
**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, 2019.

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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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(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:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
American depositary shares, each representing one Class A ordinary share	ATHM	The New York Stock Exchange
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. **118,926,687 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, 2019.**

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 by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. 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 variable 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 RMB6.9618 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, 2019. 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 have based 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;
- our ability to further enhance our brand recognition;

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- 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

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, 2017, 2018 and 2019 and our selected consolidated balance sheet data as of December 31, 2018 and 2019 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, 2015, 2016 and 2017 and the selected consolidated statements of operations data for 2015 and 2016 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.

	For the Year Ended December 31,					
	(in thousands, except for number of shares and per share data)					
	2015	2016	2017	2018	2019	
RMB	RMB	RMB	RMB	RMB	US\$	
Selected Consolidated Statements of Operations						
Data:						
Net revenues⁽¹⁾	3,463,975	5,961,621	6,210,181	7,233,151	8,420,751	1,209,565
Cost of revenues	(669,121)	(2,393,165)	(1,358,685)	(820,288)	(960,292)	(137,937)
Gross profit	2,794,854	3,568,456	4,851,496	6,412,863	7,460,459	1,071,628
Operating expenses						
Sales and marketing expenses	(1,127,484)	(1,536,939)	(1,647,519)	(2,435,236)	(3,093,345)	(444,331)
General and administrative expenses	(193,655)	(306,794)	(281,951)	(314,846)	(317,967)	(45,673)
Product development expenses	(273,908)	(571,354)	(878,773)	(1,135,247)	(1,291,054)	(185,448)
Total Operating expenses	(1,595,047)	(2,415,087)	(2,808,243)	(3,885,329)	(4,702,366)	(675,452)
Other income, net	13,064	13,953	8,577	341,391	477,699	68,617
Operating profit	1,212,871	1,167,322	2,051,830	2,868,925	3,235,792	464,793
Interest income	63,218	88,168	220,282	358,811	469,971	67,507
Earnings/(loss) from equity method investments	102	(6,638)	(10,571)	24,702	685	98
Fair value change of other non-current assets	—	—	—	(11,017)	(5,442)	(782)
Income before income taxes	1,276,191	1,248,852	2,261,541	3,241,421	3,701,006	531,616
Income tax expense	(285,542)	(32,629)	(267,082)	(377,890)	(500,361)	(71,872)
Net income	990,649	1,216,223	1,994,459	2,863,531	3,200,645	459,744
Net loss/(income) attributable to noncontrolling interests	—	11,691	7,160	7,484	(679)	(98)
Net income attributable to Autohome Inc.	990,649	1,227,914	2,001,619	2,871,015	3,199,966	459,646
Earnings per share for ordinary shares						
Basic	8.83	10.75	17.20	24.40	26.99	3.88
Diluted	8.57	10.58	16.95	24.08	26.77	3.85
Weighted average number of shares used to compute earnings per share⁽²⁾						
Ordinary shares ⁽³⁾ :						
Basic	112,227,405	114,237,600	116,379,846	117,671,971	118,582,096	118,582,096
Diluted	115,646,826	116,036,327	118,058,856	119,235,379	119,515,247	119,515,247
Dividend per share ⁽⁴⁾	—	—	—	—	—	—

Notes:

- 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, 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 years ended December 31, 2018 and 2019 are presented on net basis, with the value-added tax being excluded from the net revenues and cost of revenues in such year, and value-added tax refunds being presented as a component of other income, net.
- Earnings per share for ordinary shares (diluted) for each year from 2015 to 2019 were computed after taking into account the dilutive effect of the shares underlying our employees' share-based awards.
- 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, or Telstra, our then largest shareholder, transferred approximately 47.4% of our then total issued and outstanding shares to Yun Chen Capital Cayman, or Yun Chen. 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. The cash dividends declared in February 2020 to the holders of our Class A ordinary shares of record as of the close of business on April 15, 2020 are to be paid in the amount of US\$0.77 per share (inclusive of applicable fees payable to our depository bank) on or about April 22, 2020. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy.”

	As of December 31,					US\$
	2015 RMB	2016 RMB	2017 RMB	2018 RMB	2019 RMB	
Selected Consolidated Balance Sheet Data:						
Cash and cash equivalents, restricted cash, current and short-term investments	4,169,053	5,733,321	8,154,224	10,061,458	12,795,110	1,837,902
Accounts receivable, net	1,075,456	1,205,924	1,893,737	2,795,835	3,231,486	464,174
Total current assets	5,696,498	7,432,532	10,258,586	13,141,317	16,358,382	2,349,735
Total assets ⁽¹⁾	7,530,076	9,392,026	12,294,975	15,756,201	19,155,865	2,751,568
Deferred revenue	872,487	1,012,143	1,409,485	1,510,726	1,370,953	196,925
Total current liabilities	2,156,534	2,544,040	3,889,316	4,164,769	3,965,903	569,666
Total non-current liabilities	522,506	496,773	470,373	479,989	584,021	83,890
Total liabilities ⁽¹⁾	2,679,040	3,040,813	4,359,689	4,644,758	4,549,924	653,556
Total Autohome Inc. shareholders' equity	4,851,036	6,360,404	7,951,637	11,135,278	14,629,097	2,101,338
Total equity	4,851,036	6,351,213	7,935,286	11,111,443	14,605,941	2,098,012

Note:

- (1) In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*, or ASU 2016-02. Under the new provisions, all lessees will report a right-of-use asset and a liability for the obligation to make payments for all leases with the exception of those leases with a term of 12 months or less. We adopted this guidance effective January 1, 2019 using the modified retrospective method, with the comparative information not being restated and continues to be reported under the accounting standards in effect for those periods. The most significant impact upon adoption was the recognition of right-of-use assets and lease liabilities for operating leases related to our office buildings and internet data center facilities. As of December 31, 2019, operating lease right-of-use assets (included in other non-current assets) of RMB81.1 million (US\$11.6 million), operating lease liabilities, current (included in accrued expenses and other payables) of RMB52.8 million (US\$7.6 million) and operating lease liabilities, non-current (included in other liabilities) of RMB23.1 million (US\$3.3 million) were recognized on our consolidated balance sheet.

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.

