and mobile applications. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our websites and mobile applications to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and results of operations.

We may be subject to liability for advertisements and other content placed on our websites and mobile applications.

The PRC government has adopted regulations governing advertising content as well as internet access and the distribution of information over the internet. Under PRC advertising laws and regulations, we are obligated to monitor the advertising content shown on our websites and mobile applications to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. See Item 4. Information on the Company B. Business Overview PRC Regulation Regulations on Advertisements. Under the Administrative Measures for Internet Information Services, which were promulgated in September 2000 and revised in January 2011, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, compromises national security, harms the dignity or interests of the state, incites ethnic hatred or racial

discrimination, undermines the PRC's religious policy, disturbs social order, disseminates obscenity or pornography, encourages gambling, violence, murder or fear, incites the commission of a crime, infringes upon the lawful rights and interests of a third party, or is otherwise prohibited by law or administrative regulations. Internet service providers are required to conduct verification of identity information of users. If information disseminated by internet users on their internet accounts or internet chat groups contains information prohibited by laws and regulations, the service providers are obliged to take measures including issuing warnings to the relevant users, suspending their publication of the inappropriate information or closing their accounts or chat groups. See Item 4. Information on the Company B. Business Overview PRC Regulation Regulations on Internet Content Services. Under the regulations on online live-streaming services, online live-streaming service providers shall establish platforms for reviewing live-streaming content. Online live-streaming service providers and online live-streaming publishers that provide internet news information services without permits, or exceeding the scope of their permits, are subject to punishment. See Item 4. Information on the Company B. Business Overview Regulations on Online Performances and Online Live-streaming Services.

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We display both automotive and non-automotive advertisements on our websites and mobile applications. In addition, we allow users to upload written materials, images, pictures and other content on our websites, mobile applications, including user forums, and also allow users to share and link to content from other websites through our websites, mobile applications, including user forums. Moreover, we have also added online live-streaming features on our websites and mobile applications. Failure to identify and prevent illegal or inappropriate content from being displayed on or through our websites and mobile applications may subject us to liability. We cannot assure you that all of the advertisements and content shown or posted on our websites and mobile applications adhere to the advertising and internet content laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations.

If PRC regulatory authorities determine that any advertisements or content displayed on our websites and mobile applications do not adhere to applicable laws and regulations, they may require us to limit or eliminate the dissemination or availability of such advertisements and other content on our websites and mobile applications in the form of take-down orders or otherwise. Such regulatory authorities may also impose penalties on us, including fines, confiscation of advertising income or, in circumstances involving more serious violations by us, the termination of our advertising or internet content licenses, any of which would materially and adversely affect our business and results of operations.

In addition, we may be subject to claims by consumers asserting that the information on our websites and mobile applications is misleading, and we may not be able to recover our losses from advertisers. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We may undertake acquisitions, investments, joint ventures or other alliances, which could prove difficult to integrate, disrupt our business or otherwise negatively impact our results of operations.

As part of our business strategy, we regularly evaluate potential acquisitions, investments and alliances, including joint ventures, minority equity investments and strategic investments. These transactions involve numerous risks, including:

the failure to achieve the expected benefits of the acquisition, investment or alliance;

difficulties in, and the cost of, integrating operations, technologies, services and personnel;

write-offs of investments or acquired assets;

non-performance by, or conflicts of interest with, the parties with whom we enter into investments or alliances;

limited ability to monitor or control the actions of other parties with whom we enter into investments or alliances;

misuse of proprietary information shared in connection with an acquisition, investment or alliance; and
depending on the nature of the acquisition, investment or alliance, exposure to new regulatory risks.

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The realization of any of these risks could materially and adversely affect our business. To the extent any of our directors or officers also invests in a capacity other than as our director or officer, his or her interest may not be aligned with ours.

In addition, if we finance acquisitions by issuing equity or convertible debt securities, our existing shareholders may be diluted, which could affect the market price of our ADSs.

Furthermore, we may fail to identify or secure suitable acquisition, investment and other strategic opportunities, or our competitors may capitalize on such opportunities before we do, which could impair our ability to compete with our competitors and adversely affect our growth prospects and results of operations.

Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, financial condition and results of operations.

The global financial markets experienced significant disruptions in 2008 and the United States, European and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and the global financial markets are facing new challenges, including the escalation of the European sovereign debt crisis since 2011, the hostilities in the Ukraine, the end of quantitative easing by the U.S. Federal Reserve and the economic slowdown in the Eurozone in 2014. It is unclear whether these challenges will continue to exist and what effects they each may have. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China's. Economic conditions in China are sensitive to global economic conditions. Any prolonged slowdown in China's economic development might lead to tighter credit markets, increased market volatility, sudden drops in business and consumer confidence and dramatic changes in business and consumer behaviors. In response to their perceived uncertainty in economic conditions, consumers might delay, reduce or cancel purchases of automobiles, and our advertisers may also defer, reduce or cancel purchasing our services. To the extent any fluctuations in the Chinese economy significantly affect automakers' and dealers' demand for our services or change their spending habits, our results of operations may be materially and adversely affected.

Our third-party vendors may raise prices and, as a result, increase our operating expenses.

We rely on third parties for certain essential services such as internet services and we may not have any control over the costs of the services they provide. The third-party service providers may raise prices, which might not be commercially reasonable to us. If we are forced to seek other providers, there is no assurance that we will be able to find alternative providers that are willing or able to provide comparable high-quality services and that will not charge us higher prices for their services. If the prices that we are required to pay to third-party service providers rise significantly, our results of operations could be adversely affected.

We are a controlled company within the meaning of the NYSE corporate governance requirements, which may result in public investors not having as much protection as they would if we were not a controlled company.

As of March 31, 2019, Yun Chen Capital Cayman, or Yun Chen, a wholly owned subsidiary of Ping An Insurance (Group) Company of China, Ltd., or Ping An Group, owned 52.2% of the total voting rights in our company, and we are a controlled company under Section 303A of the New York Stock Exchange Listed Company Manual. As a controlled company, we rely on certain exemptions that are available to controlled companies from the NYSE corporate governance requirements, including the requirements that:

a majority of our board of directors consists of independent directors;

our compensation committee be composed entirely of independent directors; and

our corporate governance and nominating committee be composed entirely of independent directors.

We are not required to and will not voluntarily meet these requirements. As a result of our use of the controlled company exemption, our investors will not have the same protection as they would if we were not a controlled company.

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In addition, because Ping An Group beneficially owns over 50% of the voting rights in our company, it has decisive influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. Without the consent of Ping An Group, we may be prevented from entering into transactions that could be beneficial to us. The interests of Ping An Group may differ from the interests of our other shareholders. Furthermore, Ping An Group's business activities, although not related to our operations, may adversely impact reputation. As Ping An Group is a public company listed on the Hong Kong Stock Exchange and beneficially controls a majority of our voting rights, Ping An Group may be required to disclose information on us from time to time, which may subject us to additional costs and efforts in making such disclosures.

We have and expect to continue to have related party transactions with Ping An Group. In 2016, 2017 and 2018, Ping An Group provided us with services in the amount of RMB21.6 million, RMB55.2 million and RMB88.7 million (US\$12.9 million), respectively. In 2017 and 2018, we provided services to Ping An Group in the amount of RMB21.2 million and RMB473.5 million (US\$68.9 million), respectively. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principle. In addition, although we did not and do not expect to rely upon revenues from Ping An Group, if Ping An Group decides to reduce or even terminate its transactions with us, our business, financial conditions and results of operations may be adversely affected.

If we fail to maintain an effective system of internal control over financial reporting, our ability to accurately and timely report our financial results or prevent fraud may be adversely affected, and investor confidence and the market price of our ADSs may be adversely impacted.

The Securities and Exchange Commission, or 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 the company's internal control over financial reporting. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2018. See Item 15. Controls and Procedures Management's Annual Report on Internal Control over Financial Reporting. 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, 2018. However, if we fail to maintain effective 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 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 and other requirements of the Sarbanes-Oxley Act.

We have limited business insurance coverage.

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies do in more developed economies. We do not have any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured occurrence of business disruption may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our results of operations and financial condition.

We face risks related to health epidemics and natural disasters.

We are vulnerable to health epidemics, natural disasters, and other calamities. Any of such occurrences could cause severe disruption to our daily operations, and may even require a temporary closure of our offices, which may disrupt our business operations and adversely affect our results of operations. In addition, our results of operations could be adversely affected to the extent that any of these catastrophic events harms the Chinese economy in general.

Table of Contents**Risks Related to Our Corporate Structure**

If the PRC government finds that the agreements that establish the structure for operating our services in China do not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that provide internet content services in China. Specifically, foreign ownership of internet service providers or other value-added telecommunication service providers may not exceed 50%. In addition, according to the Several Opinions on the Introduction of Foreign Investment in the Cultural Industry promulgated by the Ministry of Culture, the State Administration of Radio, Film and Television, or the SARFT, the General Administration of Press and Publication, or the GAPP, the National Development and Reform Commission, or the NDRC, and the Ministry of Commerce, or the MOFCOM, in July 2005, foreign investors are prohibited from investing in or operating internet cultural activities. We are a Cayman Islands company and foreign legal person under PRC laws. Accordingly, neither we nor our wholly foreign-invested PRC subsidiaries are currently eligible to apply for the required licenses for providing internet content services in China.

As such, we conduct our business activities related to internet content services by entering into a series of contractual arrangements with two of our VIEs in China, namely Beijing Autohome Information Technology Co., Ltd., or Autohome Information, Beijing Shengtuo Hongyuan Information Technology Co., Ltd., or Shengtuo Hongyuan, and their respective shareholders. In particular, Autohome Information currently holds an ICP license, a Surveying and Mapping Qualification Certificate for Internet Mapping, an Operating License for the Production and Dissemination of Radio and Television Programs, an internet Audio/Video Program Transmission License, and an Internet Culture Business Permit. In addition, Autohome Information is the sole shareholder of Shanghai Tianhe, an insurance brokerage company, which has completed the registration process required for engaging in online insurance business in the PRC. Shengtuo Hongyuan currently holds an ICP license, a Surveying and Mapping Qualification Certificate for Internet Mapping, an Operating License for the Production and Dissemination of Radio and Television Programs and is operating the *che168.com* website and automobile application-related business.

These two VIEs are currently owned by individual shareholders who are PRC citizens and hold the requisite licenses or permits to operate internet business in China. We do not have any equity interests in these two VIEs but substantially control their operations and receive the economic benefits through contractual arrangements. We have been and are expected to continue to be dependent upon these two VIEs and their respective subsidiaries for the above mentioned business operations. For more information regarding these contractual arrangements, see Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Contractual Arrangements with Our Variable Interest Entities.

In consideration of the previous restrictions imposed on the shareholders of foreign-invested companies engaging in advertising business, we once conducted advertising business by entering into a series of contractual arrangements with the other two VIEs in China, namely Guangzhou You Che You Jia Advertising Co., Ltd., or Guangzhou Advertising, and Shanghai You Che You Jia Advertising Co., Ltd., or Shanghai Advertising, and two subsidiaries of Autohome Information, Beijing Shengtuo Autohome Advertising Co., Ltd., or Autohome Advertising, and Beijing Shengtuo Chengshi Advertising Co., Ltd., or Chengshi Advertising. Since the relevant regulatory environment developed, such restrictions were lifted in 2015. Therefore, in 2015, we completed the migration of our advertising business from Guangzhou Advertising, Shanghai Advertising and other PRC entities to the PRC subsidiaries of Autohome Media Limited, or Autohome Media, a Hong Kong advertising and marketing company previously named as Prbrownies Marketing Limited. We have completed the dissolution and deregistration of Guangzhou Advertising in

December 2018. Shanghai Advertising currently is not conducting any business and is in the process of liquidation and dissolution, which is expected to be completed by the end of 2019.

Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, the corporate structure of our VIEs and our subsidiaries in China are in compliance with all existing PRC laws and regulations. However, as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, we cannot assure you that the PRC government would agree that our corporate structure or any of the above contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

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If we or any of our current or future VIEs or subsidiaries are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the Ministry of Industry and Information Technology, or the MIIT, the Cyberspace Administration of China, which regulates internet information services companies, the China Banking and Insurance Regulatory Commission, or CBIRC, whose predecessor is China Insurance Regulatory Commission, and the China Securities Regulatory Commission, or the CSRC, would have broad discretion in dealing with such violations, including levying fines, confiscating our income or the income of Autohome WFOE, Beijing Chezhiying Technology Co., Ltd., or Chezhiying WFOE and the VIEs, revoking the business licenses or operating licenses of Autohome WFOE, Chezhiying WFOE and the VIEs, shutting down our servers or blocking our websites and mobile applications, discontinuing or placing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring, or taking other enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business and results of operations. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of the VIEs or our right to receive their economic benefits, we would no longer be able to consolidate the VIEs.

Our contractual arrangements with our VIEs may not be as effective in providing operational control as direct ownership.

We have relied and expect to continue to rely on (i) contractual arrangements with Autohome Information and its shareholders and (ii) contractual arrangements with Shengtuo Hongyuan and its shareholders to operate our business. For a description of these contractual arrangements, see Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Contractual Arrangements with Our Variable Interest Entities. These contractual arrangements may not be as effective in providing us with control over our VIEs as direct ownership. If we had direct ownership of these entities, we would be able to exercise our rights as a shareholder to effect changes in the board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, we rely on the performance by these entities and their shareholders of their contractual obligations to exercise control over our VIEs. Therefore, our contractual arrangements with our VIEs may not be as effective in ensuring our control over their operations as direct ownership would be.

The shareholders of our VIEs may breach, or cause our VIEs to breach, or refuse to renew, the existing contractual arrangements we have with them and our VIEs. Any failure by our VIEs or their shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business and financial condition.

The shareholders of our VIEs may breach, or cause our VIEs to breach, or refuse to renew, the existing contractual arrangements we have with them and our VIEs. If our VIEs or their shareholders fail to perform their obligations under the contractual arrangements, we may have to incur substantial costs and expend resources to enforce our rights under the contracts. We may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. For example, if the shareholders of Autohome Information and Shengtuo Hongyuan were to refuse to transfer their equity interests in those companies to us or our designee when we exercise the call option pursuant to these contractual arrangements, if they transfer the equity interests to other persons against our interests, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our VIEs, and our ability to conduct our business may be negatively affected.

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The contractual arrangements among our subsidiaries and our VIEs may be subject to scrutiny by the PRC tax authorities and a finding that we or our VIEs owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among Autohome WFOE, Chezhiying WFOE, our VIEs and the shareholders of our VIEs do not represent arm's length prices and consequently adjust Autohome WFOE and Chezhiying WFOE's or our VIEs' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our VIEs, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties on Autohome WFOE, Chezhiying WFOE or our VIEs for any unpaid taxes. Our consolidated net income may be materially and adversely affected if Autohome WFOE and Chezhiying WFOE or our VIEs' tax liabilities increase or if they are subject to late payment fees or other penalties.

The interests of the individual nominee shareholders of our VIEs may be different from our interests, which may materially and adversely affect our business.

The individual nominee shareholders of Shanghai Advertising, Autohome Information and Shengtuo Hongyuan are Min Lu, the chairman of our board of directors and our chief executive officer, and Haiyun Lei, an employee of the affiliate of Yun Chen who has been working with Ping An Group and its affiliates for more than 20 years. They each hold 50% of the equity interests in Shanghai Advertising, Autohome Information and Shengtuo Hongyuan. Each of these two individuals is a PRC citizen. The interests of the individual nominee shareholders of our VIEs may be different to our interest. For example, the individual nominee shareholders of our consolidated affiliated entities do not have a significant equity stake in our company. These shareholders may breach, or cause our VIEs to breach, or refuse to renew, the existing contractual arrangements we have with them and our VIEs, which would have a material and adverse effect on our ability to effectively control our VIEs and receive substantially all the economic benefits from them. For example, the shareholders may be able to cause our agreements with our VIEs to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when a conflict of interest arises, any or all of these shareholders will act in the best interests of our company or such conflict will be resolved in our favor.

Currently, we do not have any arrangements to address any potential difference of interests between these individual nominee shareholders and our company. We rely on these individuals to comply with the laws of China, which protect contracts, provide that directors and executive officers owe a duty of loyalty and a duty of diligence to our company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gain. We also rely on Mr. Min Lu, the chairman of our board of directors and our chief executive officer, to abide by the laws of the Cayman Islands, which provide that directors owe a duty of care to our company. However, the legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any difference of interests or dispute between us and the shareholders of our VIEs, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

We may rely to a significant extent on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and conduct all of our business through our operating subsidiaries. We may rely to a significant extent on dividends and other distributions on equity to be paid by our wholly owned PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

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Under PRC laws and regulations, our PRC subsidiaries, as wholly foreign-owned enterprises in the PRC, may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises are required to set aside at least 10% of their accumulated after-tax profits, if any, each year to fund certain statutory reserve funds, until the aggregate amount of such funds reach 50% of their registered capital. These statutory reserve funds are not distributable as cash dividends.

Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of our equity offerings to make loans to our PRC subsidiaries and VIEs or to make additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and VIEs. We may make loans to our PRC subsidiaries and VIEs, or we may make additional capital contributions to our PRC subsidiaries. Any loans by us to our PRC subsidiaries, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance its activities cannot exceed statutory limits and must be registered with the competent local counterpart of the State Administration of Foreign Exchange, or SAFE. We may also decide to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be filed with the MOFCOM or its local counterpart. Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to our VIEs, which are PRC domestic companies. Further, we are not likely to finance the activities of our VIEs by means of capital contributions due to regulatory restrictions relating to foreign investment in PRC domestic enterprises engaged in internet content services.

Pursuant to both of SAFE Circular 19 and SAFE Circular 16 promulgated in March 2015 and June 2016, respectively, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or choose to follow the conversion-at-will system for foreign currency settlement. SAFE Circular 19 and SAFE Circular 16, therefore, have substantially lifted the restrictions on the usage by a foreign-invested enterprise of its Renminbi registered capital, foreign debt and repatriated funds raised through overseas listing converted from foreign currencies. According to SAFE Circular 19 and SAFE Circular 16, such Renminbi capital, foreign debt and repatriated funds raised through overseas listing may be used at the discretion of the foreign-invested enterprise and SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. Nevertheless, it is still not clear whether foreign-invested enterprises like our PRC subsidiaries are allowed to extend intercompany loans to our VIEs. In addition, as SAFE Circular 19 and SAFE Circular 16 were promulgated recently, there remain substantial uncertainties with respect to the interpretation and implementation of these circulars by relevant authorities. See Item 4. Information on the Company B. Business Overview PRC Regulation Regulations on Foreign Exchange.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received from our equity offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially

and adversely affect our liquidity and our ability to fund and expand our business.

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If our PRC subsidiaries or VIEs become the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy some of our key assets, which could reduce the size of our operations and materially and adversely affect our business, our ability to generate revenues and the market price of our ADSs.

As our previous VIE, Guangzhou Advertising, and current VIE, Shanghai Advertising, have no longer operated any business since 2017, we have completed the dissolution and deregistration of Guangzhou Advertising and are currently undertaking the relevant PRC governmental procedures to liquidate, dissolve and de-register Shanghai Advertising. As of the date of this annual report, we conduct our business mostly through our PRC subsidiaries and the other two operating VIEs, namely, Autohome Information and Shengtuo Hongyuan, which hold operating permits and licenses and some of the key assets that are important to the operation of our business. We expect to continue to be dependent on these operating VIEs to operate our business related to internet content services in China. If the above-mentioned operating VIEs go bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which would materially and adversely affect our business, financial condition and results of operations. If such VIEs undergo a voluntary or involuntary liquidation proceeding, their equity holders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which would materially and adversely affect our business, our ability to generate revenues and the market price of our ADSs.