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 historically. However, this industry has recently experienced headwinds in its development. In July 2018, China's automotive industry experienced negative growth for the first time in the past 28 years and new automobile purchases in China declined for the whole year of 2019. We cannot predict how this industry will develop in the future, as it could be affected by complex 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 tensions and other governmental protectionist measures, as well as taxes and incentives related to automobile purchases. Specifically, 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 – including restrictions by major cities on new passenger vehicle plate issuance, increasingly stringent emission standards, and adjustment of purchase tax – may have a considerable impact on the growth of the automotive industry in China. Recently, the automotive industry in China was negatively impacted as well by the outbreak of coronavirus disease (COVID-19), or the COVID-19 outbreak, during which automobile production and the number of purchasers declined due to precautionary government-imposed closures of certain travel and business, the government's order to delay resumption of service and mass production and the related quarantine measures.

Such regulatory developments, health epidemics 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 *BitAuto*, *Dongchedi*, *Xcar* and *PCauto*, 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 *Uxin*, *Guazi*, and *Renrenche* as we develop our used car 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*, and companies engaged in data product offering, such as *BitAuto*. 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 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 and customers, 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. Beginning in 2019, we have extended our business to the European market and established two subsidiaries in the UK and Germany, which have not commenced commercial operation as of December 31, 2019. Our future business in these regions will face competition from local automotive vertical websites and mobile applications and online automobile transaction platforms, such as *Autotrader* and *mobile.de*, which platforms have longer experience in local operation and relatively more established user base. We cannot guarantee that we will be able to compete effectively for talents, users or customers.

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If we cannot maintain customer recognition and trust in us and successfully attract and retain sufficient users on our overseas platform, our results of operations and growth prospects could be adversely affected.

We may not be able to manage our expansion and new business initiatives effectively.

We have experienced rapid growth in our business in recent years. We have increased our net revenues since 2017 to RMB8,420.8 million (US\$1,209.6 million) in 2019, representing a three-year CAGR of 22.1%. We expect to continue to grow our user base and our business operations. We have been implementing our future strategy to integrate and create a consumer centric automotive ecosystem, which 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 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. These new business initiatives may not be well received by the market and we cannot assure you that they will achieve the success we expect, in which case we may not be able to recoup the resources we invest to develop, optimize and expand 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 need to adapt our business management to the local corporate cultures and customs, and train, manage and motivate our growing employee base, especially in case of our newly launched business overseas. 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, neither can we guarantee that we will be able to effectively adapt our business management to the local corporate cultures and customs and attract and motivate sufficient talents to support our business overseas. 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. Our new business initiatives may also expose us to new regulatory risks, which are different from what we have experienced before. For example, our future operation via overseas subsidiaries in the UK and Germany will subject us to laws and regulations of their respective jurisdictions, which are unfamiliar to us, involve uncertainty as a result of the Brexit, and may increase our cost for compliance. Lack of experience in handling these new risks may result in failure to generate the expected results of operations and prospects. We need to quickly respond to the market reaction to our new business initiatives and adjust accordingly. Furthermore, the progress of our new business initiatives may anyway be affected by external conditions, such as the COVID-19 outbreak, which slowed down our expansion in the UK and Germany. 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 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 the 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.

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, the total number of average daily active users who accessed our mobile websites, primary application and mini-apps reached 36.8 million in December 2019, representing an increase of approximately 25% compared to December 2018. We plan to devote more resources to enhance the functions and user interfaces of our mobile applications, increase user loyalty and attract new users. However, if we are unable to attract and retain a substantial number of mobile device users or achieve a high online-visitor-to-in-store-visitor conversion rate, 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.

We believe an increasing number of sales leads were generated from our mobile applications as evidenced by the significant increase of our revenue via our mobile platform. However, we cannot guarantee 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 customers have accounted for, and are expected to continue to account for, a large portion of our revenues. Failure to maintain or to increase revenues from these customers could harm our prospects.

A limited number of automaker customers have accounted for, and are expected to continue to account for, a large portion of our revenues. In 2017, 2018 and 2019, 101, 103 and 92 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 2019, our top five automaker advertisers contributed 24.0% 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 budget. In addition, we have been prioritizing the direct cooperation with the automaker customers on ad placement since 2018. Compared to the indirect cooperation through third-party 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 customers will continue to be satisfied with our direct cooperation model and strategy as well as our services, or our relationships with any of these automaker customers will continue in the future. Failure to issue and provide deliverables satisfactory to our automaker customers or failure to reach a mutually amicable agreement with our automaker customers on the collection of payable 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.

We typically extend credit terms to automaker customers, which is relatively longer than other customers. We generally make a credit assessment of automaker customers and other customers before entering into an agreement with them. However, we nevertheless face risk of being unable to collect all the accounts receivable from automaker customers in light of the slowdown in China's domestic automotive market. If we fail to collect accounts receivable from automakers in a timely manner, or at all, our business, results of operations and financial conditions may be materially and adversely affected.

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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 customers and our failure to identify and acquire additional or replacement customers;
- dissatisfaction with our services by one or more of our significant customers;
- a substantial reduction by one or more of our significant customers in the price they are willing to pay for our services; and
- financial difficulty of one or more of our significant customers who become unable to make timely payment for our services.

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 72 cities across China as of December 31, 2019. 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 brand spokespersons, 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.

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 RMB1,647.5 million, RMB2,435.2 million and RMB3,093.3 million (US\$444.3 million) in sales and marketing expenses in 2017, 2018 and 2019, respectively, representing 29.2%, 33.6% and 36.7%, 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. In August, 2019, we launched the *818 Global Super Auto Show*, the first auto-themed gala in China that created an innovative integration of online and offline promotion elements, which attracted a large number of automakers, dealers and potential auto consumers to participate and further promoted Autohome’s brand awareness to a much wider user base. In addition, we engaged celebrities, primarily athletes, as our brand spokespersons to further promote our brand and stimulate user interest in our platform. 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 2017 to RMB8,420.8 million (US\$1,209.6 million) in 2019, representing a three-year CAGR of 22.1%. Also, our net income attributable to Autohome Inc. increased from RMB2,001.6 million in 2017 to RMB2,871.0 million in 2018 and to RMB3,200.0 million (US\$459.6 million), representing a CAGR of 26.4%. 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.

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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 customers. 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. For used car listings on our platforms in particular, we are subject to risks associated with inaccurate representation of used car conditions in the inspection reports we show on the listings. We may receive complaints or claims of damages arising out of such inaccuracies. While we are attempting to mitigate the issue through third-party inspection warranty, revising the report items and showing inspection methodologies, there is no guarantee that those measures will be effective.

If complaints or disputes arise from services provided by travel agencies advertised on our traveler channel, our reputation and results of operations may be negatively impacted.

Our traveler channel, while serving as an engaged community for our users to share road trip experience, allows travel agencies, both our own and external agencies, to showcase tourism products, such as hotels, flights, and road trip packages. We have limited control over the quality of such trip and services provided by external travel agencies offline, and we cannot guarantee that customers are or will be satisfied with the quality of trips and services provided by our own travel agency. If our users are unsatisfied with the services purchased from such travel agencies and leave negative postings or comments on our channel, or if any claim or dispute arises as a result, our traveler channel may be perceived by users as unreliable and visits to our channel may be deterred, resulting in a decline in user traffic and rendering our platform less attractive to advertisers. Additionally, we may face complaints from users or be subject to administrative proceedings or civil law suits as a result, which could be costly and time consuming to resolve. We cannot guarantee that we will be able to resolve such complaints or disputes cost-efficiently and to the satisfaction of users. If any of these occurs, our reputation may be harmed and our business and results of operations could be negatively impacted.

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.

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. Amid the sustained decline in new automobile purchases in China, certain automakers operating in China have suffered declining performance or financial difficulties. As a result, advertising agencies that represent the automakers and automobile dealers may encounter financial and operational difficulties, or even go out of businesses. This in turn causes us to suffer from longer accounts receivable turnover days, allowance for doubtful accounts or even bad debt. 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 or even go bankrupt. Moreover, even if we are able to enforce our rights against any collaterals other than cash for the outstanding payments, it may still be challenging and uncertain for us to effectively liquidate such collaterals.

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.

Our auto insurance brokerage businesses are highly regulated. Non-compliance with applicable laws, regulations and regulatory requirements or failure to respond to legal and regulatory changes may materially and adversely affect our business and prospects.

The insurance industry in China is highly regulated, and the regulatory regime continues to evolve. The China Banking and Insurance Regulatory Commission, or the CBIRC, has extensive authority to supervise and regulate the insurance industry in China. CBIRC conducts various reviews and inspections on insurance brokerage business operations from time to time, which could cover a broad range of aspects, including financial reporting, tax reporting, internal control and compliance with applicable laws, rules and regulations. If any non-compliance incidents in an insurance brokerage business operation are identified, the insurance brokerage company may be required to take certain rectification measures in accordance with applicable laws and regulations, and would be subject to regulatory actions including penalties, warnings, suspension of operations, revocation of licenses, tax, civil, administrative and criminal liabilities, any one or a combination of which would have material negative impacts on our reputation, businesses, results of operations, financial conditions and prospects.

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Furthermore, China's insurance regulatory regime is undergoing significant changes. Development of regulations applicable to online insurance business or our auto insurance brokerage business may result in additional restrictions on its business operations or more intensive competition in this industry. We might be required to spend significant time and resources in order to comply with any material changes in the regulatory environment, which could trigger significant changes to the competitive landscape and we may lose some or all of our competitive advantages on our auto insurance business during this process. The attention of our management team could be diverted to these efforts to cope with an evolving regulatory or competitive environment. Meanwhile, staying compliant with the restriction may result in limitation to our insurance brokerage business and limitation to its product and service offerings, which may reduce the attraction to clients. As a result, our business and results of operations might be materially and adversely affected. The CBIRC and its local counterparts have wide discretion in administration, interpretation and enforcement of these laws, regulations and regulatory requirements, as well as the authority to impose regulatory sanctions on industry participants. We cannot assure you that we will be able to fully rectify all non-compliance incidents in a timely manner or fully satisfy the regulatory requirements on insurance brokerage business, which would materially and adversely affect our business, financial condition, results of operations and prospects.

If we are unable to effectively manage our auto finance business, we may not be able to achieve our expected business growth, our results of operations may be adversely affected and we may be subject to penalties as a result of noncompliance.

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. 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.

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. In addition, although we don't have business operations in the U.S., we may nevertheless be subject to its laws and regulations related to our auto finance business such as anti-money laundering laws and regulations. We have developed an internal control system relating to compliance matters for auto finance business. However, as our auto finance 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.

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.

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In addition, because a 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 customers may be damaged and our users and customers 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.

Failure to properly collect, store or use personal data could subject us to penalties, negatively impact our reputation and brand and deter customers and users from using our platform.

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, PRC government has been strengthening the supervision and regulation on data privacy on the internet. Excessive collection or illegal collection and use of personal information through the internet or app are facing increasingly heavier penalties.

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."

The measures we have taken regarding collection, storage, and use of personal data are generally compliant with industry standards. However such measures may still be determined as insufficient, improper, or even as user-privacy invasive, by the relevant authorities which may result in penalties against us. In addition, 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. Further, our practice will be subject to the local laws and regulations concerning data protection in the UK and Germany as well once our subsidiaries in these countries commence commercial operation or in the event that residents of the European Economic Area access our website and input protected information. 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. These laws and regulations in foreign jurisdictions are unfamiliar to us and involve uncertainty as a result of the Brexit. Complying with new or foreign 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. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us, subject us to negative publicity and significant penalties and ultimately cause an adverse effect on our business.

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, on the one hand, the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated, well-funded and constantly evolving, and, on the other hand, more efforts are required to integrate and upgrade the protective measures to satisfy the varying legal requirements across geographies, especially those of UK, Germany and other jurisdictions of the European Economic Area, which are usually more stringent. 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.

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. Under the Provisions on Governance of Network Information Content Ecology, which was promulgated on December 15, 2019 and came into effect on March 1, 2020, the network information content service platform shall strengthen the management of information content, and upon detecting any illegal information, shall immediately take measures prescribed by laws, keep relevant records, and report to the relevant competent authority. Additionally, the network information content platform shall also strengthen the examination and inspection of the advertising space set on the platform and the advertising content displayed on the platform. Those who publish illegal advertisements shall be punished according to laws. 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. In addition, online live-streaming service providers shall make record filings with the local internet information office and the local public security authorities. Online live-streaming service providers that fail to file records with or get relevant permission from relevant authorities will be punished in accordance with laws. See "Item 4. Information on the Company—B. Business Overview—Regulations on Online Performances and Online Live-streaming Services."

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.

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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.

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 customers 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 February 29, 2020, Yun Chen, a wholly owned subsidiary of Ping An Insurance (Group) Company of China, Ltd., or Ping An Group, owned 51.9% 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.