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

We are subject to rules and regulations by various governmental and self-regulatory organizations at various levels of the governing bodies, including, for example, the SEC and financial market exchange entities, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, and various regulatory authorities in China, the Cayman Islands and the British Virgin 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.

Risks Related to Doing Business in China

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

The majority of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the

establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China are still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, the growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these 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. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and operating results.

Table of Contents***Uncertainties with respect to the PRC legal system could adversely affect us.***

We conduct our business primarily through our PRC subsidiaries and VIEs in China. Our operations in China are governed by PRC laws and regulations. Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past several decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these 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. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

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

In December 2018, the National People's Congress of the PRC published a draft of the proposed Foreign Investment Law for soliciting public comments. In March 2019, the Foreign Investment Law was enacted by the National People's Congress and it will become effective in January 2020. Upon its enactment, it will replace the trio of existing laws regulating foreign investment in 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 embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The VIE structure has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Contractual Arrangements with Our Variable Interest Entities and Item 3. Key Information D. Risk Factors Risks Related to Our Corporate Structure If the PRC government finds that the agreements that establish the structure for operating our services in China do not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Although the Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, it contains a catch-all provision under the definition of foreign investment 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 reserves certain leeway for future legislation by the State Council to provide contractual arrangements as a form of foreign investment, in which case it will be uncertain as to whether our contractual arrangements with our VIEs will be deemed to be in violation of the market access requirements for foreign investments under the PRC laws and regulations, such as the foreign investment restrictions set forth in the Catalogue for the Guidance of Foreign Investment Industries, or the Catalogue, issued by the NDRC and the MOFCOM in March 2015 and revised in June 2017 and the Special

Administrative Measures for Foreign Investment Access, or the Negative List, issued by the MOFCOM in July 2018. According to the Catalogue and the Negative List, the provision of internet content services, which we conduct through our VIEs, is subject to foreign investment restrictions. Therefore, such foreign investment restrictions will be inevitably imposed on our VIEs if our contractual arrangements with our VIEs are further defined or regarded as a form of foreign investment by any future provisions stipulated in laws or administrative regulations or other methods prescribed by the State Council. In addition, 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 could complete such actions in a timely manner, or at all, and our business and financial condition may be materially and adversely affected. Given the foregoing, uncertainties still exist in relation to the interpretation and implementation of the Foreign Investment Law, which may result in adverse impact on our current corporate structure.

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If our contractual arrangements with our VIEs are defined or regarded as a form of foreign investment in the future, our corporate governance practice may be impacted and our compliance costs may increase. For instance, the Foreign Investment Law requires foreign investors or foreign-funded enterprises to submit the investment information to competent governmental authorities for review. Although the contents and scope of such information shall be determined under the principle of necessity and the information that can be obtained through interdepartmental information sharing will not be required to be resubmitted, foreign investors or foreign-funded enterprises which fail to report their investment information as requested will be required to take corrective measures or be subject to fines. Moreover, the Foreign Investment Law provides that a security examination mechanism will be established to examine any foreign investment activity that affects or may affect national security. The decision made upon the security examination may impact the operations of the foreign-funded enterprises.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet business and companies.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be violations of applicable laws and regulations. Issues, risks and uncertainties relating to the PRC government regulation of the internet industry include, but are not limited to, the following:

We only have contractual control over our websites and mobile applications. We do not own the websites or the mobile applications due to the restriction on foreign investment in businesses providing value-added telecommunication services in China, which include internet content provision services.

There are uncertainties relating to the regulation of the internet industry in China, including evolving licensing requirements. This means that permits, licenses or operations at some of our subsidiaries and VIEs may be subject to challenge, or we may fail to obtain permits or licenses that applicable regulators may deem necessary for our operations, or we may not be able to obtain or renew permits or licenses. For example, both Autohome Information and Shengtuo Hongyuan may be required to obtain additional licenses, including internet publishing licenses and internet news information service licenses, if the release of articles and information on the mobile applications and the websites *autohome.com.cn* and *che168.com* is deemed by the PRC regulatory authorities as being provision of internet publishing service, internet news information service. See Item 4. Information on the Company B. Business Overview PRC Regulation Regulations on Internet Publishing and Item 4. Information on the Company B. Business Overview PRC Regulation Regulations on Internet News Information Service for additional details.

The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, the Cyberspace Administration of China was established in 2014, as the central Internet censorship, oversight and control agency for the PRC.

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New laws and regulations may be promulgated to regulate internet activities, including online advertising businesses and online auto finance businesses. As such, additional licenses may be required for our 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.

New government policies and internal rules relating to the regulations on internet activities may negatively affect our user traffic growth. For example, the E-commerce Law, which took effect on January 1, 2019, provides that the character advertisement should be noticeably marked on the commodities or services ranked under competitive bidding. Complying with such requirements may negatively affect the growth rate of user traffic on our websites and mobile applications. The promulgation of laws and regulations relating to the internet activities may further impair our user traffic growth.

On July 13, 2006, the MIIT, the predecessor of which was the Ministry of Information Industry, issued the Notice of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services. This notice prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunications 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 telecommunications business in China. According to this notice, either the holder of a value-added telecommunication services operation permit or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. Currently, Autohome Information and Shengtuo Hongyuan, two of our VIEs, own the related domain names and trademarks and hold the internet content provider licenses, or ICP licenses, necessary to conduct our operations for websites and mobile applications in China.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we will be able to maintain our existing licenses or obtain any new licenses if required by any new laws or regulations. There are also risks that we may be found to violate existing or future laws and regulations given the uncertainty and complexity of China's regulation of the internet industry. If we or our VIEs fail to obtain or maintain any of the required assets, licenses or approvals, our continued business operations in the internet industry may subject us to various penalties, including the confiscation of illegal net revenues, fines and the discontinuation or restriction of our operations, any of which would materially and adversely affect our business and results of operations.

There are substantial uncertainties with respect to the interpretation and implementation of the E-commerce Law and how it may impact our business operations.

On August 31, 2018, the Standing Committee of the National People's Congress of China issued the E-commerce Law, which came into effect on January 1, 2019. Pursuant to the E-commerce Law, operators of e-commerce platforms shall verify and register the basic information of e-commerce operators on their platforms, including the identity, address, contact and administrative license, and establish archives with regular updates for such information. It further provides that operators of e-commerce platforms shall submit information on the identification of e-commerce operators to department for market regulation, and submit e-commerce operators' identification information and other information relating to tax payment to tax authority. Additionally, operators of e-commerce platforms shall record and save information released on their platform about commodities and services, and report to competent authorities, if

such information show that e-commerce operators have failed to obtain the administrative license when they are subject to the relevant administrative approval, or commodities sold or services offered by e-commerce operators are found to be in violation of certain requirements to safeguard personal safety, property security and the requirements on environmental protection, or to be prohibited by laws and administrative regulations. The E-commerce Law establishes obligations to protect consumers for operators of e-commerce platforms, such as obligations to protect consumers' personal information and record information of deals concluded on their platforms, obligations to refund guarantee deposits to consumers in a timely manner and obligations to noticeably label commodities or services ranked under competitive bidding with the word "Advertisement". E-commerce operators shall not conduct false or misleading commercial publicity by fabricating transactions, making up user reviews or any other means, to cheat or mislead consumers. E-commerce platform operators shall not delete consumers' ratings of commodities sold or services provided on the platform.

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We have carried out compliance work in accordance with these regulatory requirements. However, in consideration that the current year is the first year since the E-commerce Law became effective, there are substantial uncertainties with respect to the interpretation and implementation of the E-commerce Law and how it may impact our business operations. We cannot guarantee that the compliance measures we have taken are fully consistent with the interpretation of regulators, and there is a risk that the company will be punished by those regulators because of any non-compliance activities.

The implementation of the Cyber Security Law may result in our substantial costs and diversion of resources and management attention.

On July 1, 2015, the Standing Committee of the National People's Congress of China issued the National Security Law, which came into effect on the same day. The National Security Law provides that the state shall safeguard sovereignty, security and development interests of cyberspace in the state, and the state shall establish a national security review and supervision system to review foreign investment, key technologies, internet and information technology products and services and other important activities that are likely to impact the national security of China.

The Cyber Security Law, which was issued by the Standing Committee of the National People's Congress of China and became effective on June 1, 2017, is the first Chinese law that focuses exclusively on cyber security. The Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of PRC's key information infrastructure facilities, and includes the integration of national security examinations under certain circumstances. Pursuant to the Cyber Security Law, the State shall, based on the classified protection system for cyber security, focus on protecting both the key information infrastructure used for public communications and information service, energy, transport, water conservancy, finance, public services, e-government affairs and other important industries and fields and other key information infrastructure that will result in serious damage to the national security, national economy and people's livelihood and public interests once destroyed. The Cyber Security Law provides that key information infrastructure facilities operators must set up specialized internal security management divisions and assign appropriate person(s) responsible for security management. Additionally, these operators must conduct background checks on the person(s) responsible for security management and on personnel in critical positions. It further provides that when operators of key information infrastructure facilities purchase network products or services that may affect or involve national security, the operator must pass a security examination jointly arranged by the national network and information authority and the relevant government departments and the national security examination process under the National Security Law will be triggered. The operators of key information infrastructure facilities must store important data collected and generated, including citizens' personal information, exclusively within the territory of the People's Republic of China. The Cyber Security Law also sets increasingly more stringent requirements for network operators. The Cyber Security Law establishes censorship duties for network operators, including digital information distribution service providers and application software download service providers. When these operators notice a prohibited publication, or the transmission of illicit information, they must promptly stop transmitting the information and take measures necessary to prevent the spread of that information. Operators must maintain a record of these incidents when they occur and report them to the competent authorities. The Cyber Security Law provides relevant subjects with solid legal authorities who are empowered to take measures to cut off any transmission(s) of prohibited information on communication networks. Upon finding prohibited information, those authorities will require that the network operators stop the transmission and take the necessary measures to remove any prohibited content. Where the above prohibited information comes from outside the territory of China, these authorities may request that all related institutions to take necessary measures to stop the flow of prohibited information.

There were no new detailed rules issued or becoming effective in 2018. The uncertainties regarding the implementation of the Cyber Security Law may increase the costs for us to comply with it, which may also divert our

resources and management attention.

Table of Contents***Fluctuations in exchange rates may have a material adverse effect on your investment.***

Substantially all of our revenues and costs are denominated in RMB. The conversion of RMB into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB 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 the RMB and the U.S. dollar in the future. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that with effect from October 1, 2016, RMB is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the RMB has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. This depreciation halted in 2017, and the RMB appreciated approximately 7% against the U.S. dollar during this one-year period. Since February 2018, the RMB has depreciated significantly, over 8% against the U.S. dollar. With the development of the foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the RMB 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 the RMB and the U.S. dollar in the future.

Significant revaluation of the RMB may have a material and adverse effect on your investment. To the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, 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 RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, strategic acquisitions or investments or 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, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

Very limited hedging options are available in 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 to hedge our exposure at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations 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.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE. However, approval from or registration with

appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

Table of Contents***Certain regulations in the PRC may make it more difficult for us to pursue growth through acquisitions.***

Among other things, certain regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, these regulations require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council on August 3, 2008 and amended on September 18, 2018, are triggered. According to the Implementing Rules Concerning Security Review on Mergers and Acquisitions by Foreign Investors of Domestic Enterprises issued by the MOFCOM in August 2011, mergers and acquisitions by foreign investors involved in an industry related to national security are subject to strict review by the MOFCOM. These rules also prohibit any transactions attempting to bypass such security review, including by controlling entities through contractual arrangements. We believe that our business is not in an industry related to national security. However, we cannot preclude the possibility that the MOFCOM or other government agencies may publish interpretations contrary to our understanding or broaden the scope of such security review in the future. We may elect to grow our business in the future in part by directly acquiring, or investing in, complementary businesses in China. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, may delay or inhibit our ability to complete such transactions.

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

In December 2006, the People's Bank of China, or PBOC, promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, which sets forth the respective requirements for foreign exchange transactions by individuals (both PRC and non-PRC citizens) under either the current account or the capital account. In January 2007, SAFE issued relevant implementing rules which were further revised by SAFE Circular 13 in 2016, that specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee stock incentive plans or share option plans of an overseas publicly listed company. In February 2012, SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies, or the Stock Option Notice. The Stock Option Notice supersedes the requirements and procedures for the registration of PRC resident individuals' participation in stock incentive plans set forth by certain rules promulgated by SAFE in March 2007. Under these measures, PRC resident individuals who participate in an employee stock incentive plan or a share option plan in an overseas publicly listed company are required to register with SAFE and complete certain other procedures. A PRC domestic qualified agent appointed through the PRC subsidiaries of such overseas listed company must file applications on behalf of such PRC resident individuals with SAFE or its local counterpart to obtain approval for an annual allowance with respect to the foreign exchange in connection with stock holding or share option exercises. With the approval from SAFE or its local counterpart, the PRC domestic qualified agent must open a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with the stock purchase or option exercise, payment received upon sales of shares, dividends issued on the stock and any other income or expenditures approved by SAFE or its local counterpart. We and our PRC resident employees who participate in our share incentive plans are subject to these regulations as we are an overseas listed company. We have made registration with the local counterparts of SAFE for our PRC resident employees who participate in our share incentive plans as required under the Stock Option notice and relevant rules. If we or our PRC plan participants fail to comply with these regulations, we or our PRC plan participants may be subject to fines and other legal or administrative sanctions. See Item 4. Information on the Company B. Business Overview PRC Regulation Regulations on Employee Stock Options Plans.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

On February 3, 2015, the State Administration of Taxation, or the SAT, issued SAT Notice 7, which was amended in December 2017, to supersede the existing tax rules in relation to the indirect transfer of assets by non-PRC resident enterprises. SAT Notice 7 introduces a more sophisticated anti-avoidance guidance. SAT Notice 7 extends its tax jurisdiction to capture not only indirect transfer but also transactions involving transfer of movable and immovable property in China of a foreign company through the offshore transfer of a foreign intermediate holding company. According to SAT Notice 7, if a non-resident enterprise indirectly transfers PRC taxable properties through an arrangement without reasonable commercial purpose but to avoid PRC Corporate Income Tax, the indirect transfer shall be re-characterized and treated as a direct transfer of PRC taxable properties. SAT Notice 7 also interprets the term “transfer of the equity interests in a foreign intermediate holding company” broadly. In addition, SAT Notice 7 provides clearer criteria on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to the public trading of shares in a listed company holding taxable PRC assets and indirect transfers resulting from a corporate restructuring.

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Further, SAT Notice 7 adopts a voluntary reporting regime. Both the foreign transferor and the transferee, and the PRC tax resident enterprise whose equity interests being transferred may voluntarily report the transfer by submitting the documents required in SAT Notice 7. In addition to the voluntary reporting, SAT Notice 7 empowers the Chinese tax authorities to require various documents from the parties involved. Although SAT Notice 7 provides clarities in many important areas such as reasonable commercial purpose and reporting requirements, it brings challenges to both the foreign transferor and transferee of the indirect transfer as they are required to make a self-assessment on whether the transaction should be subject to PRC tax and to file or withhold the PRC tax accordingly.

On October 17, 2017, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Matters Concerning Withholding of Income Tax of Non-Resident Enterprises at Source, or SAT Circular 37, which became effective on December 1, 2017. The SAT Circular 37 applies the principle of withholding of income tax of non-resident enterprises at source. The SAT Circular 37 stipulates that the taxable income from equity transfers refers to the balance of deducting the net value of equity transferred from the total income from the applicable equity transfer. Pursuant to SAT Circular 37, the payer, namely the principal, the designator, or the warrantee or the guaranteed party, should assume the obligation of withholding income tax in the circumstances where the payer entrusts an agent or designates a third party to make payments on its behalf, or the payments should be made by a third-party warrantor or guarantor as provided in the applicable guarantee contracts or applicable laws.

SAT Notice 7 became effective on February 3, 2015, but it also applies to indirect transfers which occurred before its issuance but have not received assessments from the tax authorities. SAT Circular 37 and SAT Notice 7 may be determined by the tax authorities to be applicable to our corporate restructuring where non-resident investors were involved, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-resident investors in such transactions may become at risk of being taxed under SAT Circular 37 and SAT Notice 7 and we may be required to expend valuable resources to comply with SAT Circular 37 and SAT Notice 7 or to establish that we should not be taxed under the general anti-avoidance rule of the amended PRC Enterprise Income Tax Law, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors' investments in us.

Discontinuation of any of the preferential tax treatments or imposition of any additional taxes could adversely affect our financial condition and results of operations.

The amended Enterprise Income Tax Law and its implementation rules permit certain high and new technology enterprises strongly supported by the state which hold independent ownership of core intellectual property to enjoy a preferential enterprise income tax rate of 15% subject to certain qualification criteria. Autohome WFOE was recognized jointly by the Beijing Municipal Science and Technology Commission and other authorities as a high and new technology enterprise, or HNTE, in September 2010 and was eligible for the preferential 15% enterprise income tax rate through 2019 upon its filing with the relevant tax authority. Beijing Autohome Technologies Co., Ltd., or Beijing Autohome Technologies, was recognized as an HNTE in July 2015 and its HNTE status was renewed in October 2018. Therefore, Beijing Autohome Technologies was eligible for the preferential 15% enterprise income tax rate through 2020 upon its filing with the relevant tax authority. Beijing Prbrownies Software Co., Ltd., or Beijing Prbrownies, was recognized as an HNTE in February 2016 and its HNTE status was renewed in October 2018, qualifying it for the preferential 15% enterprise income tax rate from 2015 through 2020 upon its filing with the relevant tax authority. The qualification as an HNTE is subject to annual evaluation and a three-year review by the relevant authorities in China. Autohome WFOE, Beijing Autohome Technologies and Beijing Prbrownies further enjoy a more preferential tax treatment as they were accredited as key software enterprises under the relevant PRC laws and regulations. Beijing Prbrownies was exempt from income tax for the tax years of 2015 and 2016 and was qualified for the preferential enterprise tax rate of 10% for the tax year of 2017 and could continue to enjoy a tax rate of 10% for the tax years thereafter, provided that it continues to complete the relevant governmental filing and

maintain its status as a key software enterprise during each relevant tax year. Similarly, each of Autohome WFOE and Beijing Autohome Technologies is qualified for the preferential enterprise tax rate of 10% for the tax year of 2017 and each of the years thereafter provided that it continues to complete the relevant governmental filing and maintain its status as a key software enterprise during each relevant tax year. Chengdu Prbrownies Software Co., Ltd., or Chengdu Prbrownies, was accredited as a software enterprise under the relevant PRC laws and regulations and could be exempt from income tax for the tax years of 2017 and 2018, followed by a 50% reduction in the statutory income tax rate of 25% for the years of 2019, 2020 and 2021 provided that it continues to maintain its status as a software enterprise during each relevant tax year. However, if any of Autohome WFOE, Beijing Autohome Technologies or Beijing Prbrownies fails to pass the review by and filing with the relevant tax authorities to be qualified as a key software enterprise, such company will no longer enjoy the preferential tax rate described above, and the applicable enterprise income tax rate may increase to up to 15% if it still maintains the HNTE qualification, or up to 25% if it loses the HNTE qualification. If Chengdu Prbrownies fails to maintain its software enterprise qualification, it will also lose the preferential tax treatment described above.

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Our global income and the dividends that we may receive from our PRC subsidiaries, dividends distributed to our non-PRC shareholders and ADS holders, and gains recognized by such shareholders or ADS holders, may be subject to PRC taxes under the Enterprise Income Tax Law, which would have a material adverse effect on our results of operations.