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 2017, 2018 and 2019, Ping An Group provided us with services and assets in the amount of RMB55.2 million, RMB88.7 million and RMB107.7 million (US\$15.5 million), respectively. In 2017, 2018 and 2019, we provided services to Ping An Group in the amount of RMB21.2 million, RMB473.5 million and RMB447.0 million (US\$64.2 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, 2019. 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, 2019. 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. Recently, our business has been negatively impacted by the COVID-19 outbreak, during which operation of ours in China and in Europe, automakers and dealers slowed down, automobile production and purchases declined and the general economy of China and Europe was negatively impacted due to, among others, the precautionary government-imposed closures of certain travel and business, the government's order to delay resumption of service and mass production and the related quarantine measures.

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. Autohome Information is also the sole shareholder of Shanghai Leyulv Travel Agency Co., Ltd., which obtained a Travel Agency Business License in 2019 and is qualified to conduct travel 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.

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.

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, or the CAC, which regulates internet information services companies, the CBIRC, whose predecessor is China Insurance Regulatory Commission, or the CIRC, 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.

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 from 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.

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, according to PRC Company Law 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.

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 of the date of this annual report, we conduct our business mostly through our PRC subsidiaries and the 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 VIEs to operate our business related to internet content services in China. If the above-mentioned 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, the British Virgin Islands, Germany, Ireland and the UK, 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.

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 March 2019, the Foreign Investment Law was enacted by the National People’s Congress and it became effective in January 2020. 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 Special Administrative Measures for Foreign Investment Access, or the Negative List, issued by the MOFCOM in June 2019. 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.

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.

We have carried out compliance work in accordance with these regulatory requirements. However, in consideration that the current year is the second 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 2019. 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.

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 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. Between February 2018 and December 31, 2018, the RMB depreciated significantly, over 8% against the U.S. dollar. During the period from August 2019 to December, 2019, the RMB depreciated to over seven per U.S. dollar, the lowest rate in over a decade. 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.

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.

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”, or HNTEs, which hold independent ownership of core intellectual property to enjoy a preferential enterprise income tax rate of 15% subject to certain qualification criteria. In addition, PRC laws permit reduction in income tax for “key software enterprises”, or KSEs, or “software enterprises”. All of these statuses are subject to review and renewal, with HNTEs to be renewed every three years and KSEs and software enterprises annually. Currently we have six subsidiaries eligible for preferential tax treatments, two of which are recognized as HNTEs only and are eligible for the preferential 15% enterprise income tax rate, one of which is recognized as a software enterprise and is eligible for a 50% reduction in the statutory enterprise income tax rate of 25%, while the other three of which are accredited as both HNTEs and KSEs and enjoy a more preferential enterprise income tax rate of 10%. However, if any of these subsidiaries fails to pass the review by, and filing with, the relevant tax authorities to be qualified as a HNTE, a KSE or a software enterprise, such company will no longer enjoy the corresponding preferential tax treatment described above.

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 Chezhuiying 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 Chezhuiying 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.

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 does 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.

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 instituted administrative proceedings against the Big Four PRC-based accounting firms in China, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' audit work papers with respect to certain other PRC-based companies that are publicly traded in the United States.

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On January 22, 2014, the initial administrative law judge presiding over the matter rendered an initial decision that each of the firms had violated the SEC's rules of practice by failing to produce audit papers and other documents to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months.

On February 6, 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 and to audit US-listed companies. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. Under the terms of the settlement, the underlying proceeding against the four PRC-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if 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 the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements 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.

Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by Public Company Accounting Oversight Board, and consequently investors may be deprived of the benefits of such inspection.

Our auditor, the independent registered public accounting firm that issued the audit reports included in our Form 20-F, 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 the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance applicable professional standards. Our auditor is located in, and organized under the laws of, the PRC, which is a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities. In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB, the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges.

On December 7, 2018, 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, if any, the SEC and the PCAOB will take to address the problem.

This lack of PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our ordinary shares are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections, which could cause investors and potential investors in our stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

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\$65.83 to US\$116.85 in 2019. The trading price for our ADSs may continue to fluctuate in response to factors including, without limitation, the following:

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- regulatory developments in our target markets affecting us, our customers or our competitors;
- conditions in the entire automotive ecosystem;
- conditions in the online industry;
- 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;
- fluctuations of exchange rates between the RMB and the U.S. dollar;
- 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 related services;
- 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;
- 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. Particularly, concerns over economic slowdown resulting from the COVID-19 pandemics have triggered a US key market-wide circuit breaker for several times since March 9, 2020, leading to a historic drop for the US capital market. No guarantee can be given on how the capital markets will react although actions have been taken worldwide to combat the spread of the coronavirus. 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 any 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 reports about our business, or publish inaccurate or unfavorable research or reports about our business or if they adversely change their recommendations regarding our ADSs, 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.

Although we adopted regular dividend policy in 2019, we cannot assure you that our existing dividend policy will not change in the future or the amount of dividends that you may receive, neither can we guarantee that we will have sufficient profits, reserves set aside from profits or otherwise funds to justify and enable dividend declaration and payment in compliance with laws for any year and, therefore, you may need to rely on price appreciation of our ADSs as the sole source for return on your investment.

In November, 2019, our board of directors resolved to adopt a regular dividend policy. Under this policy, we may issue recurring cash dividend every year from 2020 in an amount of approximately 20% of the net income generated in the previous fiscal year, with the exact amount to be determined by our directors based on our financial performance and cash position prior to the distribution. On February 19, 2020, our board of directors declared a cash dividend of US\$0.77 per ordinary share (or per ADS) in favor of holders of our Class A ordinary shares as of the close of business on April 15, 2020 in accordance of the dividend policy, which cash dividend is scheduled to be paid on or about April 22, 2020.

Despite a regular dividend policy being in place, before any dividend is declared and paid for any given year, we need to have enough profits to justify such declaration and payment, or we need to have sufficient reserves set aside from profits previously generated that our board of directors determines are no longer needed. In addition, we must be able to pay our debts as they fall due in the ordinary course of business immediately following the dividend payment. We cannot assure you that we will be able to meet all of such conditions to enable dividend declaration and payment in compliance with laws. Even if our board of directors decides to declare and pay dividends, the timing and amount 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. Therefore, the amount of dividends that you may receive is uncertain and subject to change.

Furthermore, our regular dividend policy is subject to change at any time at the discretion of our board of directors, and there can be no assurance that we will not adjust or terminate our dividend policy in the future. Accordingly, you should not rely on your investment in our ADSs as a source for any future dividend income and the future return on your investment in our ADSs will likely depend entirely 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 shares could cause the price of our ADSs to decline.