Under the Enterprise Income Tax Law, which became effective on January 1, 2008 and was amended on February 24, 2017, and its implementation rules, which became effective on January 1, 2008, an enterprise established outside of the PRC with de facto management bodies within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The SAT 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, or SAT Circular 82, on April 22, 2009, which was amended in 2013 and 2017 respectively. SAT Circular 82 provides certain specific criteria for determining whether the de facto management body of a Chinese-controlled offshore-incorporated enterprise is located in China. Although we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises, it is possible that the PRC tax authorities could reach a different conclusion. In such case, we may be considered a PRC resident enterprise and may therefore be subject to enterprise income tax at a rate of 25% on our global income. If we are considered a PRC resident enterprise and earn income other than dividends from our PRC subsidiaries, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

Pursuant to the amended Enterprise Income Tax Law and its implementation rules, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign investors, which are non-PRC tax resident enterprises without an establishment in China, or whose income has no connection with their institutions and establishments inside China, are subject to withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. We are a Cayman Islands holding company and we conduct our business through our wholly-owned subsidiaries and VIEs in the PRC, of which Autohome WFOE and Chezhiying WFOE are the primary beneficiaries of our VIEs. Autohome WFOE is 100% owned by Cheerbright International Limited, or Cheerbright, our wholly owned subsidiary located in the British Virgin Islands. The British Virgin Islands currently does not have any tax treaty with China with respect to withholding tax. As long as Cheerbright is considered a non-PRC resident enterprise, dividends that it receives from Autohome WFOE may be subject to withholding tax at a rate of 10%. As to our subsidiaries located in Hong Kong, such as Autohome Media, the shareholder of our PRC subsidiaries currently engaging in advertising business, and Autohome Link Hong Kong Limited, the shareholder of Chezhiying WFOE, under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, effective on January 1, 2007, as long as each of our Hong Kong subsidiaries is considered a non-PRC resident enterprise and directly holds at least 25% of the equity interests of its respective PRC subsidiaries, dividends that it receives from its PRC subsidiaries may be subject to withholding tax at a preferential rate of 5%, if it is the beneficial owner of the dividends, upon receiving the approval from the local tax authority. In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties, or SAT Circular 60, which became effective on November 1, 2015. SAT Circular 60 provides that 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 and their withholding agents may, by self-assessment and upon their confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply 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.

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As uncertainties remain regarding the interpretation and implementation of the amended Enterprise Income Tax Law and its implementation rules, we cannot assure you that if we are regarded as a PRC resident enterprise, any dividends to be distributed by us to our non-PRC enterprise shareholders and ADS holders would not be subject to any PRC withholding tax at a rate of 10% and to non-PRC individual shareholders and ADS holders would not be subject to PRC individual income tax at a rate of 20%. Similarly, any gain recognized by such non-PRC shareholders or ADS holders on the sale of shares or ADSs, as applicable, may also be subject to PRC tax. If our dividends payable to our non-PRC enterprise shareholders, non-PRC individual shareholders and ADS holders, or on gains recognized by such non-PRC shareholders or ADS holders are required under the Enterprise Income Tax Law and the Individual Income Tax Law to be subject to PRC tax, such investors' investment in our Class A ordinary shares or ADSs may be materially and adversely affected.

Increases in labor costs and enforcement of stricter labor-related laws and regulations may adversely affect our business and our results of operations.

China's overall economy and the average wage in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our users and customers by increasing prices for our services, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering labor contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, or the Labor Contract law, which became effective in January 2008, as amended in December 2012 and effective as of July 1, 2013, and its implementation rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employment contracts or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. In October 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. On February 18, 2019, the Ministry of Human Resources and Social Security and eight other departments issued the Circular on Further Regulating Recruitment Activities to Promote Equal Employment for Women, or Circular on Promoting Equal Employment for Women, which came into force simultaneously. The Circular stipulates that if employers or human resources agencies are found to have posted hiring advertisements containing discriminatory content, they may be ordered to correct such discriminatory advertisements. Failure to correct the discriminatory advertisements as ordered will be punishable by a maximum fine of RMB50,000. Inquiring about a female applicant's marital and childbearing status, conducting pregnancy test in the entry medical examination and other behaviors involving gender discrimination are also prohibited by the Circular on Promoting Equal Employment for Women.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practice do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and our business,

financial condition and results of operations may be materially and adversely affected.

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The Public Company Accounting Oversight Board is not permitted to inspect independent registered public accounting firms operating in China, including our auditor, and as such, investors may be deprived of the benefits of such inspection.

Our independent registered public accounting firm, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United States and professional standards. Because our independent registered public accounting firm is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without receiving the required approval from the PRC authorities, our independent registered public accounting firm, like other independent registered public accounting firms operating in China, is currently not inspected by PCAOB. On December 7, 2018, the Securities and Exchange Commission, or the SEC, and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. However, it remains unclear what further actions the SEC and PCAOB will take to address the problem.

Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. Since PCAOB cannot conduct inspections of independent registered public accounting firms operating in China without receiving the required approval from the PRC authorities, it is more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

Proceedings instituted by the SEC against certain PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to be not in compliance with the requirements of the Exchange Act.

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, including our independent registered public accounting firm, 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. 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.

According to the terms of the settlement, the underlying penalties and administrative proceedings against the PRC-based accounting firms was deemed dismissed with prejudice on February 6, 2019, four years after the settlement was reached. It is uncertain whether the SEC will further challenge the four PRC-based accounting firms compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties, such as suspensions. If our independent registered public accounting firm 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 NYSE or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Risks Related to our ADSs

The market price for our ADSs has fluctuated and may be volatile, which could expose us to securities class action litigation.

The daily closing trading prices for our ADSs ranged from US\$63.78 to US\$118.91 in 2018. The trading price for our ADSs may continue to fluctuate in response to factors including, without limitation, the following:

regulatory developments in our target markets affecting us, our customers or our competitors;

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announcements of studies and reports relating to the quality of our services or those of our competitors;

changes in the economic performance or market valuations of other companies that provide online automotive advertising services;

actual or anticipated fluctuations in our quarterly results of operations and changes or revisions to our expected results;

changes in financial estimates by securities research analysts;

conditions in the entire automotive ecosystem;

conditions in the online retail industry;

announcements by us or our competitors of new solutions, acquisitions, strategic relationships, joint ventures or capital commitments;

additions to or departures of our senior management;

fluctuations of exchange rates between the RMB and the U.S. dollar;

release or expiry of lock-up or other transfer restrictions on our outstanding Class A ordinary shares or ADSs;

sales or perceived potential sales of additional Class A ordinary shares or ADSs;

obtaining or revocation of any operating license or permit in relation to our business;

pending or potential litigation or administrative investigation;

publicity involving our business and the effectiveness of our sales and marketing activities; and

alleged untrue statement of a material fact or alleged omission to state a material fact in our public announcements or press releases or misinterpretation thereto.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies like us. These broad market and industry fluctuations may adversely affect the market price of our ADSs. The market price of our ADSs may also be adversely affected by alleged untrue statement or alleged omission to state a material fact in our public announcements or press releases, which may even lead to securities class action suits against us. In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations. Volatility or a lack of positive performance in our ADS price may also adversely affect our ability to retain key employees, most of whom have been granted options or other equity incentives.

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

The trading market for our ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our business. If we do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our ADSs or publishes inaccurate or unfavorable research about our business, the market price for our ADSs would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

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Because we may not continue to pay dividends in the foreseeable future, you may need to rely on price appreciation of our ADSs as the sole source for return on your investment.

Although we declared special cash dividends to holders of our ordinary shares in November 2017, we may not continue to do so regularly, or at all. Therefore, you may need to rely on price appreciation of our ADSs as the sole source for return on your investment.

Subject to certain exceptions, our board of directors has complete discretion as to whether to distribute dividends. 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 future return on your investment in our ADSs will likely depend upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

Substantial future sales or perceived potential sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of our ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. All ADSs sold in our equity offerings will be freely transferable without restriction or additional registration under the Securities Act. In addition, Ping An Group, the holder of our ordinary shares, has the right to cause us to register under the Securities Act the sale of its shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act. Sales of these registered shares, in the form of ADSs, in the public market could cause the price of our 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. 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 ADSs.

You may not have the same voting rights as the holders of our Class A 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 attaching to the Class A ordinary shares represented by our ADSs on an individual basis. Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the Class A ordinary shares represented by the ADSs. Upon receipt of your voting instructions, the depositary will vote the underlying ordinary shares in accordance with these instructions.

Pursuant to our fourth amended and restated memorandum and articles of association, we may convene a shareholders meeting upon ten calendar days' notice. If we give timely notice to the depositary under the terms of the deposit agreement (30 business days' notice), the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to instruct the depositary to vote the Class A ordinary shares underlying your ADSs, 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. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if the Class A ordinary shares underlying your ADSs are not voted as you requested. In

addition, although you may directly exercise your right to vote by withdrawing the Class A ordinary shares underlying your ADSs, you may not receive sufficient advance notice of an upcoming shareholders' meeting to withdraw the Class A ordinary shares underlying your ADSs to allow you to vote with respect to any specific matter.

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Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings, and you may not receive cash dividends if it is illegal or impractical to make them available to you.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depository will not make rights available to you unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

The depository of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on Class A ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A ordinary shares your ADSs represent. However, the depository is not responsible if it decides that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depository may determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In those cases, the depository may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive the distribution we make on our Class A ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

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

Your 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 in accordance with the terms of the deposit agreement.

You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited because we are incorporated under Cayman Islands law, we conduct substantially all of our operations in China and substantially all of our directors and officers reside outside the United States.

We are incorporated in the Cayman Islands and conduct substantially all of our operations in China through our PRC subsidiaries and VIEs. Most of our directors and officers reside outside the United States and a substantial portion of the assets of such directors and officers are located outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the Cayman Islands or in 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 China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will generally recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on

the merits.

Our corporate affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and by the Companies Law and common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders and the fiduciary responsibilities of our directors 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 provides persuasive, but not binding, authority. The rights of our shareholders and the fiduciary responsibilities 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 than 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 in U.S. federal courts.

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

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

Our fourth amended and restated memorandum and articles of association contain certain provisions that could limit the ability of others to acquire control of our company, including a provision that grants authority to our board of directors to establish from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares and ADSs may be materially and adversely affected. These provisions could have the effect of depriving our shareholders of the opportunity to sell their shares 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 transaction.

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

Because we qualify as a foreign private issuer under the Securities Exchange Act of 1934, as amended, or the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;

the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;

the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and

the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. We intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the NYSE. 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 frequent 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, which would be made available to you, were you investing in a United States domestic issuer.

We may be classified as a passive foreign investment company for United States federal income tax purposes, which could subject United States investors in the ADSs or Class A ordinary shares to significant adverse tax consequences.

Under United States federal income tax law, we will be classified as a passive foreign investment company (PFIC) for any taxable year if either (i) at least 75% of our gross income for the taxable year is passive income or (ii) at least 50% of the value of our assets (based on the average quarterly value of our assets during the taxable year) is attributable to assets that produce or are held for the production of passive income (the asset test). Although the law in this regard is not entirely clear, we treat our VIEs as being owned by us for United States federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with such entities, and, as a result, we consolidate their results of operations in our consolidated U.S. GAAP financial statements. Assuming we are the owner of our VIEs for U.S. federal income tax purposes and based on our current income and assets, including goodwill and unbooked intangibles, we do not believe that we were a PFIC for the taxable year ended December 31, 2018 and do not anticipate becoming a PFIC in future taxable years.

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While we do not believe that we were a PFIC for the taxable year ended December 31, 2018 and do not anticipate becoming a PFIC in the foreseeable future, no assurance can be given in this regard because the determination of whether we will be or become a PFIC is a fact-intensive inquiry made on an annual basis that depends, in part, on the composition of our income and assets. Fluctuations in the market price of our ADSs may cause us to become a PFIC for the current or subsequent taxable years because the value of assets for the purpose of the asset test may be determined by reference to the market price of our ADSs from time to time (which may be volatile). 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, because there are uncertainties in the application of the relevant rules, it is possible that the Internal Revenue Service may challenge our classification of certain income and assets as non-passive or our valuation of our tangible and intangible assets, each of which may result in us becoming a PFIC for the current or subsequent taxable years.

If we were to be or become a PFIC, a U.S. Holder (as defined in Item 10. Additional Information E. Taxation United States Federal Income Tax Considerations General) may incur significantly increased United States income tax on gains recognized on the sale or other disposition of the ADSs or Class A ordinary shares and on the receipt of distributions on the ADSs or Class A ordinary shares to the extent such gain or distribution is treated as an excess distribution under United States federal income tax rules. Further, if we were a PFIC for any year during which a U.S. Holder held our ADSs or Class A ordinary shares, we generally would continue to be treated as a PFIC as to such U.S. Holder for all succeeding years during which such U.S. Holder held our ADSs or Class A ordinary shares. Alternatively, U.S. Holders of PFIC shares can sometimes avoid the rules described above by making certain elections, including a mark-to-market election or electing to treat a PFIC as a qualified electing fund. However, U.S. Holders will not be able to make an election to treat us as a qualified electing fund because, even if we were to be or become a PFIC, we do not intend to comply with the requirements necessary to permit U.S. Holders to make such election. Each U.S. Holder is urged to consult its tax advisor concerning the United States federal income tax consequences of owning and disposing of ADSs or Class A ordinary shares if we were to be or become a PFIC. For more information, see Item 10. Additional Information E. Taxation United States Federal Income Tax Considerations Passive Foreign Investment Company Rules.

We incur increased costs as a result of being a public company.

As a public company, we incur significant accounting, legal and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, including Section 404 therein relating to internal control over financial reporting, as well as rules subsequently implemented by the SEC and the NYSE, have detailed requirements concerning corporate governance practices of public companies. We expect these rules and regulations applicable to public companies to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. Our management is required to devote substantial time and attention to our public company reporting obligations and other compliance matters. We evaluate and monitor developments with respect to these rules and regulations, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance obligations as a public company may place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

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ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We incorporated Autohome Inc. under the laws of the Cayman Islands under its former name, Sequel Limited, in June 2008 and adopted its current name in October 2011. Shortly after our inception, in June 2008, we acquired all of the equity interests of the following entities:

Cheerbright International Holdings Limited, or Cheerbright, a British Virgin Islands company that operates *autohome.com.cn*, which was launched in 2005;

Norstar Advertising Media Holdings Limited, or Norstar, a Cayman Islands company that, among other businesses, operated *che168.com*, which was launched in 2004; and

China Topside Limited, or China Topside, a British Virgin Islands company.

To sharpen our business focus on the automotive industry, we completed a corporate reorganization in 2011 by spinning off our then subsidiaries that were not involved in our core business. In March 2011, we transferred the *che168.com* business from Norstar to Cheerbright. In June 2011, in connection with our strategy to focus on serving the automotive industry in China, we contributed our entire equity interests in Norstar and China Topside, which serve the information technology industry, to Sequel Media, our subsidiary in the Cayman Islands, and then immediately distributed the shares of Sequel Media to our then shareholders. Since the spin-off, we have been focusing on serving the automotive industry in China through our *autohome.com.cn* and *che168.com* websites.

In October 2013, we acquired Autohome Media through one of our wholly-owned subsidiaries in Hong Kong. Autohome Media had engaged in the advertising business outside the PRC for more than three years at the time, and was therefore qualified to directly invest in a PRC company providing advertising services in accordance with the PRC law. Autohome Media has established several subsidiaries in Beijing, Shanghai and certain other cities. We completed the migration of our advertising business from Guangzhou Advertising, Shanghai Advertising, Autohome Advertising and Chengshi Advertising to the subsidiaries of Autohome Media in 2015.

In December 2013, we completed our initial public offering of 8,993,000 ADSs, representing 8,993,000 Class A ordinary shares, and listed our ADSs on the NYSE under the symbol ATHM. In November 2014, we completed a public offering, or the 2014 Offering, in which we offered and sold 2,424,801 ADSs, representing 2,424,801 Class A ordinary shares, and our then shareholders sold 7,220,858 ADSs, representing 7,220,858 Class A ordinary shares.

In June 2015, we established a strategic joint venture with HappiGo Home Shopping Co, a leading TV shopping business in China, to build a full-service auto sales platform. We invested RMB49 million into the joint venture, accounting for 49% of the shareholding.

In September 2015, we established a joint venture, the Financing JV, with three companies unaffiliated with us. We invested a full payment of RMB75 million into the Financing JV for 25% equity interests of the Financing JV. The Financing JV provides auto financing to car buyers and facilitates the transaction process. We entered into a definitive agreement in September 2017 to transfer all equity interests we held in the Financing JV to a company unaffiliated to

us, and completed the transfer in September 2018.

In December 2015, we established a wholly owned subsidiary, Beijing Chezhiying Software Co., Ltd., in Beijing, China, to conduct used automobile-related business.

In April 2016, we established a joint venture, Beijing Haochezhijia E-commerce Co., Ltd., or Beijing Haochezhijia, with Beijing Haoduohaoche Information Technology Co., Ltd., a company unaffiliated with us. Beijing Haochezhijia previously engaged in direct vehicle sales business and ceased to engage in such business in 2017. We own 75% equity interests in Beijing Haochezhijia E-Commerce Co., Ltd.

On June 22, 2016, Telstra Holdings, or Telstra, our then largest shareholder and a wholly owned subsidiary of Telstra Corporation Limited, completed the sale of approximately 47.4% of our then total issued and outstanding shares to Yun Chen for a consideration of US\$1.6 billion. On February 22, 2017, Yun Chen further acquired from Telstra the remaining 6.5% equity interests held by Telstra in us. As of March 31, 2019, Yun Chen owned 52.2% of our total issued and outstanding shares. Since June 22, 2016, our largest shareholder has been Yun Chen, a wholly owned subsidiary of Ping An Group, a financial services group with three core businesses consisting of insurance, banking and investment and whose ordinary shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

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In July 2017, we acquired 10% interest in Visionstar Information Technology (Shanghai) Co., Ltd., which primarily engages in the development and application of AR technologies and related operations in the PRC, with a total cash consideration of RMB30 million.

In September 2017, we acquired 100% equity interests of Shanghai Tianhe, a company licensed by the China Banking and Insurance Regulatory Commission to engage in insurance brokerage business in the PRC, through Autohome Information, with a total cash consideration of RMB21.1 million.

In June 2018, we entered into a definitive agreement with TTP Car Inc., or TTP, a company operating an online bidding platform for used automobiles, pursuant to which we agreed to make an investment in TTP in the form of an 8% three-year convertible bond for a consideration of US\$100 million in cash. The transaction was successfully consummated in June 2018, in which we made a payment of US\$100 million in cash to TTP. We have the right to purchase an additional 8.0% convertible bond in an aggregate principal amount of US\$65 million to be issued by TTP upon our request from time to time within three years after the closing. We have not made any further investment in TTP as of the date of this annual report.

Our principal executive offices are located at 10th Floor Tower B, CEC Plaza, 3 Dan Ling Street, Haidian District, Beijing 100080, the People's Republic of China. Our telephone number at this address is +86 (10) 5985 7001. Our registered office in the Cayman Islands is located at 2nd Floor Harbour Center 42 North Church Street George Town, Grand Cayman, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., 400 Madison Avenue, 4th Floor, New York, New York 10017.

See Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Capital Expenditures for a discussion of our capital expenditures and divestitures.

B. Business Overview **Overview**

We are a leading online destination for automobile consumers in China. Through our two websites, *autohome.com.cn* and *che168.com*, accessible through PCs and mobile devices and our mobile applications, we deliver comprehensive, independent and interactive content to automobile buyers and owners. We have developed a strong and well-recognized brand. Our (Autohome) brand has been the most searched automotive-related keyword during substantially the entire period since July 2011 on *Baidu.com*, the leading Chinese language internet search engine. We continue to implement four key market segments, namely auto-content, auto-transaction, auto-finance and auto-lifestyle, into our consumer-centric automotive ecosystem, and transform ourselves from a content-led vertical media business to an automotive eco-platform based on advanced data and technology.