Sales of our ADSs or underlying ordinary shares in the public market or through private transactions, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Yun Chen owns 51.9% of our total outstanding shares as of February 29, 2020. In addition to unregistered sale, it can also dispose of these shares through registered transaction as it has the right to cause us to register under the Securities Act the sale of its shares. Sales of these shares, or the perception that such sales could occur, 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. We cannot predict what effect, if any market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs. In addition, if we issue additional ordinary shares as consideration for our future acquisitions or for other purposes, 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.

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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 depository under the terms of the deposit agreement (30 business days' notice), the depository 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 depository 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 depository 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.

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.

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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 most 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 and officers, 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.

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;

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- 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 (generally 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, 2019 and do not anticipate becoming a PFIC in the current taxable year or in future taxable years.

While we do not believe that we were a PFIC for the taxable year ended December 31, 2019 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.

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.

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In 2015, we established a strategic joint venture as a full-service auto sales platform, in which we held 49% of its equity interest, and a wholly-owned subsidiary, Beijing Chezhiying Software Co., Ltd. to conduct used automobile-related business.

On June 22, 2016, 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 February 29, 2020, Yun Chen owned 51.9% 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 world-leading technology-powered retail financial services group with a focus on the businesses of insurance, banking, asset management, and technology and whose ordinary shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

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 CBIRC 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.

In 2019, we established three wholly-owned subsidiaries in Europe to extend our business to the European market.

Our principal executive offices are located at 18th 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 the leading online destination for automobile consumers in China. Through our two websites, *autohome.com.cn* and *che168.com*, accessible through PCs and mobile devices, our mobile applications and our mini apps, we deliver comprehensive, independent and interactive content to automobile consumers. Our ability to reach a large and engaged user base of automobile consumers has made Autohome a preferred platform for automakers and dealers. We have a high penetration rate in the automaker market, and we provided our media services to 101, 103 and 92 automakers operating in China in 2017, 2018 and 2019, respectively. We believe that the growing user base and strong user loyalty, our nationwide advertising platform, high-quality, diverse and targeted advertising solutions, enriched and customized content, our ability to innovate valuable products for our customers and our big data analytics capabilities, all integrated in a robust and technology-driven automotive ecosystem covering all aspects of the automobile ownership life cycle, have led to our steady growth and has laid the foundation for our leading position.

We have experienced continued revenue growth and have increased our net revenues since 2017 to RMB8,420.8 million (US\$1,209.6 million) in 2019, representing a three-year CAGR of 22.1%. At the same time, our net income attributable to Autohome Inc. increased from RMB2,001.6 million in 2017 to RMB2,871.0 million in 2018 and further to RMB3,200.0 million (US\$459.6 million) in 2019, representing a three-year CAGR of 26.4%.

Our Business Model

We are the 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, and other 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 implementing the strategy of transforming ourselves from a content-led vertical media business to a data and technology driven automotive eco-platform covering all aspects of the automobile ownership life cycle. Our 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, on our mobile applications and via our mini apps to create strong user traffic and user engagement and loyalty. 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 content. 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. In furtherance of our goal to further develop synergies of our businesses to build ourselves a technology-driven eco-platform, we launched the *818 Global Super Auto Show* in 2019, the first-ever auto-themed gala in China. In the *818 Global Super Auto Show*, we partnered with Hunan TV and employed our innovative augmented reality (AR) and virtual reality (VR) related technologies to create an innovative integration of auto show and the internet by constructing a 360-degree panoramic multi-dimensional online visual scene that presented an offline auto show atmosphere, whereby we broke down time, space and geographical constraints and created a new marketing scenario to aid automakers, dealers, automobile consumers and car fans to interact with each other.

We also provide a transaction platform for automobile buyers to purchase 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 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 consumer-to-business-to-consumer, or 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. Beginning in 2018, we have been leveraging our artificial intelligence, or AI, big data, cloud capabilities and other technologies to continue developing and providing to automakers and dealers innovative data products 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 and intelligent sales and marketing tools including intelligent new car launch, intelligent e-marketing, intelligent showroom, smart call-out and smart assistant.

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We aim to further deepen our customer engagement across our media platform, offer innovative intelligent marketing solutions and full-scope data support throughout automobile ownership life cycles. Driven by data technology, we aim to expand auto-financing options and partnerships and accelerate our transaction platform to build a robust and technology-driven automotive ecosystem, realizing 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, mobile applications and mini apps, 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 users' 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 and our *che168.com* website focuses on used automobiles.

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 customers.

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

Our Mobile Websites and Applications

For mobile users, our content can be accessed on our websites, on our mobile applications and on our mini apps. 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 active users for our mobile websites, primary application and mini-apps amounted to 36.8 million in December 2019, representing an approximate 25% 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 platform is a large amount of original generated content, professionally generated content, user generated content and AI generated contents, 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 72 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 automotive ecosystem strategy and bring our users enriched and customized content consisting of high-quality articles, photographs, video clips and live streaming. As of December 31, 2019, we had over 20,000 professional content contributors on our platform, compared to 12,000 contributors as of December 31, 2018. Since 2018, we have been expanding our collaboration with automakers, key opinion leaders, professional experts and social media to further upgrade our professionally generated content ecosystem.

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 and commercial products related to hotels, flights and offline road trip events, such as travel journal and road trip experience sharing and customized trip planning services, 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" ("车" car) mobile application as interest-based social media platforms to promote automobile knowledge and culture among young users.

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As of December 31, 2019, we had over 110 million registered users, representing an approximate 25% year-over-year increase from 2018. 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 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 46,800 vehicle model configurations as of December 31, 2019. 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 platform 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.

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 2017, 2018 and 2019, 101, 103 and 92 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 stores 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 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.

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 recent years. 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. 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.

Auto-financing Services

We started auto finance business in early 2017 and further developed such business beginning 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 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. 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 effectively manage our auto finance business, we may not be able to achieve our expected business growth, our results of operations may be adversely affected and we may be subject to penalties as a result of noncompliance." We primarily generate revenues from collecting commissions for facilitating transactions of auto-financing and insurance products on our platform.

Data Products

We have been leveraging our AI, big data, cloud capabilities and other technologies to continue developing and providing to automakers and dealers innovative data products since 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 and marketing tools primarily including intelligent new car launch, intelligent e-marketing, intelligent showroom, smart call-out and smart assistant. The intelligent new car launch is a data product for automakers by leveraging our content and big data capabilities, aiming to improve the market awareness of newly launched car models. 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. Going forward, we will continue to enrich our data product portfolio to cover the data needs of the entire automobile ownership life cycle.

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.

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. Leveraging our user intelligence engine and AI, big data and cloud capabilities, we have been able to further enrich our content library with our AI-enabled content generation tool by generating customized content in a timely manner.