Since our inception, the media business has been our core competency. Our ability to reach a large and engaged user base of automobile consumers has made us a preferred platform for automakers and automobile brands' regional offices to conduct their advertising and marketing campaigns. We provide automakers with a broad range of advertising solutions and tools on our websites and mobile applications, including display ads, native advertising, video ads, search engine marketing and comprehensive marketing solutions to enhance their brand recognition, new model releases and sales promotions. We offer flexible and diversified advertising solutions and tools based on the needs and characteristics of automakers by publishing and displaying the advertising solutions and tools in multiple forms and formats, such as banner image, links, articles and videos and through various online promotional activities. We have a high penetration rate in the automaker market, and we provided our media services to 95, 101 and 103

automakers operating in China in 2016, 2017 and 2018, respectively. We believe that the growing user base and its strong stickiness, together with our nationwide advertising platform, high-quality, diverse and targeted advertising solutions, enriched and customized content, and our big data and analytics capabilities, has led to our rapid growth and has laid the foundation for our continuing success.

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In addition, we provide comprehensive leads generation services through dealer subscription services, advertising services and used car listing services. Our dealer subscription services allow dealers to market their inventory and services through our websites and mobile applications, extending the reach of their physical showrooms to potentially millions of internet users in China and generating sales leads for them. We offer advertising services and other value-added services to individual dealers to complement our leads generation services. Our dealer customers utilize our advertising services and leverage our large user base to support their sales and marketing activities. We also provide used car listing services by acting as a user interface that allows potential used car buyers to identify listings that meet their specific requirements and helps them contact the relevant sellers, and generating sales leads for the used car sellers and other used car platform.

Our online transaction platform, Autohome Mall, is a full-service online transaction platform for users to review automotive-related information, purchase coupons offered by automakers for discounts and make purchases to complete transactions. Leveraging our strength in user traffic and our consumer data analytic capabilities, we provide platform-based services facilitating new and used car transactions, operate auto-financing business and offer diversified data products. For our used car transaction business, we have built a used car C2B2C model and facilitated their vehicle transactions through providing a wide range of auto-related services. Our auto-financing business serves as a bridge to match users and automobile sellers that are in need of auto financing with our cooperative financial institutions that offer a variety of products including loans, leasing and insurance services. This allows us to address the under-served auto financing market in China by providing comprehensive online-based financial services for the complete consumer automobile ownership life cycles. In 2018, we began to provide data products tailored for our automaker and dealer customers, through which we offer them customized data reports and intelligent sales series products including intelligent e-marketing and intelligent showroom.

We have experienced continued revenue growth and have increased our net revenues since 2016 to RMB7,233.2 million (US\$1,052.0 million) in 2018, representing a three-year CAGR of 16.3%. At the same time, our net income attributable to Autohome Inc. increased from RMB1,227.9 million in 2016 to RMB2,001.6 million in 2017 and further to RMB2,871.0 million (US\$417.6 million) in 2018, representing a three-year CAGR of 52.9%.

Our Business Model

We are a leading online destination for automobile consumers in China. Over the past several years, we have developed a large and active online community of automobile consumers in China with a growing user base and steady increase of daily active users. We serve three distinct groups: users of our websites and mobile applications, automobile consumers on our transaction platform and customers that include automakers, dealers, financial institutions, other auto-related product and service providers. Our business model and technology platforms seek to effectively link each stage of our users' automobile ownership life cycles with the corresponding stage of our customers' sales cycle. We are on track in developing the four key market segments, namely auto-content, auto-transaction, auto-finance and auto-lifestyle, into our consumer-centric automotive ecosystem and transforming ourselves from a content-led vertical media business to an automotive eco-platform based on our advanced data and technology. Our 4+1 strategy will continue to further enhance our core foundation and accelerate our growth momentum generated by our new business initiatives.

We have built an online automotive media platform that captures critical stages of the sales funnel, starting from product awareness to purchase desire initiation and to sales leads generation. To initiate product awareness and purchase desire, we utilize our comprehensive, independent and interactive content through our websites that are accessible through PCs and mobile devices and on our mobile applications to create strong user traffic and user engagement and stickiness. As our user traffic grows, we focus on generating sales leads through engaging our users with differentiated and customized promotional activities, personally tailored recommendations and enriched

professionally generated contents. We generate revenues from our media services, which mainly include automaker advertising services and regional marketing campaigns conducted by certain automobile brands regional offices, and our leads generation services, which primarily include our dealer subscription services, advertising services sold to individual dealer advertisers and used car listings.

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We also provide a transaction platform for automobile buyers to purchase new vehicles or used vehicles from sellers on our platform. In June 2014, we launched Autohome Mall, an online transaction platform. Autohome Mall is a full-service online transaction platform for users to review automotive-related information, purchase coupons offered by automakers for discounts and make purchases to complete transactions. For Autohome Mall, we primarily generate revenues from platform-based services we provide while facilitating transactions on our Autohome Mall platform and transaction-oriented marketing solutions. Along with our investment in TTP in 2018, we marched a step towards developing a used car C2B2C model and have formed a transaction system connecting automobile buyers and used automobile sellers and facilitating their vehicle transactions on our platform through providing a wide range of auto-related services, such as leads generation, user profile generation, offering of auto financing products and valuation tools. Through our cooperation with TTP, we provide comprehensive auto-related services to our users and customers by integrating TTP's offline vehicle examination and other ancillary services with our online-based services. We primarily generate revenues from collecting commissions from transactions facilitated by our used vehicle platform.

In addition, we have been leveraging our comprehensive platform to capture additional revenue opportunities in connection with the remaining stages of the automobile ownership life cycles, such as auto-finance and auto-lifestyle. Since 2017, with the collaboration and integration of our business with Ping An Group, we continued to progress on our auto-financing business by providing an expanded variety of products including loans, leasing and insurance to our users and automobile sellers, which better facilitated both new and used car transactions on our platform. We collect commissions from facilitating auto-financing products provided through our platform. We further developed our data products in 2018 and have successfully advanced our data and intelligent recommendation and reinforced our entire ecosystem by providing highly differentiated value and data-driven sales and marketing tools to our customers. The data products offered to automakers and dealers primarily consist of data reports, intelligent sales series including intelligent e-marketing and intelligent showroom. We aim to further develop synergies between our media and leads generations services, transaction business and data product and our auto-financing initiatives to realize greater growth potential of our platform.

Our Platform

Our service offerings for users mainly include our high-performance platform, which is comprised of our websites and mobile applications, our original, professionally and user-generated content and our interactive online community. Our platform is powered by our big data capability. Our extensive user data originates from our expanding large user base, our automotive ecosystem partners and third-party data providers. Through our comprehensive platform, we have access to valuable data of customers' needs, behaviors and patterns in their automotive ownership life cycles, which allows us to accurately and effectively customize content and commercial offerings. Our accurate and comprehensive user profiling enables us to continuously enhance user experience and improve our ability to attract and retain customers.

Our Websites

Our user-centric approach has successfully attracted a growing user base with a steady increase of daily active users to our websites. We believe we are well-positioned to capture the fast growth of the internet penetration in China. Our *autohome.com.cn* website targets a wide spectrum of automobile consumers with a focus on new automobiles. To capitalize on the growing used automobile market in China, we redesigned our *che168.com* website, which in the past had features and user base similar to our *autohome.com.cn* website, to focus on used automobiles. The re-designed *che168.com* website was launched in October 2011.

Most of the content on our websites is tagged by vehicle models to facilitate easy user access. We have developed and are continuing to improve our user intelligence engine to analyze user browsing behavior and preferences and prioritize the content that the user is likely to find relevant and interesting. A user who searches for or navigates to a page for a specific vehicle model will be provided with links to relevant content such as vehicle specifications, photos and video clips, reviews, competing vehicle models, and listing and promotional information from local dealers. Users can easily compare competing vehicle models and brands for price and specifications to make informed purchase decisions. In addition, these user behavior data are summarized and analyzed on a regular basis to improve user experience and provide consumer intelligence to our advertisers.

To provide a superior experience to our users, we label sponsored content as advertisement to maintain objectivity.

Table of Contents***Our Mobile Websites and Applications***

For mobile users, our content can be accessed on our websites and on our mobile applications. We have made significant efforts in recent years to optimize the mobile version of our websites to display our content and develop and enhance the functions of our mobile applications to capture a greater number of users that access our services through mobile devices. For example, according to *QuestMobile*, the combined number of average daily unique visitors for our mobile websites and primary application amounted to 29.1 million in December 2018, representing an approximate 10% year-over-year increase. We were among the earliest in our industry in China to introduce both iOS- and Android-based applications to allow users to easily access our content. Users can conveniently enjoy features available on our mobile websites and applications from their mobile devices, such as reading articles, checking vehicle prices and model parameters, viewing pictures, viewing dealer's information, visiting our Autohome Mall and participating in forum discussions.

Our Content

The foundation of our websites and mobile applications is a large amount of original generated content, professionally generated content and user generated content, as well as a comprehensive automobile library and extensive automobile listing and promotional information organized around our automotive information database.

Original Generated Content

Our original generated content is created by our dedicated editorial team and includes automobile-related articles and reviews, pricing trends in various local markets, photographs, video clips and live streaming. This content covers topics throughout the automobile ownership life cycle, from automobile research, selection and purchase to ownership and maintenance and to eventual replacement. In 2018, we launched a new channel focusing on new energy vehicles to accommodate the increasing interest and attention of our users on new energy vehicles. Our review writers obtain first-hand experiences by test-driving many newly released vehicle models provided by various automakers. We also have an AH-100 Vehicle Rating System which applies standard criteria to measure a comprehensive set of performance-based features of the vehicles on sale, such as safety, dynamics, fuel consumption, comfortableness and driving experience. Our AH-100 Vehicle Rating System helps automobile consumers make an easier choice when selecting vehicles to purchase. Our editorial team at our Beijing headquarters and sales offices located in 73 cities throughout China work closely with automakers, dealers and other industry participants to create automobile related articles. Although automakers may provide us with sample vehicles to test drive, we review all new automobiles independently, based upon our teams' experience and from our users' perspective.

We follow well-developed guidelines in creating and publishing content with attention to details, such as the angles of photos, image sizes and the time between industry events and the relevant article publication. These practices enable us to streamline our editorial process and quickly and efficiently make national and local content available to our users, while ensuring that we maintain high-quality standards and a consistent user experience.

Professionally Generated Content

In 2016, we launched an open content platform to invite the key opinion leaders and influential bloggers or writers in the automotive field to contribute their high-quality professional review, analysis and insights on automotive-related topics, including vehicle reviews, industry trends, auto photography, maintenance and others. Our diversified professionally generated contents complement our auto-content and auto-lifestyle business strategy and bring our users enriched and customized content consisting of high-quality articles, photographs, video clips and live streaming. As of December 31, 2018, we had approximately 12,000 professional content contributors on our platform,

representing an approximate 110% year-over-year increase from 2017. In 2018, we further expanded our collaboration with automakers, key opinion leaders, professional experts and social media to further upgrade our professionally generated content ecosystem.

Table of Contents***User Generated Content and User Forum***

Our platform hosts an open and vibrant community of automobile consumers, from first-time buyers to sophisticated automobile enthusiasts. Our user community centers around our discussion forums, which are organized based on vehicle models, cities and regions, and various topics of interest. Registered users utilize our discussion forums to share a wide range of automotive experiences such as driving experiences and usage and maintenance tips. Users also frequently provide reviews of automobiles or automotive products and services, post questions and receive answers from fellow forum members. We continued to enhance user engagement and participation in the content generation and delivery process. For example, we expanded our user review platform by allowing users to add or modify their views and insights on a continuous basis. We strive to ensure the credibility, appeal and usefulness of our forums by identifying verified automobile owners and empowering selected registered users as forum moderators. Our verified automobile owners are registered users whose vehicle ownership has been confirmed through various channels. Our forum moderators are generally active registered users with significant forum post counts whom we have identified as being reputable automobile enthusiasts within our online community. In 2018, we launched a traveler channel, a new channel focusing on contents related to offline road trip events, to accommodate the increasing interest and attention of our users in this field. We also rolled out the Young Channel on our website and the Hey Car (car) mobile application as interest-based social media platforms to promote automobile knowledge and culture among young users.

As of December 31, 2018, we had over 90.7 million registered users, representing a 54.7% year-over-year increase from 2017. As our user base has grown and our user engagement and forum activity has increased, our database of user generated content has expanded, which in turn has attracted more users. Furthermore, this positive effect on our growing user base has also enhanced the effectiveness of our advertisements and therefore the value of our advertising services, allowing us to attract more advertisers and increase revenues from existing advertisers.

Automobile Library and Listing

We have one of the most comprehensive automobile libraries within our industry in China with over 39,400 vehicle model configurations as of December 31, 2018. We believe our automobile library covers the substantial majority of passenger vehicle models released in China since 2005. It includes a broad range of specifications covering performance levels, dimensions, powertrains, vehicle bodies, interiors, safety, entertainment systems and other unique features, as well as automakers' suggested retail prices. The scale of content in our automobile library, which we believe would require significant time, expertise and expense to replicate, makes it a valuable tool for our users in researching both new and used automobiles. Our database also includes a large amount of new and used automobile listings and promotional information. With the comprehensive and continuously updated listing information, users can conveniently search for up-to-date information of vehicle models without having to visit each individual dealer at their local showrooms. In addition, our automotive information database includes a significant amount of user generated content originating from our user forums. Leveraging our innovative augmented reality (AR) and virtual reality (VR) related technologies, we utilize three-dimension technology to restore the actual appearances of vehicles and present stereoscopic 720-degree review of automobiles on our platform. Compared to the traditional two-dimensional picture-based display of automobile appearances, the AR- and VR-based vehicle review functionality on our platform enables users to have a real perception of the specific vehicles they are interested in buying and has greatly enhanced user experience.

Our Services***Our Media Services***

Leveraging our large and rapidly growing user base and utilizing the user intelligence data we have collected, we provide our advertisers with a broad range of advertising solutions and tools. Our advertisers under media services are comprised primarily of automakers and automobile brands regional offices. As millions of consumers visit our websites and mobile applications for automotive information, we have become an increasingly important medium for automakers and automobile brands regional offices to conduct their advertising and marketing campaigns.

Automakers typically utilize our advertising services for brand promotion, new model releases and sales promotions. We believe we are well-positioned to provide solutions to meet all of these needs. Our large and growing automobile purchase- and ownership-oriented user base provides a broad reach for automakers marketing messages. Our automotive content delivery and advertisement management platform allows us to segment our user base in a number of different dimensions, including by users geographical locations and specific automotive interests, and enables us to place advertisements with targeted audiences likely to be receptive to particular advertising messages.

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Leveraging our large user base and extensive forum posting data, we provide automakers with more reliable and timely business insights than traditional customer surveys or other post-sales feedback channels. For instance, we analyze user posts in our forums to evaluate consumer behavioral and preference response. In addition, we organize various types of offline national or local events for our automaker customers through our online marketing campaigns and user forum activities to complement our advertising services. For example, we help automakers increase their brand awareness and execute sales promotions by organizing large-scale test driving activities and for specific vehicle models in multiple cities across China. Users can conveniently participate and interact with automaker representatives through our forums.

In each of 2016, 2017 and 2018, 95, 101 and 103 automakers in China, which include independent Chinese automakers, joint ventures between Chinese and international automakers and international automakers that sell their cars made outside of China, purchased media services from us. As is customary in China, we sell our advertising services and solutions primarily through third-party advertising agencies that represent the automakers and automobile brands regional offices. We typically enter into individual advertising agreements with the third-party advertising agencies. Although we sell our advertising services and solutions to third-party advertising agencies, we consider the automakers and automobile brands regional offices, who are the main decision makers as to whether to place advertisements on our websites and mobile applications, to be our end-customers. As a result, our sales efforts focus primarily on automakers and automobile brands regional offices. However, through direct contact between our sales team, advertisers and advertising agencies, we are able to maintain good relationships with existing advertisers and their advertising agencies.

Our Leads Generation Services***Our Dealer Subscription Services***

We provide subscription services to dealers which allow them to market their inventory and services through our websites and mobile applications, extending the reach of their physical showrooms to potentially millions of internet users in China and generating sales leads for them. Our dealer subscription services are delivered through our dealership information system mainly on a fixed-fee basis, typically for a period of one year. Through the web-based interface of our dealership information system, dealers can create online showrooms hosted on our websites and mobile applications and upload and manage their automobile inventories, pricing and promotional information. Potential automobile purchasers can interact with our dealer subscribers online or through phone numbers presented on the platform to inquire for more detailed information and schedule test drives. Our dealer subscribers can track all the interactions with their customers originating from our websites and mobile applications, analyze the number of sales leads and assess the effectiveness of their marketing activities.

We continue to develop our dealer subscription services and have begun to implement additional enriched and upgraded services, which we believe will allow us to expand sales leads based on consumer behaviors and preferences and enhance leads conversion and personalized marketing, and further to offer additional upgraded subscription packages at different price levels.

Our Advertising Services for Individual Dealers

We also offer advertising services for individual dealers to complement our leads generation services. Our dealer customers utilize our advertising services and leverage our large user base to support their sales and marketing activities. In addition to larger brand promotion advertising campaigns organized by the automakers or the group dealers, individual dealers utilize our advertising services to further enhance their visibility in local community, address local market conditions and promote local events. We also facilitate the process and connect our users from

online to offline to generate sales leads and transaction for our dealer customers.

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Used Automobile Listing and Other Platform-based Services

We launched our used automobile listing platform in late 2009. Our used automobile listing services allow dealers and individuals to market their used automobiles for sale on our websites and mobile applications. Our used automobile listing database has been expanding rapidly.

The *che168.com* website is a platform primarily focusing on used automobile services and is dedicated to providing features consisting of content, listings and interactive functionality similar to our *autohome.com.cn* website. We also developed a mobile application serving as a used automobile sales platform, through which we provide comprehensive used automobile services. Since 2014, we have been continuously developing and enhancing the functions of the used automobile website and application and have begun to provide advertising services, dealer subscription services, generation of sales leads and other platform-based services in selected cities. The used automobile market still remains at a nascent stage of development and the revenue generated from our used automobile listing and other services, which we include in the revenue line for leads generation services, had achieved fast growth in the year ended December 31, 2018. We plan to continue to make efforts in developing our used automobile-related business and explore new business models and opportunities in the future.

Our Online Marketplace and Other Services

Transaction Platform for New Vehicles

In June 2014, we launched Autohome Mall, an online transaction platform. Autohome Mall is a full-service online transaction platform for users to review automotive-related information, purchase coupons offered by automakers for discounts and make purchases to complete the transaction. In 2015, we began to provide direct vehicle sales and commission-based services facilitating transactions through our transaction platform. We completed new vehicle transactions on our platform through various sales initiatives and other promotional campaigns. We conducted several online marketing events on Autohome Mall and offline promotion campaigns with our partners for our transaction business. We also partnered with automakers to sell selected vehicles on our platform. In the fourth quarter of 2016, we began to shift our focus to become an asset-light vehicle e-commerce platform and cleared all direct sales vehicle inventories in 2017. Currently, for new vehicle transactions, we primarily generate revenues by providing platform-based services and transaction-oriented marketing solutions and collecting commissions for transactions facilitated by our platform.

Transaction Platform for Used Vehicles

We invested in TTP Car Inc., or TTP, a company operating an online bidding platform for used automobiles, in June 2018. Our investment in TTP has helped us develop a used car C2B2C model and form a transaction system, which improved the under-served used automobile market, such as lack of sourcing, traffic and consumer confidence, and have fostered business-to-consumer purchasing experiences for our consumers. It connects automobile buyers and used automobile sellers and helps facilitate their vehicle transactions on our platform through providing a wide range of auto-related services, such as leads generation, user profile generation, offering of auto financing products and valuation tools. We provide comprehensive auto-related services to our users by integrating TTP's offline vehicle examination, ownership transfer services and other ancillary services with our online-based services. For used vehicle transactions, we primarily generate revenues from collecting commissions from transactions facilitated by our platform.

Table of Contents***Auto-financing Services***

We started auto finance business in early 2017 and further developed such business in 2018 as we aim to address the under-served auto financing market in China by providing comprehensive online-based financial services for the complete consumer automobile ownership life cycle. We gradually shifted our focus from leads generation to transaction facilitation and promote successful transactions with targeted and diversified auto financial services. Based on users' preferences and our big data analysis, we recommend a broad range of loans, leases and insurance products offered by our cooperative financial institutions to our users that have auto financing needs and match them to facilitate transactions. We also introduced merchant loans offered by our cooperative financial institutions to automobile sellers. We currently provide auto insurance brokerage services through Shanghai Tianhe, which was acquired by us in 2017. Through our platform, we plan to enable our users and automobile sellers who are in need of auto financing to easily access various high-quality loans and insurance products and allow our cooperative financial partners to effectively increase the volume of their financing transactions. See Item 3. Key Information D. Risk Factors Risks Related to Our Business and Industry. If we are unable to grow our auto finance business, we may not be able to achieve our expected business growth and our results of operations may be adversely affected. We generate revenues from collecting commissions from facilitation of auto-financing and insurance products on our platform.

Data Products

We further developed our data products in 2018 and have successfully advanced our data and intelligent recommendation and reinforced our entire ecosystem by providing highly differentiated value and data-driven sales and marketing tools to our customers. The data products we offer to automakers and dealers on our platform primarily consist of (i) customized data reports prepared based on our big data and multi-dimensional analyses on user reviews, purchasing interest and preferences, geographical competitive advantages of the relevant automakers and dealers and their geographical distribution strategies, and (ii) intelligent sales series primarily including intelligent E-marketing and intelligent showroom. Intelligent E-marketing is a marketing approach and solution designed based on sophisticated data-driven algorithms of multidimensional user profiles, and enable customers to achieve multi-channel sales management and to ultimately improve the conversion rate of online visitors to in-store visitors. The intelligent showroom, which is an intelligent and scenario-based marketing platform, integrates the technologies of AR, VR, big data and voice recognition to achieve the functions of panoramic car shopping, smart push notifications and smart shopping guide.

Technology and Product Development

Our technologies and infrastructure are critical to our success. We follow a user-centric strategy for our system architecture and have developed robust and scalable technology platforms with sufficient flexibility to support our rapid growth. Currently, we are entering into a new phase of strategic technology initiative focusing on transforming our platform into an intelligent automotive ecosystem empowered by artificial intelligence (AI), big data and cloud in the near future.

A key component of our user-centric strategy is our user intelligence engine which we have developed and are continually enhancing. Our user intelligence engine allows us to rapidly gather user intelligence by analyzing large amounts of data from many sources throughout our content production system. We are able to monitor and analyze user behaviors and preferences through their browsing record on our platforms. We can utilize such user intelligence data to personalize user interfaces, associate and understand the relationship of information from different sources and facilitate interactions among users and various elements on our websites and mobile applications. It also helps us recommend suitable products, services and user connections to our users. Through our user intelligence engine, we can engage our users more closely by providing them with relevant content throughout their automotive life cycles.

We are also able to provide precision and targeted marketing services to our automakers, dealers and other automotive-related customers so that they can accurately deliver relevant advertisements to targeted users who are more receptive to such marketing information. We plan to continue expanding our content platform with an AI-enabled content generation tool to further facilitate dynamic content customization based on user preference.

We provide automobile consumers trend analysis services for our automaker and dealer customers that help them analyze data in specific demographic markets such as consumer purchasing behavior characteristics and their brand strength in comparison to those of their competitors. We believe the consumer intelligence gathered from our large user base reflects the current automotive market trends in China and provides excellent market insight to our automaker and dealer customers.

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We invested heavily in mobile technologies and were among the earliest in our industry in China to introduce a mobile version of our websites and both Apple iOS- and Android-based applications to allow our users to easily access our content. We have built up a team of research and development personnel to focus exclusively on the development and enhancement of our mobile websites and applications and to explore new business models and opportunities through mobile technology. We plan to continue to leverage our mobile technology to enhance the functions and user interfaces of our mobile applications for Apple iOS and Android platforms focusing on convenience, real-time interaction and location based services.

Leveraging AR and VR related technologies, we realized significant technology upgrade in 2017 and launched AR automobile showroom and AR auto show during the year, all of which had enabled us to provide our users with an innovative and superior automobile review experience and thus enhanced our user stickiness. In addition, these technology improvements had strengthened our ability to obtain additional user traffic and expanded our user base. Our VR product portfolio continued to expand in 2018. In addition to AR automobile showroom and AR auto shows, we have VR branding showrooms, intelligent automobile showrooms as well as direct visual access to automakers factory design and manufacturing process so our users can review and comprehend the entire automobile production process. We plan to continue to make further upgrades and develop new technology to provide more diversified platforms for our users, and to expand the use of AR and VR related technologies throughout our eco-platform in order to offer automakers and dealers with more innovative and effective branding and marketing tools and greater exposure to highly targeted potential consumers throughout China. Also, we will continue to develop significant resources to expand the content breadth and depth offered on our platform in order to deliver the best user experience in the market.

We had an experienced product development team of 1,762 engineers as of December 31, 2018. Our past innovation has focused on helping users research, select and purchase suitable vehicles through our websites. We plan to develop additional products and services for our mobile applications and media-related technology and enhance our big data analytics capabilities and AR and VR related technologies.

Sales and Marketing

Our nationwide in-house team of sales representatives sells our services to automakers and dealers. As of December 31, 2018, we had 1,901 sales and marketing representatives operating our physical sales office network spanning 73 cities across China and visiting customers in an additional 119 satellite cities. We have a prudent expansion plan and we typically only open new physical sales offices in a city after we have already established a sufficient customer base in the area. In cities where we do not yet have a customer base, we provide sales coverage by telephone. Our Beijing-based telephone sales team provided sales coverage to the cities in which we did not have physical sales offices. Our sales team also provides ongoing customer support to advertisers and dealer subscribers. In the past years, we have successfully expanded our market presence in the first- and second-tier cities in China. We plan to continue to expand our sales and marketing efforts into third- and fourth-tier cities to further capture the opportunities for automobile sales growth in those markets.

Our sales team is equipped with specialized automotive industry knowledge and expertise, understands our customers needs and is trained to help them develop their advertising strategies. Salespeople work directly with our advertisers and advertising agencies that represent advertisers. Our sales team also maintains close relationships with our dealer customers by, among other things, providing continuing training, support and ongoing customer service for our dealer subscriptions services and other value-added services. Our sales team for transaction business is in charge of customer services and maintains our relationships with automakers, our dealership partners, and business development personnel.

Compensation for our salespeople includes a base salary and incentives based on the sales revenues they generate. We provide regular in-house and external education and training to our salespeople to help them provide current and prospective customers with information on, and the advantages of using, our services. We believe that our performance-linked compensation structure and career-oriented training help to retain and motivate our salespeople.

We believe brand recognition is important to our ability to attract users. We focus our sales and marketing efforts through search engines, navigation websites and mobile platforms to retain and strengthen our leading position in terms of user reach. For example, we cooperate with application stores and mobile browsers to promote our mobile applications and our websites. We also conduct online marketing events on Autohome Mall and other traditional and social media channels as well as offline promotion campaigns with our partners. For example, we conduct the annual Singles Day campaign to generate quality sales leads and further facilitate the transactions. Since the fourth quarter of 2017, we have been paying for TV ads on different channels of the China Central Television, the predominant state television broadcaster in China, to reach more audience in the third- or lower-tier cities and towns in China and promote their recognition of our platform as a one-stop destination for selecting and purchasing automobiles and various types of auto-related services.

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Intellectual Property

Our intellectual property includes trademarks and trademark applications related to our brands and services, software copyrights, trade secrets and other intellectual property rights and licenses. We seek to protect our intellectual property assets and brands through a combination of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and other measures.

We hold **汽车之家** and **che168.com** (both mean auto home in English)[®] and **AutoHome** in China. In addition, as at December 31, 2018, we held 323 pending trademark applications and 197 registered trademarks. As at the same date, we had 79 registered domain names, including our main website domain names, *autohome.com.cn* and *che168.com*, 87 pending patent applications, and 115 registered patents. We had 241 computer software copyrights as of December 31, 2018.

Competition

With respect to our auto media business, we face competition from China's automotive vertical websites and mobile applications, such as *Xcar*, *PCauto* and *BitAuto*, from the automotive channels of major internet portals, such as *Sina* and *Sohu*, and from companies engaged in mobile social media, news, video and live-streaming applications. We may also face competition from online automobile transaction platforms, such as *maodou.com*, *taoche.com*, *51auto*, *Uxin*, *Guazi* and *Renrenche*, as we develop our auto transaction business. Our auto finance business faces competition from other auto finance companies, such as *Yixin* and *Souche*. In addition, we also face competition from companies engaged in social media business, such as *ByteDance* and *Tencent*. Competition will be centered on factors similar to those affecting our current media services and leads generation services, primarily centered on increasing user reach, user engagement and brand recognition, relationships with the suppliers, and attracting and retaining advertisers or customers, among other factors. For our transaction business, as online automobile transaction is a relatively new business model and consumers in China might be accustomed to make automobile purchases with traditional dealerships, we cannot guarantee that the automobile consumers in China will accept such business model. See Item 3. Key Information D. Risk Factors Risks Related to Our Business and Industry We face significant competition, and if we fail to compete effectively, we may lose market share and our business, prospects and results of operations may be materially and adversely affected.

Seasonality

Our quarterly revenues and other operating results have fluctuated in the past and may continue to fluctuate depending upon a number of factors, many of which are beyond our control. Our business experiences seasonal variations in association with the demand for automobiles in China. For example, the first quarter of each year generally contributes the lowest portion of our annual net revenues primarily due to a slowdown in business activities around and during the Chinese New Year holiday, which occurs during the period. Consequently, our results of operations may fluctuate from quarter to quarter. As each of our business lines may have different seasonality factors and the mix of our revenue sources may shift from year to year, our past performance may not be indicative of future trends. See also Item 3. Key Information D. Risk Factors Risks Related to Our Business and Industry Our business is subject to fluctuations, which makes our results of operations difficult to predict and may cause our quarterly results of operations to fall short of expectations.

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Legal Proceedings

From time to time, we may be subject to various claims and legal actions that arise in the ordinary course of our business. There are currently no legal proceedings that, in the opinion of our management, may have a material adverse effect on our business and results of operations.

PRC Regulation

This section summarizes the principal PRC laws and regulations relevant to our business and operations.

Regulations on Value-Added Telecommunications Services

On September 25, 2000, the State Council promulgated the Telecommunications Regulations, or the Telecom Regulations, which draw a distinction between basic telecommunication services and value-added telecommunications services. The Telecommunications Regulations were subsequently revised on July 29, 2014 and on February 6, 2016. On December 28, 2015, the MIIT published the Classification Catalogue of Telecommunications Services (the 2015 Catalogue), which took effect on March 1, 2016. Under the 2015 Catalogue, value-added telecommunication services was further classified into two sub-categories and 10 items. Internet content provision services, or ICP services, is under the second subcategory of value-added telecommunications businesses. Under the Telecom Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the MIIT or its provincial level counterparts.

On September 25, 2000, the State Council issued the Administrative Measures on Internet Information Services, or the Internet Measures. The measures were subsequently revised on January 8, 2011. According to the Internet Measures, commercial ICP service operators must obtain an ICP license from the relevant government authorities before engaging in any commercial ICP operations within the PRC.

On March 1, 2009, the MIIT promulgated the Administrative Measures on Telecommunications Business Operating License, or the Telecom License Measures, which took effect on April 10, 2009. The measures were subsequently revised on September 1, 2017. The Telecom License Measures set forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. For example, an ICP operator providing value-added services in multiple provinces is required to obtain an inter-regional license, whereas an ICP operator providing the same services in one province is required to obtain a local license.

To comply with these PRC laws and regulations, both of our ICP operators, Autohome Information and Shengtuo Hongyuan, hold ICP licenses. Autohome Information also holds a value-added telecommunications business operation license for provision of mobile network information services.

Restrictions on Foreign Ownership in Value-Added Telecommunications Services

According to the Provisions on Administration of Foreign Invested Telecommunications Enterprises, or the FITE Provisions, promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016, respectively, the ultimate foreign equity ownership in a value-added telecommunications service provider must not exceed 50%. Moreover, for a foreign investor to acquire any equity interests in a value-added telecommunication business in China, it must demonstrate a good track record and experience in operating value-added telecommunications services. Foreign investors that meet these requirements must obtain approvals from the MIIT and the MOFCOM or its authorized local branches, and the relevant approval application process usually takes six to seven months.

On July 13, 2006, the MIIT issued the Notice of the MIIT on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services. This notice prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunications 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 telecommunications business in China. According to this notice, either the holder of a value-added telecommunication business operating license or its shareholders must legally own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice further requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunication service providers are required to maintain network and internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with the requirements in the notice and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holders, including revoking their valued-added telecommunication business operating licenses.

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To comply with these PRC regulations, we operate our websites through our VIEs, Autohome Information and Shengtuo Hongyuan. Each of Autohome Information and Shengtuo Hongyuan is currently 50% owned by Min Lu and 50% owned by Haiyun Lei, both of whom are PRC citizens. Both Autohome Information and Shengtuo Hongyuan hold ICP licenses.

Regulation on Foreign Investment

On March 15, 2019, the Foreign Investment Law was enacted by the National People's Congress and it will become effective on January 1, 2020. Upon its enactment, it will replace the trio of existing laws regulating foreign investment in 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 embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

Unlike its first draft which was published in 2015, the Foreign Investment Law does not specifically expand the definition of "foreign investment" to include entities established through a VIE structure but contains a catch-all provision under the definition of "foreign investment" which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council.

Moreover, the Foreign Investment Law establishes a foreign investment information reporting system. Foreign investors or foreign-funded enterprises shall submit the investment information to competent governmental departments for commerce through the enterprise registration system and the enterprise credit information publicity system. The contents and scope of foreign investment information to be reported shall be determined under the principle of necessity. Where foreign-investors or foreign-invested enterprises are found to be non-compliant with these information reporting obligations, competent department for commerce shall order corrections within a specified period; if such corrections are not made in time, a penalty of not less than RMB100,000 yet not more than RMB500,000 shall be imposed. Aside from the reporting system for foreign investment information, the Foreign Investment Law shall also establish a security examination mechanism for foreign investment and conducts security review of foreign investment that affects or may affect national security. The decision made upon the security examination in accordance with the law shall be final.

We will be subject to the Foreign Investment Law if our contractual arrangements with our VIEs are defined or regarded as a form of foreign investment in the future.

Regulations on Internet Content Services

The National People's Congress has enacted laws with respect to maintaining the security of internet operation and internet content. According to the Administrative Measures for Internet Information Services, or the Internet Information Services Measures, which was issued by the State Council and became effective on January 8, 2011, 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;

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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.

In accordance with the Internet Information Services Measures, ICP operators are required to monitor their websites. They may not post or disseminate any content that falls within these prohibited categories and must remove any such content from their websites. The PRC government may order ICP operators to suspend their operations, or revoke their ICP licenses if such ICP license holders violate any of the above-mentioned content restrictions.

On February 4, 2015, the China Internet Network Information Center promulgated the Administrative Provisions on Account Names of Internet Users, or the Account Names Provisions, which became effective as of March 1, 2015. The Account Name Provisions require all users of internet information service providers to authenticate their real identity information for registration of accounts. Relevant internet information service providers are responsible for the protection of users' privacy, consistency of user information, such as account names, avatars, the requirements contemplated in the Account Names Provisions, making reports to the competent authorities if the names of institutions or social celebrities are illegally used for or associated with registration of account names, and taking appropriate measures to stop any such violations, such as notifying the user to make corrections within a specified time and suspending or closing accounts in the event of continuing non-compliance.

On August 25, 2017, the Cyberspace Administration of China promulgated the Administrative Provisions on Internet Follow-up Comment Services and the Administrative Provisions on Internet Forum and Community Services, both of which became effective as of October 1, 2017. As stipulated in the Provisions, the internet follow-up comment service providers are imposed on strict primary obligations such as verifying the authenticity of registered users' identity information, protecting personal information of users and developing system to review follow-up comments on news information prior to the publication. Moreover, the internet forum and community services providers may establish the systems of information review, real-time public information check, emergency response, personal information protection and other information security administration systems. In addition, the service providers should not publish information in violation of laws, regulations and the relevant provisions of the state.

On September 7, 2017, the Cyberspace Administration of China promulgated the Provisions on the Administration of Information Services Provided through Chat Groups on the Internet, or the Chat Groups Provision, and the Administrative Provisions on the Information Services Provided through Public Official Accounts of Internet Users, or the Public Official Accounts Provision, both of which became effective as of October 8, 2017. According to the Provisions, the internet service providers are required to verify the authenticity of identity information of their users. In addition, for any violation of laws and regulations by chat groups or public official accounts, service providers

should take certain measures such as issuing a warning, suspending publication of the inappropriate information, and closing the chat groups or the public official accounts.

These laws and regulations apply to the Internet content services we provide through our VIEs and impose responsibilities on the VIEs for monitoring the websites, mobile applications and users, safeguarding the security of the internet as well as maintaining the internet content.

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Regulations on Internet Privacy

In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. The PRC law does not prohibit ICP operators from collecting and using personal information from their users with the users' consent. However, the Internet Measures prohibit an ICP operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party. The regulations further authorize the relevant telecommunications authorities to order ICP operators to rectify unauthorized disclosure. ICP operators are subject to legal liability if the unauthorized disclosure results in damages or losses to users. The PRC government, however, 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. On December 29, 2011, the MIIT promulgated the Several Provisions on Regulating the Market Order of Internet Information Services, effective as of March 15, 2012. It stipulates that ICP operators may not, without a user's consent, collect the user's information that can be used alone or in combination with other information to identify the user and may not provide any such information to third parties without the user's prior consent. ICP operators may only collect users' personal information that is necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and use of such personal information. In addition, an ICP operator may only use users' personal information for the stated purposes under the ICP operator's scope of service. ICP operators are also required to ensure the proper security of users' personal information, and take immediate remedial measures if users' personal information is suspected to have been inappropriately disclosed. If the consequences of any such disclosure are expected to be serious, ICP operators must immediately report the incident to the telecommunications regulatory authority and cooperate with the authorities in their investigations.

On December 28, 2012, the Standing Committee of the National People's Congress of the PRC issued the Decision on Strengthening the Protection of Online Information. Most requirements under this decision relevant to ICP operators are consistent with the requirements already established under the MIIT provisions discussed above, but are often stricter and broader. Under this decision, ICP operators are required to take such technical and other measures necessary to safeguard information against inappropriate disclosure. To further implement this decision and relevant rules, MIIT issued the Regulation of Protection of Telecommunication and Internet User Information on July 16, 2013, which became effective on September 1, 2013.

On March 15, 2017, the Standing Committee of the National People's Congress of the PRC issued the General Rules of the Civil Law of the People's Republic of China, which came into effect on October 1, 2017. The General Rules have introduced personal information rights and data protection and provide that personal information of a natural person should be protected by the law. The acquisition of information should be conducted in compliance with laws and regulations. The organizations and individuals who require personal information of others should neither illegally collect, utilize, process or transmit personal information of others nor illegally sell or buy, provide to others or make public the personal information of others.

The Cyber Security Law of the People's Republic of China became effective on June 1, 2017. According to the Cyber Security Law, network operators should, in the course of collecting and using personal information, follow the principles of legitimacy, properness and necessity, disclose their rules with respect to data collection and usage, clearly express the purposes, means and scope of collecting and using information. Prior consent from the persons whose data is collected is required. In addition, network operators are not allowed to collect personal information which is irrelevant to the services they provide.