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.

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 loyalty. In addition, these technology improvements had strengthened our ability to obtain additional user traffic and expanded our user base. We have been continuing our efforts in expanding our VR product portfolio and utilizing AR and VR related technologies to improve the features of our services and commercialize innovative business initiatives. Since 2018, we have rolled out additional VR products including VR branding showrooms, intelligent automobile showrooms as well as direct visual access to automakers' factory design and manufacturing process, which improved our user experience by enabling our users to review and comprehend the entire automobile production process. In 2019, we employed our AR and VR technologies in constructing a 360-degree panoramic multi-dimensional online visual scene that creates an offline auto show atmosphere for our *818 Global Super Auto Show*, further carrying forward our pursuit of all round sensory user experience and aiding the creation of an innovative integration of auto show and the internet that helps automakers and dealers better engage with consumers. 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.

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We had an experienced product development team of 1,790 engineers as of December 31, 2019. 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, 2019, we had 1,721 sales and marketing representatives operating our physical sales office network spanning 72 cities across China and visiting customers in an additional 118 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 our customers. 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. We have also engaged celebrities, primarily athletes, as our brand spokespersons to further promote our brand and stimulate user interest in our platform.

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 "汽车之家" (both mean "auto home" in English) and "AUTOHOME®" trademarks in China. In addition, as at December 31, 2019, we held 103 pending trademark applications and 431 registered trademarks. As at the same date, we had 96 registered domain names, including our main website domain names, *autohome.com.cn* and *che168.com*, 167 pending patent applications, and 144 registered patents. We had 404 computer software copyrights as of December 31, 2019.

Competition

With respect to our auto media business, we face competition from China’s automotive vertical websites and mobile applications, such as *BitAuto*, *Dongchedi*, *Xcar* and *PCauto*, 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 *Uxin*, *Guazi* and *Renrenche*, as we develop our used car 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*, and companies engaged in data product offering, such as *BitAuto*. Moreover, as we extend our business to the European market, we face competition from local vertical websites, mobile applications and online automobile transaction platforms, such as *Autotrader* and *mobile.de*. 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.”

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 and was partially revised on June 6, 2019. 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 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, which became 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;

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

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 CAC 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 CAC 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.

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On December 15, 2019, the CAC promulgated the Provisions on Governance of Online Information Content Ecosystem, or the Online Information Content Provision, which became effective as of March 1, 2020. Under the Online Information Content Provision, the online information content service platform shall set up the mechanism of governance of network information content ecosystem, develop the detailed rules for governance of the network information content ecosystem on the platform, and improve the systems for user registration, account management, information publication and examination, posts and comments examination, management of the webpage and site layout system, real-time inspection, emergency disposal and cyber rumor and illegal industry chain information disposal. The online information content service platform shall institute an office in charge of the governance of online information content ecosystem, and appoint the professional personnel commensurate with the business scope and service scale, strengthen training and examination, and improve the performance quality of employees. In addition, the online information content platform shall strengthen the examination and inspection of the advertising space set on the platform and the advertising content displayed on the platform. Those who publish illegal advertisements shall be punished according to laws. Upon finding illegal information published by any content provider on the online information content platform, the platform shall, in accordance with laws and regulations, take measures such as warning for rectification, restricting functions available to such content provider, suspending updating, and closing accounts, among others, timely eliminate illegal information and contents, keep relevant records, and report to the relevant competent authorities. The online information content service platform will be punished for violating related laws and regulations. The related legal consequences include suspension of information updates, restrictions on engaging in online information services, restrictions on online behavior, and prohibition of industry access.

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.

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.

On November 28, 2019, the Secretary Bureau of the CAC, the General Office of the MIIT, the General Office of the Ministry of Public Security and the General Office of the State Administration for Market Regulation, or SAMR, issued the Notice on the Measures for the Determination of the Collection and Use of Personal Information by Apps in Violation of Laws and Regulations, or the Notice, which came into effect on November 28, 2019. The Notice requires that there shall be a privacy policy in the app, and the privacy policy shall contain the rules for collecting and using personal information. The Notice also requires that the app shall prompt their users to read the privacy policy through obvious methods such as pop-up windows when an app is put into operation for the first time. According to the Notice, the type of personal information collected by the app should be limited to the extent necessary to meet the operation of the corresponding business function. If personal information collected through app for a new business function is beyond the scope of a user's previous consent, refusing to provide the original business function by the app upon the user's disagreement with the new scope of personal information collection shall be considered as in violation of the necessity principle, except in the case where the new business function replaces the previous business function.

On April 10, 2019, the Cyber Security and Protection Bureau of the Ministry of Public Security, the Beijing Internet Industry Association and the Third Research Institute of the Ministry of Public Security jointly issued Internet Personal Information Security Protection Guidance, or the Guidance. The Guidance applies to "personal information holders", which means enterprises that provide services through the internet and organizations or individuals who use a private or internet-disconnected space to control and process personal information. It indicates that in addition to traditional internet companies, companies or individuals in other fields are also subject to its governance for long as they are involved in the control and processing of personal information. The Guidance imposes more stringent requirements on the collection of personal information by personal information holders. For example, the Guidance provides that personal information that is not related to the services provided by personal information holders should not be collected, and service providers shall not force users to provide personal information by bundling products or various business functions of the service.

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 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.

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.

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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.

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.

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.

The Notice of Launch of Record Filing for Internet Live-Streaming Service Enterprises was issued by the CAC on June 12, 2017. Under the notice, CAC requires the companies that provide internet live-streaming service to register with the local internet information office, commencing on July 15, 2017. Internet live-streaming service companies (including commercial news websites that provide live-streaming sections/channels) which engage in internet news information republishing services or provide communication platform services, and other types of internet live-streaming service companies are subject to such notice and the requirements thereunder.

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The Notice on Tightening the Administration of Online Live-streaming Services, or the Online Live-streaming Services Notice, was jointly issued by the CAC and five other PRC governmental authorities. Under the Online Live-streaming Services Notice, the online live-streaming service provider involved in the business of telecommunications and internet news information, online shows, live-streaming of online audiovisual programs and other services shall apply to the relevant departments for licenses on operations of telecommunications business, internet news information services, internet culture business, and internet transmission of audio/video programs, respectively. In addition, the online live-streaming service provider shall go to the local public security departments of its residence to perform public security filing procedures within 30 days of the launch of the live-streaming services.

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 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), or the SAPPRFT, 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 refer 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 CAC 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.

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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 CAC 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.

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 June 2019. 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. The E-commerce Law strengthens the regulation on e-commerce operators relating to consumer protection, personal data protection and intellectual property rights protection. With respect to products or services affecting the consumers' life and health, if an e-commerce platform operator fails to verify the merchants' qualification or assure the consumers' security, which results in damages to the consumers, it shall take corresponding liabilities and may be subject to warnings and fines up to RMB2,000,000. 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. Besides, an e-commerce platform operator shall (i) submit the identification information of the merchants on its platform to the competent market regulation authorities and remind the merchants to complete the registration with such authorities; (ii) submit identification information and tax-related information to tax authorities and remind the merchants to complete the tax registration; (iii) record and retain the information of the products and information on its platform and the sales information; (iv) display the platform service agreement and the transaction rules or links to such information on the homepage of the platform; (v) display information to let users know in the case of any product or service that is provided by the platform operator itself on its platform, and take responsibility for such products and services; (vi) establish a credit evaluation system, display the credit evaluation rules, provide consumers with accesses to make comments on the products and services provided on its platform, and refrain from deleting such comments; and (vii) establish intellectual property protection rules, and take necessary measures when any intellectual property holder notify the platform operator that his intellectual property rights have been infringed. An e-commerce platform operator shall take joint liabilities with the relevant merchants on its platform and may be subject to warnings and fines up to RMB2,000,000 where (i) it fails to take necessary measures when it knows or should have known that the products or services provided by the merchants on its platform do not meet the personal or property safety requirements or such merchants' other acts may infringe on the lawful rights and interests of the consumers; or (ii) it fails to take necessary measures, such as deleting and blocking information, disconnecting, terminating transactions and services, when it knows or should have known that the merchants on its platform infringe any intellectual property rights of any other third party. E-commerce platform operators shall not take advantage of the service agreement, transaction rules or other means to impose unreasonable restrictions or transaction conditions on the transactions of operators on platform or the price of such transactions, or collect unreasonable fees against operators on platform.

We have cooperation with independent automobile sellers, in which we facilitate their sales of automobiles through our e-commerce platforms.

Regulations on Mobile Internet Applications

On June 28, 2016, the CAC 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.

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.

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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 CBIRC 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 Travel Agencies

The travel industry is subject to the supervision of the Ministry of Culture and Tourism of the People's Republic of China, and local Culture and tourism administrations.

On April 25, 2013, the Standing Committee of the National People's Congress promulgated the Tourism Law, which became effective as of October 1, 2013 and was revised on October 26, 2018. According to the Tourism Law, the information that travel agencies release to attract or organize tourists is required to be authentic and accurate, and no false publicity can be made to mislead tourists. In addition, travel agencies conducting business via the Internet are required to present information of their travel agency business licenses on their websites, and ensure the truthfulness and accuracy of the travel-related information they release on their websites.

The Regulation on Travel Agencies, or the Travel Agency Regulations, issued by the PRC State Council in February 20, 2009, which became effective as of May 1, 2009 and was revised on March 1, 2017, requires that the travel agency which apply for the operation of domestic tourism and inbound tourism shall file application for a travel agency business license to the competent culture and tourism administration department of the province, autonomous region, or centrally-administered municipality where it is domiciled, or the district-level tourism administration department it has commissioned.

On April 3, 2009, the China National Tourism Administration, or the CNTA, which has been dissolved and whose duties have been merged to the Ministry of Culture and Tourism, promulgated the Implementation Rules for the Regulation on Travel Agencies, or the Travel Agency Implementation Rules, which became effective as of May 3, 2009, and was partially revised on December 12, 2016. The Travel Agency Implementation Rules define certain terms used in the Travel Agency Regulations, for example, the definition of "domestic tourism business," "inbound travel business" and "overseas travel business," and set out detailed application requirements to establish a travel agency. The Travel Agency Implementation Rules also clarify certain aspects of the legal liabilities for travel agencies as prescribed in the Travel Agency Regulations.

On May 5, 2010, CNTA released the Measures for Dealing with Tourist Complaints, which took effect on July 1, 2010. When tourists regard that the travel operator has harmed their legitimate rights and interests, they could complain to the tourism administrative department, the tourism quality supervision and management institution or other tourism law enforcement agencies and request the aforesaid authorities to deal with civil disputes between the two parties. Under the Measures, authorities which are responsible for dealing with the complaints are required to render a decision on the complaints within 60 days upon the date of receipt thereof.

On November 25, 2010, CNTA and CIRC jointly promulgated the Measures for the Administration of the Liability Insurance of Travel Agencies, or the Liability Insurance Measures, which became effective on February 1, 2011. Travel agencies are required to procure travel agency liability insurance pursuant to the aforesaid Measures. The insurance companies are required to, subject to the liability limits provided under the insurance agreement, reimburse the travel agencies for the compensations made by the travel agencies for the personal injury or death and the loss of properties of tourists and the relevant tour guides or tour leaders. Pursuant to the aforesaid Measures, the liability limit for the personal injury or death of each person cannot be less than RMB200,000.

Regulations on Online Airline ticketing transaction

On August 10, 2017, the Civil Aviation Administration of China issued the Notice on Regulating Online Airline Ticketing, pursuant to which online airline-ticketing platform shall not conduct bundle-sales of any other services and products by default along with selling airline tickets. The online airline-ticketing platform shall display services and products ancillary to airline tickets (e.g. VIP lounge coupon and insurance) in an explicit and accurate manner and shall offer such services and products to customers as an option in addition to the airline ticket purchases, instead of by means of service or product bundling.

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 167 pending patent applications and 144 registered patents as of December 31, 2019.

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.

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 404 computer software copyrights as of December 31, 2019.

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.

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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, 2013 and 2019, 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 “[汽车之家](#)” and “[汽车之家](#)” (“auto home” in English) and “AUTOHOME[®]” trademarks 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*.

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.

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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.

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."

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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 Foreign Investment Law(2019);
- the Implementation of the Foreign investment Law(2019).

Under these regulations, foreign investors may freely remit into or out of PRC, in Renminbi or any other foreign currency, their capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on generated within the territory of PRC.

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, according to PRC Company Law, 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.

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.

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.