To comply with these laws and regulations, we require our users to accept a user terms of service whereby they agree to provide certain personal information to us, and have established information security systems to protect users' privacy.

Regulations on Advertisements

The PRC government regulates advertising, including online advertising, principally through the State Administration for Market Regulation, or SAMR. Prior to November 30, 2004, in order to conduct any advertising business, an enterprise was required to hold an operating license for advertising in addition to a relevant business license. On November 30, 2004, the State Administration for Industry and Commerce, the predecessor of the SAMR, issued the Administrative Rules for Advertising Operation Licenses, effective as of January 1, 2005, which was replaced by Administrative Provisions on Advertising Registration issued on November 1, 2016 and took effect on December 1, 2016. The advertisement operation entities are restricted to radio stations, TV stations and newspaper and periodical publishers and the Advertising Operation License was cancelled. Therefore, our subsidiaries and VIEs are not required to hold an advertising operation license.

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Advertisers, advertising operators and advertising distributors are required by PRC advertising laws and regulations to ensure that the content of the advertisements they produce or distribute are true and in full compliance with applicable laws and regulations. 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 duly performed and that the relevant approval has been obtained. 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 circumstances involving serious violations, the SAMR or its local branches may order 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 liabilities if they infringe on the legal rights and interests of third parties.

On October 26, 2018, the Standing Committee of the National People's Congress revised the PRC Advertising Law or the Advertising Law, which came into effect on the same date. The Advertising Law applies to all advertising activities conducted via the internet. The Advertising Law requires that users must be able to close online pop-up ads with one click. Moreover, internet service providers are obligated to cease publishing any advertisements that they know or should know are illegal. Violation of these regulations may result in penalties, including fines, confiscation of the advertising incomes, termination of advertising operations and even suspension of the provider's business license.

On July 4, 2016, the then State Administration for Industry and Commerce issued the Interim Measures for the Administration of Internet Advertising or the Internet Advertising Measures, which came into effect as of September 1, 2016. All advertising activities by means of the internet are governed by the Advertising Law and the Internet Advertising Measures. Pursuant to the Internet Advertising Measures, the term "Internet Advertisement" shall mean commercial advertisement that promote commodities or services, directly or indirectly, via Internet media such as websites, webpages and internet application programs in the form of texts, pictures, audios, videos or other forms, including the advertisement containing a web link or links, e-mail advertisement, paid search advertisements, and advertisements contained in commercial presentations that promote commodities or services, etc. The Internet Advertising Measures require that an internet advertisement shall be identifiable and clearly identified as an "advertisement" so that users will tell it is an advertisement, and the following activities shall be prohibited: (i) providing or using any application programs or hardware to intercept, filter, cover, fast forward or otherwise restrict any authorized advertisement of other persons; (ii) using network pathways, network equipment or applications to disrupt the normal data transmission of advertisements, alter or block authorized advertisements of other persons or load advertisements without authorization; or (iii) using false statistical data, transmission effect or internet medium value to induce incorrect quotations, seek undue interests or damage the interests of other persons.

Pursuant to the Internet Advertising Measures, the punishments on illegal acts shall be administered by the local administrative authority for industry and commerce in the place where the advertisement publisher is located. However, if an advertiser or advertising agent who violates the Advertising Law or the Internet Advertising Measures is outside the jurisdiction of the local branch of the SAMR, of the advertisement publisher, such case may be referred to the local SAMR where the advertiser or advertising agent is located; in the event that the local SAMR in the place where the advertiser or advertising agent is located has discovered any clues or received complaints or reports about such illegal acts, they may also exercise the administration. For any illegal advertisements published by advertisers themselves, such case shall be administered by the local SAMR where the advertisers are located.

To comply with these laws and regulations, we include clauses in our advertising contracts requiring that all advertising content provided by advertisers must comply with relevant laws and regulations. Prior to posting on websites and mobile applications, our staff reviews advertising materials to ensure there is no violent, pornographic or any other improper content, and will request the advertiser to provide government approval if the advertisement is subject to special government review.

Regulations on Broadcasting Audio/Video Programs through the Internet

On July 6, 2004, the SARFT promulgated the Rules for the Administration of Broadcasting of Audio/Video Programs through the Internet and Other Information Networks, or the A/V Broadcasting Rules, which were replaced by Provisions on the Administration of Private Network and Targeted Communication Audio-visual Program Services which took effect on June 1, 2016. For an entity that engages in content delivery, integrated broadcast control, transmission distribution and other private network and targeted communication to send audio-visual program service, an Internet Audio/Video Program Transmission License is required.

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On April 13, 2005, the State Council announced Several Decisions on Investment by Non-state-owned Companies in Culture-related Business in China. These decisions encourage and support non-state-owned companies to enter certain culture-related business in China, subject to restrictions and prohibitions for investment in audio/video broadcasting, website news and certain other businesses by non-state-owned companies. These decisions authorize the SARFT, the Ministry of Culture and Tourism and the GAPP to adopt detailed implementation rules according to these decisions.

On December 20, 2007, the SARFT and the MIIT jointly issued the Rules for the Administration of Internet Audio and Video Program Services, commonly known as Circular 56, which came into effect as of January 31, 2008 and was amended in August, 2015. Circular 56 reiterates the requirement set forth in the A/V Broadcasting Rules that online audio/video service providers must obtain an internet audio/video program transmission license from the SARFT. Furthermore, Circular 56 requires all online audio/video service providers to be either wholly state-owned or state-controlled companies. According to relevant official answers to press questions published on the SARFT's website dated February 3, 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 Circular 56 may re-register and continue to operate without becoming state-owned or controlled, provided that such providers have not engaged in any unlawful activities. This exemption will not be granted to online audio/video service providers established after Circular 56 was issued. These policies have been reflected in the Application Procedure for Audio/Video Program Transmission License. Failure to obtain the internet audio/video program transmission license may subject an online audio/video service provider to various penalties, including fines of up to RMB30,000, seizure of related equipment and servers used primarily for such activities and even suspension of its online audio/video services.

To comply with these laws and regulations, Autohome Information obtained an internet audio/video program transmission license on February 9, 2010, which has been renewed on February 13, 2018, for automotive-industry-information-related audio/video programs posted on our *autohome.com.cn* website and relevant mobile applications.

Regulations on Producing Audio/Video Programs

On July 19, 2004, the SARFT promulgated the Administrative Measures on the Production and Operation of Radio and Television Programs, effective as of August 20, 2004. On August 28, 2015, State Press and Publication of the General Administration of Radio and Television Decree No. 3 was issued to amend some provisions of the aforesaid Measures, which was further revised on October 31, 2018 by the National Radio and Television Administration. These Measures provide that anyone who wishes to produce or operate radio or television programs must first obtain an operating permit. Applicants for this permit must meet several criteria. Both Autohome Information and Shengtuo Hongyuan hold operating licenses for the production and dissemination of radio and television programs for special topic programs, cartoons and television variety shows.

Regulations on Internet Mapping Services

According to the amended Notice on Printing and Distributing Regulations on the Management of Surveying and Mapping Qualification and Standard of Surveying and Mapping Qualification Classification issued by the National Administration of Surveying, Mapping and Geoinformation, or NASMG, in July 2014, an entity providing internet mapping services should apply for the Surveying and Mapping Qualification Certificate for Surveying and Mapping, and perform within the scope of the certificate. According to these rules, certain conditions and requirements, such as the number of technical personnel and map security verification personnel, security facilities and approval from relevant provincial or national government on the service provider's security system, qualification management and filings management, are necessary for an entity applying for a Surveying and Mapping Qualification Certificate. Pursuant to the Notice on Further Strengthening the Administration of Internet Map Services Qualification issued by

the NASMG in December 2011, any entity that has not yet applied for a surveying qualification certificate for internet mapping services is prohibited from providing any internet mapping services.

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On November 26, 2015, the State Council enacted the Administrative Regulations on Maps, or the Maps Regulations, effective as of January 1, 2016. The Maps Regulations requires entities engaging in internet mapping services, such as geographic positioning, the uploading of geographic information or markings, and the development of a public map database, to obtain a relevant qualification certificate for surveying and mapping. The Maps Regulations require entities engaging in online map services to use mapping data approved by the relevant governmental authorities, host servers storing map data within the PRC, and establish a management system as well as protection measures for the data security of the online maps. The mapping data must not contain any content prohibited by the Maps Regulations, and no entities or individuals are allowed to upload or mark such prohibited content online. Further, entities engaging in internet mapping services shall keep confidential any information involving state secrets and trade secrets acquired during their work.

We have provided maps on our websites and mobile applications for the convenience of our users to locate certain service providers. Both Autohome Information and Shengtuo Hongyuan hold the Surveying and Mapping Qualification Certificate for internet mapping.

Regulations on Online Cultural Services

On February 17, 2011, the Ministry of Culture promulgated the Interim Administrative Provisions on Internet Culture, which became effective on April 1, 2011 and replaced the original measures promulgated in 2003 and amended in 2004. On December 15, 2017, the Decision of the Ministry of Culture on the Revision or Abolishment of Certain Administrative Provisions was issued to amend some articles of the aforesaid provisions. The Interim Administrative Provisions on Internet Culture require ICP operators engaged in internet culture activities to obtain an Internet Culture Business Permit from the provincial administration of culture. The term internet culture activities includes, among other things, online dissemination of internet cultural products (such as audio-video products, gaming products, performances of plays or programs, works of art and cartoons) and the production, reproduction, importation, publication and broadcasting of internet cultural products.

Autohome Information has applied for and obtained an Internet Culture Business Permit in January 2013, and we have renewed our permit to include use of information network to operate music entertainment products, game products, performance drama (section), and performance.

Regulations on Online Performances and Online Live-streaming Services

On December 2, 2016, the Ministry of Culture issued the Administrative Measures for Business Activities of Online Performances, which took effect on January 1, 2017. Under these measures, an operator of online performances conducting the business activities of online performances shall apply for an Internet Culture Business Permit with the competent provincial administrative cultural department, and the business scope indicated on the permit shall clearly include reference to online performances. An operator of online performances undertakes the primary responsibility for the business activities of online performances operated by it, and shall establish a content review and management system, arrange staff with corresponding qualifications to undertake the work of reviewing the performance content, and establish technical supervision measures adaptable to content management in accordance with relevant laws and regulations.

The Provisions on the Administration of Online Live Streaming Services was issued by the State Internet Information Office on November 4, 2016 and was effective on December 1, 2016. Under the provisions, those who provide online live-streaming services through online performances, internet video and audio programs, and so forth, shall obtain relevant qualifications as required by laws and regulations. Online live streaming service providers shall carry out entity responsibilities, equip professionals comparable to the service scale, and improve systems for information

review, information security management, duty patrols, emergency response, and technical guarantee. Online live streaming service providers shall establish platforms for reviewing live streaming content. Online live streaming service providers and online live streaming publishers that provide internet news information services without licenses, or exceeding the scope of their licenses, are subject to punishment. For other violations of these provisions that are subject to punishment by the national and local Internet information offices in accordance with law; if a crime is constituted, criminal liability shall be investigated in accordance with law. Violations of the relevant laws and provisions in providing online live streaming services through Internet performances, online audio and visual programs and so forth are subject to punishment by the relevant departments in accordance with law.

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Currently we are providing online live-streaming services through our websites and mobile applications. Autohome Information has obtained an internet audio/video program transmission license on February 9, 2010, which has been renewed on February 13, 2018 and will remain effective until February 13, 2021. In addition, in January 2013, Autohome Information has obtained an Internet Culture Business Permit, which includes use of information network to operate music entertainment products, game products, performance drama (section), and performance.

Regulations on Internet Publishing

The Administrative Provisions on Online Publishing Services, or the Online Publishing Provisions, was jointly issued by the MIIT and the State General Administration of Press, Publication, Radio, Film and Television (the predecessor of the National Radio and Television Administration) in 2016, and came into effect on March 10, 2016. The Online Publishing Provisions define online publishing services as providing online publications to the public through information networks. Any online publishing services provided in the territory of the PRC are subject to these provisions. The Online Publishing Provisions requires any internet publishing services provider to obtain an online publishing service license to engage in online publishing services. Under the Online Publishing Provisions, online publications refers to digital works which have publishing features such as digital work that have been edited, produced or processed and which are made available to the public through information networks, including written works, pictures, maps, games, cartoons, audio/video reading materials and other methods. Any online game shall obtain approval from SAPPRFT before it is launched online. Furthermore, Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises cannot engage in providing web publishing services.

Based on a consultation we had with the local press and publication administration authority, we believe we are not required to obtain the internet publishing license as the activities we engage in on our websites and mobile applications do not constitute internet publishing activities, as such term is used in the Online Publishing Provisions. We are also not aware of companies with an operation similar to ours that have obtained or been required to obtain the internet publishing license. As a result, both Autohome Information and Shengtuo Hongyuan have not applied for such internet publishing approval. However, in the event that our activities are deemed to be internet publishing, we may be required to obtain approval from GAPP. If we are deemed to be in breach of relevant internet publishing regulations, the PRC regulatory authorities may seize the related equipment and servers used primarily for such activities and confiscate any revenues generated from such activities. In addition, relevant PRC authorities may also impose a fine of five to ten times of any revenues exceeding RMB10,000 or a fine of not more than RMB50,000 if such related revenues are below RMB10,000.

Regulations on Internet News Information Service

On May 2, 2017, the Cyberspace Administration of China issued the Provisions for the Administration of Internet News Information Services, or Internet News Provision, which became effective on June 1, 2017 and replaced the original provisions promulgated in 2005.

Internet news information services shall include service of collecting, editing and publishing internet news information, service of reposting and service of providing propagation platform. Under the Internet News Provision, internet news service providers shall also include entities that are not established by the press but reproduce internet news from other sources, provide electronic bulletin services on current and political events, and transmit such information to the public. The Cyberspace Administration of China shall be in charge of the supervision and administration of the internet news information services throughout China.

If we release information that may be deemed by authorities as internet news, we may be required to obtain the internet news information service license. However, we have consulted the relevant government authorities and have been informed that we would not be required to obtain the internet news releasing license because the internet news posted on our websites and mobile applications is only automotive industry related news which is not political in nature or related to macroeconomics. However, if any of the internet news posted on our websites and mobile applications is deemed by the government to be political in nature, related to macroeconomics, or otherwise requires such license based on the sole discretion of the government authority, we would need to apply for such license. If we are deemed to be in breach of the Internet News Provision or other relevant internet news releasing regulations, the PRC regulatory authorities may suspend the related internet service and impose a fine exceeding RMB10,000 but not more than RMB30,000.

Table of Contents**Regulations on E-commerce**

China's e-commerce industry is at an early stage of development and there are few PRC laws or regulations specifically regulating the e-commerce industry. In January 2014, the State Administration for Industry and Commerce promulgated the Administrative Measures for Online Trading, which strengthen the protection of consumers and impose stringent requirements and obligations on online business operators and third-party online marketplace operators. Online business operators and third-party online marketplace operators are prohibited from collecting any information on consumers and business operators or disclosing, selling or providing any such information to any third party, or sending commercial electronic messages to consumers without their consent. Fictitious transactions, deletion of adverse comments and technical attacks on competitors' websites are prohibited as well. In addition, third-party online marketplace operators are required to examine and verify the identifications of the online business operators and set up and retain relevant records for at least two years. For corporations, other economic organizations or individual-owned business that apply to enter the platforms to sell commodities or to provide services, the operators of the third-party trading platforms should examine the authenticity of the identities of the online business operators, register such operators and establish registration files with regular verification and update, and should disclose the information about their business licenses or place the electronic linkage identifiers of their business licenses at notable positions of the homepages where they conduct their business activities. We are subject to these measures as a result of our online platform services.

Foreign investors were not allowed to own more than 50% of the equity interests in e-commerce companies which is a subcategory of value-added telecommunication services, and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record, except for foreign investors in China (Shanghai) Pilot Free Trade Zone, subject to certain conditions. The NDRC and the MOFCOM jointly issued the Catalogue for the Guidance of Foreign Investment Industries in March 2015, or the Catalogue, which was further revised in July 2017. The negative list of the Catalogue was replaced by the Special Administrative Measures for Access to Foreign Investment, or the Negative List, in July 2018. According to the Negative List, foreign investors are allowed to have complete ownership of equity interests in e-commerce businesses.

In August 2018, the Standing Committee of the National People's Congress issued the E-commerce Law of the People's Republic of China, or the E-commerce Law, which took effect on January 1, 2019. In accordance with the E-commerce Law, e-commerce operators include operators of e-commerce platforms, business operators on e-commerce platforms, and other e-commerce operators that sell commodities or offer services on the websites developed by themselves or through other network services. An operator of an e-commerce platform shall require business operators who apply to sell commodities or provide services on its platform to submit truthful information, verify and register such information, establish registration archives, and regularly verify and update the information. If an operator of an e-commerce platform finds any commodity or service is in violation of the Articles 12 or 13 of the E-commerce Law, which provide that any e-commerce operator shall obtain an administrative license and the commodities or services provided on its platform shall meet certain requirements to safeguard personal safety and property security as well as the requirements on environmental protection, it shall take necessary measures and report the violating commodity or service to the related governmental authority in charge of the administration of e-commerce.

Currently, we primarily cooperate with independent automobile sellers to facilitate their sales of automobiles through our e-commerce platforms.

Regulations on Mobile Internet Applications

On June 28, 2016, Cyberspace Administration of China promulgated the Administrative Provisions on Mobile Internet Applications Information Services, or the Mobile Application Administrative Provisions, which took effect on August 1, 2016. According to the Mobile Application Administrative Provisions, mobile internet application refers to application software that runs on mobile smart devices providing information services after being pre-installed, downloaded or embedded through other means. Mobile internet application provider refers to the owners or operators of mobile internet applications. Internet application stores refer to platforms which provide services related to online browsing, searching and downloading of application software and releasing of development tools and products through the internet. On December 16, 2016, the MIIT promulgated the Interim Administrative Provisions on the Pre-installation and Distribution of the Mobile Smart Terminal Application Software, which took effect on July 1, 2017 and requires, among others, that internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user easily, unless the mobile application 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. In addition, mobile smart terminal application software involving charges should strictly comply with the relevant regulations such as sale at an expressly marked price, and express the charge standard and method. The content expressed should be true, accurate, eye-catching and normative, and users should be charged only after their confirmation.

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Pursuant to the Mobile Application Administrative Provisions, an internet application program provider must verify a user's mobile phone number and other identity information under the principle of mandatory real name registration at the back-office end and voluntary real name display at the front-office end. An internet application provider must not enable functions that can collect a user's geographical location information, access user's contact list, activate the camera or recorder of the user's mobile smart device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant application programs, unless it has clearly indicated to the user and obtained the user's consent on such functions and application programs. In respect of an internet application service provider, the Mobile Application Administrative Provisions requires that, among others, it must file a record with the provincial authority within 30 days after it rolls out the internet application service online. It must also examine the authenticity, security and legality of internet application providers on its platform, establish a system to monitor application providers' credit and file a record of such information with relevant governmental authorities. If an application provider violates the regulations, the internet application store service provider must take measures to stop the violations, including warning, suspension of release, withdrawal of the application from the platform, keeping a record and reporting the incident to the relevant governmental authorities.

Regulations on Automobile Sales

On April 5, 2017, the MOFCOM promulgated the Measures on the Administrations of Automobile Sales, or the Measures on Automobile Sales, which took effect on July 1, 2017 and replaced the original Branded Automobile Sales Measures promulgated in 2005. According to the Measures on Sales of Automobile, the supplier takes the way of selling the vehicle to the dealer, and the authorization term (excluding the shop construction term) shall not be less than 3 years, and the first authorization term shall not be less than 5 years. An independent automobile seller who sells an automobile without authorization from a supplier or an automobile which is not authorized to be sold by an automobile manufacturer outside the country shall provide a reminder and explanation to the consumer in writing and inform the consumer of the relevant responsibility in writing. When a dealer or an independent automobile seller sells the car to the consumer, it shall verify the identification of the registered consumer, sign the sales contract, and issue the sales invoice.

The Measures on Sales of Automobile further provides that a supplier shall not require its dealers to have sales, after-sales service and other functions at the same time, shall not restrict its dealers' operations of goods of other suppliers, and shall not restrict the dealers from providing parts or other after-sales services for automobiles of other suppliers. Except as otherwise agreed by the parties, a supplier shall not sell automobiles directly to consumers in the area where its dealer is authorized to sell.

As regards to information recording, the Measures on Sales of Automobile requires the suppliers or the dealers and independent automobile sellers to file their basic information at the State Council department in charge of the national automobile circulation information management system within 90 days after obtaining their respective business license. If the basic information of a supplier, a dealer or an independent automobile seller is changed, it shall complete the updated filing within 30 days from the date of the change. The basic information of the supplier, the dealer or the independent automobile seller, if it is established before the Measures, should be filed within 90 days from the date that the Measures took effect. The file of automobile sales, users and other information shall be kept by the dealer and independent automobile seller for no less than 10 years.

Currently, we provide a transaction platform for automobile buyers to liaise with independent automobile sellers on our platform and to purchase vehicles from such sellers.

Table of Contents**Regulations on Insurance Brokerage Business**

In April 2015, the Standing Committee of the National People's Congress promulgated the Insurance Law of PRC. In October 2015, the CIRC promulgated the Provisions on the Supervision and Administration of Insurance Brokers, which was replaced by the Provisions on the Regulation of Insurance Brokers, or the Insurance Brokers Provisions, on May 1, 2018. The Insurance Brokers Provisions define insurance brokers as institutions which provide intermediary services, in favor of the insured, in the course of concluding insurance contracts between the insured and the insurance companies and charge certain commission as agreed. Pursuant to the Insurance Law and Insurance Brokers Provisions, a license for engaging in insurance brokerage businesses is required in the course of setting up an insurance brokerage company. The companies which intend to provide insurance brokerage service should meet certain requirements set up by the CIRC and should not conduct insurance brokerage business unless the aforesaid license is received.

In July 2015, the CIRC promulgated the Circular of the CIRC on Issuing the Interim Measures for the Supervision of Internet Insurance Business, or CIRC Circular 69, which became effective on October 1, 2015. CIRC Circular 69 sets up strict restrictions on the institutions allowed to conduct internet insurance business. CIRC Circular 69 stipulates that only insurance companies and professional insurance intermediaries established upon approval by insurance regulatory authorities and registered could provide internet insurance services. Simultaneously, CIRC Circular 69 sets up certain requirements for providing insurance services through self-operated online platforms or platforms operated by third parties. The CIRC Circular 69 expired on September 30, 2018. However, it was affirmed by the China Banking and Insurance Regulatory Commission that the CIRC Circular 69 shall remain valid until any updated regulation is issued. As of the date of this annual report, no updated relevant regulation has been published.

In September 2017, we acquired Shanghai Tianhe, a company holding the license for engaging in insurance brokerage businesses. In October 2018, Shanghai Tianhe completed the registration process required for engaging in online insurance business and is currently conducting online and offline insurance brokerage business in the PRC.

Regulations on Intellectual Property Rights

China has adopted legislation governing intellectual property rights, including trademarks, patents and copyrights. China is a signatory to the major international conventions on intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

Patent. The National People's Congress adopted the Patent Law in 1984, and amended it in 1992, 2000 and 2008. The purpose of the Patent Law is to protect lawful interests of patent holders, encourage invention, foster applications of inventions, enhance innovative capabilities and promote the development of science and technology. To be patentable, invention or utility models must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, substances obtained by means of nuclear transformation or a design which has major marking effect on the patterns or colors of graphic print products or a combination of both patterns and colors. The Patent Office under the State Intellectual Property Office is responsible for receiving, 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. A third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of patent rights. We had 87 pending patent applications and 115 registered patents as of December 31, 2018.

Copyright. The National People's Congress adopted the Copyright Law in 1990 and amended it in 2001 and 2010, respectively. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The amended Copyright Law also requires registration of a copyright pledge.

To address the problem of copyright infringement related to the content posted or transmitted over the internet, the National Copyright Administration and the MIIT jointly promulgated the Measures for Administrative Protection of Internet Copyright on April 29, 2005. This measure became effective on May 30, 2005.

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In order to further implement the Computer Software Protection Regulations promulgated by the State Council on December 20, 2001, as amended in 2013, the National Copyright Administration of the PRC issued Computer Software Copyright Registration Procedures on February 20, 2002, which apply to software copyright registration, license contract registration and transfer contract registration.

In compliance with, and in order to take advantage of, the above rules, we have registered 241 computer software copyrights as of December 31, 2018.

On May 18, 2006, the State Council promulgated the Protection of the Right of Communication through Information Networks, which became effective on July 1, 2006, as amended in 2013. Under this regulation, with respect to any information storage space, search or link services provided by an internet service provider, if the legitimate rights owner believes that the works, performance or audio or video recordings pertaining to that service infringe his or her rights of communication, the rights owner may give the internet service provider a written notice containing the relevant information along with preliminary documents supporting that an infringement has occurred, and requesting that the internet service provider delete, or disconnect the links to, such works or recordings. The rights owner will be responsible for the truthfulness of the content of the notice. Upon receipt of the notice, the internet service provider must delete or disconnect the links to the infringing content immediately and forward the notice to the user that provided the infringing works or recordings. If the user believes that the subject works or recordings have not infringed upon others' rights, the user may submit to the internet service provider a written explanation with preliminary documents supporting non-infringement, and a request for the restoration of the deleted works or recordings. The internet service provider should then immediately restore the deleted or disconnected content and forward the user's written statement to the rights owner.

On December 26, 2009, the Standing Committee of the National People's Congress adopted the Torts Liability Law, which became effective on July 1, 2010. Under this Torts Liability Law, both internet users and internet service providers may be liable for the wrongful acts of users who infringe the lawful rights of other parties. If an internet user utilizes internet services to commit a tortious act, the party whose rights are infringed may request the internet service provider to take measures, such as removing or blocking the content, or disabling the links thereto. Failure to take necessary measures after receiving such notice will subject the internet service providers to joint liability for any further damages suffered by the rights holder. Furthermore, if an internet service provider fails to take necessary measures when it knows that an internet user utilizes its internet services to infringe the lawful rights and interests of other parties, it will be held jointly liable with the internet user for damages resulting from the infringement.

According to an interpretation by PRC Supreme People's Court, which took effect on January 1, 2013, internet service providers will be held jointly liable if they continue their infringing activities or do not remove infringing content from their websites once they know of the infringement or receive notice from the rights holder. If an internet service provider economically benefits from the works, performances, and sound or visual recordings provided by network users, it must pay close attention to infringement of network information transmission rights by network users.

Trademark. The PRC Trademark Law, adopted in 1982 and amended in 1993, 2001 and 2013, protects registered trademarks. The Trademark Office under the National Intellectual Property Administration handles trademark registrations and grants a term of ten years for registered trademarks. Trademark license agreements must be filed with the Trademark Office for record. We hold and (auto home in English)® and in China with each registered under different categories.

Domain Names. In September 2002, China Internet Network Information Center, or CNNIC, issued the Implementing Rules for Domain Name Registration, as amended in June 2009 and May 2012, that set forth detailed rules for registration of domain names. On August 24, 2017, the MIIT promulgated the Administrative Measures for Internet

Domain Names, which came into effect on November 1, 2017 and replaced the original Measures promulgated in 2004. The Domain Name Measures regulate the registration of domain names, such as the first tier domain name .cn. In 2002, the CNNIC issued the Measures on Domain Name Dispute Resolution, as amended in 2006, 2012 and 2014, pursuant to which the CNNIC can authorize a domain name dispute resolution institution to decide disputes. We have registered a number of domain names, including *autohome.com.cn*, *autohome.com* and *che168.com*.

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Regulations on Tax

See Item 5. Operating and Financial Review and Prospects A. Operating Results Taxation PRC and Item 10. Additional Information E. Taxation People's Republic of China Taxation.

Regulations on Foreign Exchange

Foreign exchange activities in China are primarily governed by the following regulations:

Foreign Currency Administration Rules (2008), or the Exchange Rules; and

Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules.

Under the Exchange Rules, if documents certifying the purposes of the conversion of RMB into foreign currency are submitted to the relevant foreign exchange conversion bank, the RMB will be convertible for current account items, including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions. Conversion of RMB for capital account items, such as direct investment, loans, securities investment and repatriation of investment, however, is subject to the approval of, or registration with, SAFE or its local counterpart. Capital investments by PRC entities outside of China, after obtaining the required approvals of, or making filings with, the relevant approval authorities, such as the MOFCOM and the NDRC or their local counterparts, are also required to register with SAFE or its local counterpart.

Under the Administration Rules, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from or being registered with SAFE or its local counterpart.

In utilizing the proceeds we received from our equity offerings, as an offshore holding company with PRC subsidiaries, we may (a) make additional capital contributions to our PRC subsidiaries, (b) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (c) make loans to our PRC subsidiaries or VIEs or (d) acquire offshore entities with business operations in China in offshore transactions. However, most of these uses are subject to PRC regulations and approvals. For example:

capital contributions to our PRC subsidiaries, whether existing or newly established, must be approved by the MOFCOM or its local counterparts;

loans by us to our PRC subsidiaries, each of which is a foreign-invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local branches; and

loans by us to our VIEs, which are domestic PRC entities, must be approved by the NDRC (in the case of middle or long term loans) or be within the limits approved by SAFE (in the case of short term loans), and must also be registered with SAFE or its local branches.

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On March 30, 2015, SAFE issued the SAFE Circular 19, which became effective on June 1, 2015. On June 9, 2016, the SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which revised some provisions of SAFE Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from registered capital denominated in foreign currency of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than the foreign-invested company's affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties. Pursuant to both of SAFE Circular 19 and SAFE Circular 16, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or choose to follow the conversion-at-will system for foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will system for foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account, special account for foreign debt or special account for overseas listing into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19 and SAFE Circular 16, therefore, have substantially lifted the restrictions on the usage by a foreign-invested enterprise of its Renminbi registered capital, foreign debt and repatriated funds raised through overseas listing converted from foreign currencies. According to SAFE Circular 19 and SAFE Circular 16, such Renminbi capital, foreign debt and repatriated funds raised through overseas listing may be used at the discretion of the foreign-invested enterprise and SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. Nevertheless, it is still not clear whether foreign-invested enterprises like our PRC subsidiaries are allowed to extend intercompany loans to our VIEs. In addition, as SAFE Circular 19 and SAFE Circular 16 were promulgated recently, there remain substantial uncertainties with respect to the interpretation and implementation of these circulars by relevant authorities. See Item 3. Key Information D. Risk Factors Risks Related to Our Corporate Structure PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of our equity offerings to make loans to our PRC subsidiaries and VIEs or to make additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business.

Moreover, on January 26, 2017, SAFE promulgated Circular of the State Administration of Foreign Exchange on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination of Authenticity and Compliance (Circular 3). The Circular 3 stipulates several control measures with respect to the outbound remittance of any profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks should review board resolutions, the original version of tax filing records and audited financial statements before wiring the foreign exchange profit distribution of a foreign-invested enterprise exceeding US\$50,000; and (ii) domestic entities should hold income to make up previous years' losses before remitting the profits to offshore entities. Moreover, pursuant to Circular 3, verification on the genuineness and compliance of foreign direct investments in domestic entities has also been tightened.

Regulations on Dividend Distribution

The principal regulations governing dividend distributions of wholly foreign-owned enterprises include:

the Companies Law (2005, as amended in 2013 and 2018);

the Wholly Foreign-Owned Enterprise Law (2016); and

the Wholly Foreign-Owned Enterprise Law Implementing Rules (2014).

Under these regulations, wholly foreign-owned enterprises in the PRC may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, these wholly foreign-owned enterprises are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such fund reaches 50% of its registered capital.

Regulations on Offshore Investment by PRC Residents

On July 4, 2014, the SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Control of Domestic Residents Overseas Investment and Financing and Roundtrip Investment through Offshore Special Purpose Vehicles, or SAFE Circular No. 37, which replaced the former Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (generally known as SAFE Circular No. 75) promulgated by the SAFE on October 21, 2005.

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SAFE Circular No. 37 requires PRC 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 PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, which is referred to in SAFE Circular No. 37 as a special purpose vehicle. SAFE Circular No. 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as an increase or decrease of capital contributed by PRC residents, share transfer or exchange, merger, division or other material events. In the event that a PRC resident holding interests in a special purpose vehicle fails to complete the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Pursuant to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies, or SAFE Circular No. 13, which was promulgated by SAFE on February 13, 2015 and came into effect on June 1, 2015, the administrative approvals of foreign exchange registration for direct domestic investment and direct overseas investment were canceled. In addition, SAFE Circular No. 13 simplified the procedures of registration of foreign exchange by allowing investors to register with local banks with respect to the registration of foreign exchange for direct domestic investment and direct overseas investment.

Currently, there is no PRC resident among our shareholders. Should there be any PRC residents proposed to become our shareholders in the future, they shall register with the competent local branch of the SAFE or relevant banks with respect to their investments in our company as required by SAFE Circular No. 37 or SAFE Circular No. 13 and shall update their registration filings with the SAFE or relevant banks when there are any changes that should be registered under SAFE Circular No. 37 or SAFE Circular No. 13.

Regulations on Employee Stock Options Plans

In December 2006, the PBOC promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, setting forth the respective requirements for foreign exchange transactions by individuals (both PRC or non-PRC citizens) under either the current account or the capital account. The relevant implementing rules which were issued in January 2007 and further revised in May 2016 by SAFE specified approval requirements for certain capital account transactions, such as a PRC citizen's participation in employee stock ownership plans or share option plans of an overseas publicly listed company. In February 2012, SAFE promulgated the Stock Option Notice that supersedes the requirements and procedures for the registration of PRC resident individuals' participation in stock incentive plans set forth by certain rules promulgated by SAFE in March 2007. The purpose of the Stock Option Notice is to regulate the foreign exchange administration of PRC resident individuals who participate in employee stock holding plans and share option plans of overseas listed companies.

According to the Stock Option Notice, if a PRC resident individual participates in any employee stock incentive plan of an overseas listed company, a PRC domestic qualified agent appointed through the PRC subsidiary of such overseas listed company must, among other things, file, on behalf of such individual, an application with SAFE or its local counterpart to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with stock holding or share option exercises. With the approval from SAFE or its local counterpart, the PRC domestic qualified agent shall open a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with the stock purchase or option exercise, any returned principal or profits upon sales of shares, any dividends issued on the stock and any other income or expenditures approved by SAFE or its local counterpart.

Under the Foreign Currency Administration Rules, as amended, the foreign exchange proceeds of domestic entities and individuals can be remitted into China or deposited abroad, subject to the terms and conditions to be issued by SAFE. However, the implementing rules in respect of depositing the foreign exchange proceeds abroad have not been issued by SAFE. The foreign exchange proceeds from the sales of shares can be converted into RMB or transferred to such individuals' foreign exchange savings account after the proceeds have been remitted back to the special foreign exchange account opened at the PRC domestic bank. If share options are exercised in a cashless exercise, the PRC domestic individuals are required to remit the proceeds to special foreign exchange accounts.

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Many issues with respect to the Stock Option Notice require further interpretation. We and our PRC employees who participate in an employee stock incentive plan are subject to the Stock Option Notice as we are an overseas listed company. We have registered with the local counterparts of SAFE for our PRC resident employees who participate in our share incentive plans, as required under the Stock Option Notice and relevant rules. If we or our PRC employees fail to comply with the Stock Option Notice, we and our PRC employees may face sanctions imposed by the PRC foreign exchange authority or any other PRC government authorities, including restrictions on foreign currency conversions and additional capital contribution to our PRC subsidiaries.

In addition, the SAT has issued circulars concerning employee share options. Under these circulars, our employees working in China who exercise share options will be subject to PRC individual income tax. Our PRC subsidiary has obligations to file documents related to employee share options with relevant tax authorities and withhold the individual income taxes of employees who exercise their share options. If our employees fail to pay and we fail to withhold their income taxes, we may face sanctions imposed by tax authorities or any other PRC government authorities. See Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Regulation on Employment

Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative liabilities.

In addition, employers in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

Regulations on Concentration in Merger and Acquisition Transactions

The M&A Rules established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. These rules require, among other things, that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor will take control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings issued by the State Council on August 3, 2008 and amended on September 18, 2018 are triggered. In August 2006, six PRC regulatory agencies, including the CSRC, jointly adopted the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rule, which became effective in September 2006 and was further amended in June 2009. This M&A Rule purports to require, among other things, offshore special purpose vehicles, formed for listing purposes through acquisition of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval from the CSRC prior to publicly listing their securities on an overseas stock exchange.

Complying with these requirements could affect our ability to expand our business or maintain our market share. See Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China Certain regulations in the PRC may make it more difficult for us to pursue growth through acquisitions.

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C. Organizational Structure

The following diagram illustrates our corporate structure, including our principal subsidiaries and VIEs, as of the date of this annual report:

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Note:

(1) The two individuals are Min Lu and Haiyun Lei, each a PRC citizen. Each of Min Lu and Haiyun Lei holds 50% of the equity interests in each of Autohome Information, Shanghai Advertising and Shengtuo Hongyuan. As of March 31, 2019, Yun Chen owned 52.2% of our total issued and outstanding ordinary shares. Yun Chen is a wholly owned subsidiary of Ping An Insurance (Group) Company of China, Ltd., a public company listed on the Hong Kong Stock Exchange, which beneficially owned 52.2% of the total voting rights in our company.

In September 2016, the then individual nominee shareholders of Shengtuo Hongyuan and Guangzhou Advertising, our previous VIE that is already dissolved and deregistered, entered into Equity Interest Purchase Agreements and Debt Transfer and Offset Agreements with Min Lu and Haiyun Lei, pursuant to which the then individual nominee shareholders transferred all of their equity interests in each of the entities to Min Lu and Haiyun Lei. In March 2017, the then individual nominee shareholders of Autohome Information and Shanghai Advertising entered into Equity Interest Purchase Agreements and Debt Transfer and Offset Agreements with Min Lu and Haiyun Lei, pursuant to which the then individual nominee shareholders transferred all of their equity interests in each of the entities to Min Lu and Haiyun Lei. Upon the execution of the above Equity Interest Purchase Agreements and Debt Transfer and Offset Agreements, all contractual arrangements between the then individual nominee shareholders and our wholly owned subsidiaries were terminated. Autohome WFOE entered into a series of contractual agreements with (i) Guangzhou Advertising and each of its then individual nominee shareholders in September 2016, (ii) Autohome Information and each of its individual nominee shareholders in March 2017, (iii) Autohome Information and each of its subsidiaries, namely Autohome Advertising and Chengshi Advertising, in September 2016 and (iv) Shanghai Advertising and each of its individual nominee shareholders in March 2017. Chezhiying WFOE entered into a series of contractual agreements with Shengtuo Hongyuan, each of its individual nominee shareholders and its two subsidiaries in September 2016.

For the information regarding our contractual arrangements, please refer to Item 7.B. Related Party Transactions Contractual Arrangements with Our Variable Interest Entities.

In consideration of the previous restrictions imposed on the shareholders of foreign-invested companies engaging in advertising business, we once conducted advertising business by entering into a series of contractual arrangements with Guangzhou Advertising, Shanghai Advertising, Autohome Advertising and Chengshi Advertising. See Item 3. Key Information D. Risk Factors Risks Related to Our Corporate Structure If the PRC government finds that the agreements that establish the structure for operating our services in China do not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Since the regulatory environment developed, such restrictions were lifted in 2015. Therefore, in 2015, we completed the migration of our advertising business from Guangzhou Advertising, Shanghai Advertising and other PRC entities to the PRC subsidiaries of Autohome Media. In August 2017 and March 2018, we decided to liquidate and dissolve Guangzhou Advertising and Shanghai Advertising, respectively. We have completed the dissolution and deregistration of Guangzhou Advertising. Currently we are undertaking the governmental procedures to liquidate, dissolve and de-register Shanghai Advertising, which are expected to be completed by the end of 2019. Autohome WFOE has signed the termination agreements with respect to the contractual agreements that it has entered into with Guangzhou Advertising and Shanghai Advertising and each of their respective individual nominee shareholders to terminate the contractual arrangements on the date of the issuance of an approval notice for the

deregistration of Guangzhou Advertising and Shanghai Advertising by the competent local Bureau of Market Regulation in charge of such two entities, respectively. Pursuant to such termination agreements, Autohome WFOE has terminated the contractual agreements that it has entered into with Guangzhou Advertising and its individual nominee shareholders.

D. Property, Plants and Equipment

Our corporate headquarters is located in Beijing, China, where we lease office space with an area of approximately 28,325 square meters. We generally make rental payments on a monthly or quarterly basis. In addition, as of December 31, 2018, we also leased office space in 73 cities for our representative offices, including regional operation centers in Shanghai, Guangzhou and Tianjin in China. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth.

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Our servers are primarily hosted at internet data centers owned by major domestic internet data center providers. The hosting services agreements typically have a term of one year. We believe that our current facilities are adequate and that we will be able to obtain additional facilities, principally through leasing, to accommodate any future expansion plans.

ITEM 4A UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Risk Factors and elsewhere in this annual report.

A. Operating Results

Overview

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We are a leading online destination for automobile consumers in China. Through our two websites, *autohome.com.cn* and *che168.com*, accessible through PCs and mobile devices, and our mobile applications, we deliver comprehensive, independent and interactive content to automobile buyers and owners, and offer them our facilitation services related to new car and used car transactions and auto-financing and insurance products and services. We generate revenues from media services, leads generation services and online marketplace and others.

Through our media services, we provide automakers with solutions in connection with brand promotion, new model releases and sales promotions. Our large and engaged user base of automobile consumers provides a broad reach for automakers' marketing messages.

Our leads generation services enable our dealer subscribers to create their own online showrooms, list pricing and promotional information, provide dealer contact information, place advertisements and manage customer relationships to help them reach a broad set of potential customers and effectively market their automobiles to consumers online and ultimately generate sales leads. Our leads generation services also include used car listing services which provide a user interface that allows potential used car buyers to identify listings meeting their specific requirements and to contact the relevant sellers.

While we continued to strengthen our media and leads generation services, we also further developed our transaction business. Our transaction business focuses on providing facilitation services for transactions of new and used cars and other platform-based services for new and used car buyers and sellers. In early 2017, we also launched our auto financing business and started to provide services to our cooperative banks and financial institutions by displaying and marketing their financial products, covering loans, leases and insurance services for consumers and independent automobile sellers. Towards the end of 2017, we launched data products, which leverage our big data analytics capabilities and the massive pool of user data accumulated on our platform, and started to provide data-driven marketing solutions for automakers and dealers on our platform. Through offering these services on our platform, we believe we are on track to build a robust automotive ecosystem to serve consumers throughout their automobile ownership life cycles.

We have increased our net revenues since 2016 to RMB7,233.2 million (US\$1,052.0 million) in 2018, representing a three-year CAGR of 16.3%. Our net income attributable to Autohome Inc. increased from RMB1,227.9 million in 2016 to RMB2,001.6 million in 2017 and further to RMB2,871.0 million (US\$417.6 million) in 2018, representing a CAGR of 52.9%.

In May 2014, the Financial Accounting Standard Board, or FASB, issued a new standard related to revenue recognition and further issued several amendments and updates to the new revenue guidance, which is all together referred to as Accounting Standard Codification 606, or ASC 606. We have finalized our analysis and the most significant impact of ASC 606 is the change of the presentation of value-added tax, or VAT, from gross basis to net basis. We adopted this guidance effective January 1, 2018 using the modified retrospective method. To provide readers with meaningful year-over-year comparison, the operating results under this item both in absolute amounts and as percentage of revenues are presented, discussed and analyzed under the new revenue guidance, including those for the comparative periods in 2016 and 2017.

The following is a reconciliation table illustrating the impact of adopting this new revenue guidance for the years ended December 31, 2016 and 2017, as adjusted, which was related to the change in the presentation of VAT from gross basis to net basis.

	For the Year Ended December 31, 2016		
	Under Previous revenue guidance	Effects of new revenue guidance	Under New revenue guidance
Net revenues			
Media services	2,337,196	(134,097)	2,203,099
Leads generation services	1,916,309	(238,807)	1,677,502
Online marketplace and others	1,708,116	(244,124)	1,463,992
Total net revenues	5,961,621	(617,028)	5,344,593
Cost of revenues	(2,393,165)	458,363	(1,934,802)
Gross profit	3,568,456	(158,665)	3,409,791
Other income, net	13,953	158,665	172,618
Operating profit	1,167,322		1,167,322
Net income attributable to Autohome Inc.	1,227,914		1,227,914

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	For the Year Ended December 31, 2017		
	Under Previous revenue guidance	Effects of new revenue guidance	Under New revenue guidance
Net revenues			
Media services	3,065,832	(173,499)	2,892,333
Leads generation services	2,615,998	(327,717)	2,288,281
Online marketplace and others	528,351	(61,642)	466,709
Total net revenues	6,210,181	(562,858)	5,647,323
Cost of revenues	(1,358,685)	352,685	(1,006,000)
Gross profit	4,851,496	(210,173)	4,641,323
Other income, net	8,577	210,173	218,750
Operating profit	2,051,830		2,051,830
Net income attributable to Autohome Inc.	2,001,619		2,001,619

General Factors Affecting Our Results of Operations

Our business and results of operations are significantly affected by China's overall economic conditions and the general trends in the automotive industry, especially new automobile sales in China. Economic growth in China has contributed to an increase in household disposable income and improved the availability of financing for automobile purchases. These factors, coupled with the rapid growth of the automotive industry and the emergence of industry-wide favorable governmental policies in recent years, have contributed to the general increase in the number of new automobiles sold in China and have promoted the development of automobile transaction business, in particular, the auto-financing business. Regardless of China's overall favorable policies, some local governments have different approaches and have even tightened the local regulations on automobile transactions, which may slow the growth rate of new automobile sales and decrease the demand for our services, such as the general downward trends of automobile sales and demand in 2018. In addition, our business is subject to the overall advertising expenditures by automakers and automobile dealers, the development of online advertising industry in China and the market acceptance of online advertising and promotion. Our results of operations can also be significantly impacted by our ability to minimize costs and maximize efficiency in our operations.

In addition, our business and results of operations may be affected by our user reach, the level of user experience and engagement. Automaker and dealer advertisers, who contribute a substantial portion of our revenues, choose to advertise on our websites and mobile applications in significant part because of our leading market position in the online automotive advertising industry and the enriched, diversified and customized content on our websites and mobile applications. Also, effective marketing and promotion activities conducted by us are critical for us to maintain and enhance our brand recognition and attract more traffic to our platform. We anticipate that our ability to continue to attract a large and growing user base and maintain a high level of user engagement and satisfactory user experience will affect our ability to attract advertisers and dealer subscribers to our websites and mobile applications and in turn, our ability to generate sales leads and further to facilitate transactions. Finally, our business and results of operations may be affected by the development of e-commerce in China and consumers' acceptance of online automobile purchases.

Specific Factors Affecting Our Results of Operations

While our business and results of operations are generally affected by China's overall economic conditions, the general trends in China's automotive industry, our user reach and engagement and consumers' acceptance of online automobile purchases, our results of operations are more directly affected by the specific financial factors set forth below.

Net Revenues

We currently generate our net revenues from media services, leads generation services, online marketplace and others.

Media services mainly include automaker advertising services and regional marketing campaigns conducted by certain automobile brands' regional offices. We sell our advertising services primarily to automakers and dealers through third-party advertising agencies, with automakers contributing a substantial majority of our advertising services revenues. We offer rebates to advertising agencies who represent automakers and automobile dealers that place advertisements on our platform. Our net revenues are presented net of rebates to advertising agencies.

We generate revenues from leads generation services through dealer subscription services, advertising services sold to individual dealer advertisers and used car listing services. We sell our dealer subscription services to automobile dealers mainly on a fixed-fee subscription basis, with the fee rates varying based on the period of subscription, the versions of the relevant subscription packages and the cities where the automobile dealers are located.

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We also generate revenues from online marketplace and others, which consist of the new vehicle transaction business, used vehicle transaction business, auto-financing business, data products, and others. For new car and used car marketplace and auto-financing business, we provide platform-based services including facilitation of transactions, transaction-oriented marketing solutions, generation of sales leads and insurance brokerage services. For data products, we provide data analysis reports and data-driven sales and marketing tools for automakers and dealers. The service fees are recognized when the services are provided, sales leads are delivered or upon the completion of transaction facilitation, or upon the delivery of data reports and over the period of consumption or utilization of marketing tools by automakers and dealers.

The following table sets forth the principal components of our net revenues in absolute amounts and as percentages of our total net revenues for the years presented:

	2016		For the Year Ended December 31,				
	RMB	%	2017		2018		
			RMB	%	RMB	US\$	%
	(in thousands, except percentages)						
Net revenues:							
Media services	2,203,099	41.2%	2,892,333	51.2%	3,508,254	510,254	48.5%
Leads generation services	1,677,502	31.4	2,288,281	40.5	2,870,996	417,569	39.7
Online marketplace and others	1,463,992	27.4	466,709	8.3	853,901	124,195	11.8
Total net revenues	5,344,593	100.0	5,647,323	100.0	7,233,151	1,052,018	100.0

Media Services Revenues

We generate media services revenues primarily from automaker advertising services and regional marketing campaigns conducted by certain automobile brands' regional offices. In 2016, 2017 and 2018, 95, 101 and 103 automakers operating in China purchased media services from us. As a result of our high penetration in the automaker market, we believe that the future revenue growth of our media services will be driven primarily by automakers' increased advertising spending on our websites and mobile applications as they continue to shift their advertising budgets from traditional media to online media, the increasingly diversified and optimized portfolio of products and further development of mobile advertising, and monetization leveraging our enriched and personalized content and big data analytics capabilities.

Increased spending will be driven primarily by a combination of (i) our ability to increase advertising volume, either due to (a) higher sell-through rates, which is calculated as the percentage of advertising locations actually sold over total advertising locations available for sale in a given period, or (b) the increased volume contribution from our mobile websites and applications; (ii) our ability to increase our pricing, as measured by price per location per day, as our user reach continues to expand, and we continue to enhance the effectiveness of the services we offer and build automakers' increasing awareness of our platform, and (iii) our ability to constantly provide more diversified and optimized portfolio of product offerings. We primarily use a cost per time pricing model to price our online advertising services by charging advertisers on a daily basis for an advertisement placed in a given location on our websites and mobile applications. However, as we continue to grow our user base and enhance user engagement, we have set up cost per thousand impressions, cost per click and other performance-based pricing models. These new initiatives have already begun to generate revenues but the amount was still insignificant compared to the revenues generated from the cost per time pricing model.

Leads Generation Services Revenues

We generate leads generation services revenues through (i) dealer subscription services, (ii) advertising services sold to individual dealer advertisers, and (iii) used car listing services. Our dealer subscribers are dealers that have purchased subscription packages which are delivered through our dealership information system. We provide our dealer subscribers with additional tools and features to enable them to more effectively market their inventories on our websites and mobile applications. Our used car listing services primarily consist of listing and display of used vehicles and generation of sales leads through our platform. Our used car marketplace functions as a user interface that allows potential used car buyers to identify listings that meet their specific requirements and helps them contact the relevant sellers. We provided leads generation services to 24,096, 27,167 and 28,613 dealers in 2016, 2017 and 2018, respectively. Our leads generation services revenues accounted for 31.4%, 40.5% and 39.7% of our net revenues in 2016, 2017 and 2018, respectively. We believe that our leads generation services revenues will continue to grow in the near future, driven by our ability to increase the penetration rate of high-end subscription packages, provide more diversified and upgraded value-added services to our dealer customers with our capabilities of connecting dealers with our large user base, and increase the average revenue contribution per dealer.

Table of Contents**Online Marketplace and Others Revenues**

We generate revenues from online marketplace and others through our transaction platform, auto-financing business, data products, and others. For new vehicles, our transaction business currently focuses on platform-based services including facilitating transactions on the Autohome Mall and providing transaction-oriented marketing solutions and other platform-based services. Before 2018, our transaction business related to new vehicles also included direct vehicle sales business. For used vehicles, our transaction platform functions as a transaction system, which connects automobile buyers and used automobile sellers and facilitates their vehicle transactions on our platform through providing a wide range of auto related services, such as leads generation, user profile generation, auto financing products and valuation tools. For our auto-financing business, based on users' preferences and our big data analysis, we recommend a broad range of loans, leases and insurance products offered by our cooperative financial institutions to our users who have auto financing needs and we match them with these financial institutions to facilitate transactions. We have also introduced merchant loans offered by our cooperative financial institutions to automobile sellers. As a result of our acquisition of Shanghai Tianhe in 2017, we currently facilitate the transactions of insurance products between consumers and our cooperative insurance business partner as an insurance brokerage service provider. For data products, we offer customized data products and a series of intelligent sales and marketing tools, primarily including intelligent e-marketing and intelligent showroom to automakers and dealers. Our revenues from online marketplace and others accounted for 27.4%, 8.3% and 11.8% of our net revenues in 2016, 2017 and 2018, respectively. Revenues from direct vehicle sales accounted for 95.3%, 65.4% and nil of revenues from online marketplace and others in 2016, 2017 and 2018, respectively. With the implementation of our strategy to focus on facilitating transactions, we cleared all direct vehicle sales inventories in 2017. Going forward, we will explore diversified business models and opportunities to build a robust and comprehensive e-commerce platform and continue to develop our transaction system and our auto-financing and data products businesses.

Cost of Revenues

Cost of revenues refers primarily to (i) content-related costs, (ii) depreciation and amortization expenses, (iii) bandwidth and internet data center (IDC) costs, (iv) tax surcharges and (v) cost of sales. The following table sets forth the principal components of our cost of revenues in absolute amounts and as a percentage of our total net revenues for the years indicated:

	2016		For the Year Ended December 31,				
	RMB	%	2017		2018		
			RMB	%	RMB	US\$	%
	(in thousands, except percentages)						
Cost of revenues:							
Content-related costs ⁽¹⁾	269,313	5.0%	390,885	6.9%	441,459	64,208	6.0%
Depreciation and amortization expenses	42,570	0.8	41,579	0.7	41,600	6,050	0.6
Bandwidth and IDC costs	51,766	1.0	89,889	1.6	105,313	15,317	1.5
Tax surcharges	132,526	2.5	184,111	3.3	231,916	33,731	3.2
Cost of sales	1,438,627	26.9	299,536	5.3			
Total cost of revenues	1,934,802	36.2%	1,006,000	17.8%	820,288	119,306	11.3%

Note:

(1) Including share-based compensation expenses of RMB12.3 million for 2016, RMB15.2 million for 2017 and RMB16.1 million (US\$2.3 million) for 2018

Content-related Costs. Content-related costs are costs directly related to creating and editing the original generated content, organizing and maintaining user generated content on our websites and mobile applications, and maintaining our professionally generated content. Content-related costs mainly include salaries and benefits, toll free telephone charges, travel and office expenses of our editorial personnel, expenses we incur in the execution of the offline portion of our advertisers' online promotions and professionally generated content displayed on our websites and mobile applications. We expect our content-related costs may continue to increase primarily due to our business growth.

Depreciation and Amortization Expenses. A substantial majority of our amortization expenses relate to the amortization of intangibles including trademarks that we acquired in connection with the acquisitions of Cheerbright, China Topside and Norstar in June 2008, shortly after the inception of our company, and the insurance brokerage license obtained through our acquisition of Shanghai Tianhe. Depreciation expenses are related to servers and other equipment that are directly related to our revenue-generating business activities and leasehold improvements. We expect our amortization expenses will decrease after the end of the estimated useful lives of certain intangible assets.

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Bandwidth and IDC Costs. Bandwidth and IDC costs consist of fees that we pay to telecommunication carriers and other service providers for telecommunication services and for hosting our servers at their internet data centers, as well as fees we pay to our content delivery network service provider for the distribution of our content. Our bandwidth and IDC costs are expected to continue to increase in subsequent period to support the operation of our websites and mobile applications and improve our users' experience.

Tax Surcharges. Our tax surcharges primarily consist of 3% cultural development fees charged for our advertising services, construction and maintenance tax and education surcharges. Our overall tax surcharges as a percentage of our total net revenues was 2.5% in 2016, 3.3% in 2017 and 3.2% in 2018.

Cost of Sales. Cost of sales includes cost of vehicle purchases, other directly attributable costs of direct vehicle sales under the new vehicle transaction business and write-down of inventories and prepayment for vehicle purchase cost. Rebates relating to new vehicles purchased but still held by us as of the balance sheet date are recorded as a reduction to cost of inventories while rebates relating to new vehicles purchased and sold during the reporting period are recorded as a reduction to cost of revenues.

Operating Expenses

Our operating expenses consist of sales and marketing expenses, general and administrative expenses and product development expenses. The following table sets forth our operating expenses in absolute amounts and as percentages of our total net revenues for the years indicated:

	2016		For the Year Ended December 31,				2018	
	RMB	%	RMB	%	RMB	US\$	%	
	(in thousands, except percentages)							
Operating expenses:								
Sales and marketing expenses ⁽¹⁾	1,536,939	28.8%	1,647,519	29.2%	2,435,236	354,190	33.6%	
General and administrative expenses ⁽²⁾	306,794	5.7	281,951	5.0	314,846	45,792	4.4	
Product development expenses ⁽³⁾	571,354	10.7	878,773	15.6	1,135,247	165,115	15.7	
Total operating expenses	2,415,087	45.2%	2,808,243	49.8%	3,885,329	565,097	53.7%	

Notes:

- (1) Including share-based compensation expenses of RMB50.8 million for 2016, RMB53.1 million for 2017, and RMB61.6 million (US\$9.0 million) for 2018.
- (2) Including share-based compensation expenses of RMB78.0 million for 2016, RMB60.0 million for 2017, and RMB56.0 million (US\$8.1 million) for 2018.
- (3) Including share-based compensation expenses of RMB54.3 million for 2016, RMB49.6 million for 2017, and RMB68.6 million (US\$10.0 million) for 2018.

Sales and Marketing Expenses. Our sales and marketing expenses primarily consist of the branding and marketing expenses incurred in connection with promoting our brands and platform through search engines, mobile platforms, navigation sites and traditional media channels, sales promotion activities and salaries and benefits and sales commissions for our sales and marketing personnel. Our sales and marketing expenses also include offline execution and business development expenses associated with the implementation of our business and office- and travel-related expenses associated with our sales and marketing activities. We expect that our sales and marketing expenses will continue to increase in the future as we will enhance our user engagement and expand our business.

General and Administrative Expenses. Our general and administrative expenses primarily consist of personnel-related expenses for management and administrative personnel and professional service fees. We expect that our general and administrative expenses will relatively decrease as percentage of our net revenues in the future.

Product Development Expenses. Our product development expenses primarily consist of personnel-related expenses associated with the developme