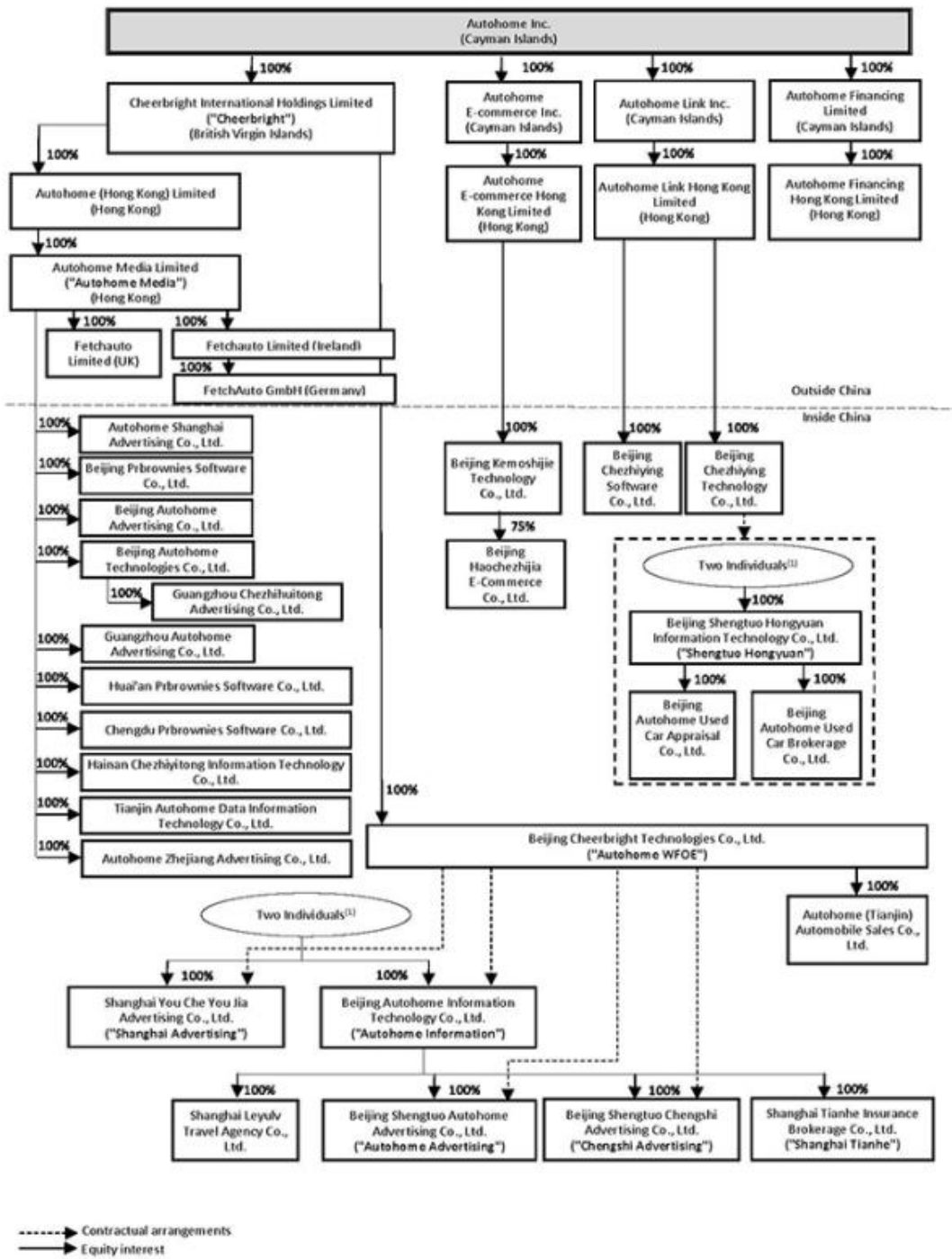
Regulations on Concentration in Merger and Acquisition Transactions

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.”

C. Organizational Structure

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



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 and Shengtuo Hongyuan.

As of February 29, 2020, Yun Chen owned 51.9% 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 and the Shanghai Stock Exchange, which beneficially owned 51.9% 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 in December 2018. Shanghai Advertising currently is not conducting any business and is in the process of liquidation and dissolution. 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 29,926 square meters. We generally make rental payments on a monthly or quarterly basis. In addition, as of December 31, 2019, we also leased office space in 74 cities for our representative offices, including regional operation centers in Shanghai, Guangzhou and Tianjin in China and those overseas. 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.

Our servers are primarily hosted at internet data centers owned by major domestic internet data center providers. 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

We are the leading online destination for automobile consumers in China. Through our two websites, *autohome.com.cn* and *che168.com*, accessible through PCs and mobile devices, our mobile applications, and mini apps, we deliver comprehensive, independent and interactive content to automobile consumers, and offer them our facilitation services related to new car and used car transactions and auto-financing and insurance products and other 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 stores, 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 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 and technology-driven automotive ecosystem covering all aspects of the automobile ownership life cycle.

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We have increased our net revenues since 2017 to RMB8,420.8 million (US\$1,209.6 million) in 2019, representing a three-year CAGR of 22.1%. Our net income attributable to Autohome Inc. increased from RMB2,001.6 million in 2017 to RMB2,871.0 million in 2018 and further to RMB3,200.0 million (US\$459.6 million) in 2019, representing a CAGR of 26.4%.

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 2017.

The following is a reconciliation table illustrating the impact of adopting this new revenue guidance for the year ended December 31, 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, 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. New automobile sales in China experienced rapid growth for a sustained period of time until the first decline in monthly sales starting in 2018, which trend continued through 2019. Moreover, 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 and 2019. 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. Specifically, as a result of the negative impact of the COVID-19 outbreak on the automotive industry, during the first half of 2020, our supply chain and offline activities of ours, our customers, automakers, dealers and auto consumers may experience disruption and the budgets of automakers and automobile dealers for advertising expenditures may witness temporary downward adjustment.

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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 and our user reach and engagement, 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.

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:

	For the Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US\$	%
Net revenues:							
Media services	2,892,333	51.2%	3,508,254	48.5%	3,653,767	524,831	43.4%
Leads generation services	2,288,281	40.5	2,870,996	39.7	3,275,544	470,502	38.9
Online marketplace and others	466,709	8.3	853,901	11.8	1,491,440	214,232	17.7
Total net revenues	5,647,323	100.0%	7,233,151	100.0%	8,420,751	1,209,565	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 2017, 2018 and 2019, 101, 103 and 92 automakers operating in China, respectively, purchased media services from us. 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. 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 initiatives have already begun to generate revenues but the amount was relatively insignificant compared to the revenues generated from the "cost per time" pricing model.

We will continue to leverage a combination of the following to attract spending by automakers on our websites and mobile applications: (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. However, given the slowdown in China's domestic automotive market as well as the negative impact of the COVID-19 outbreak on the automotive industry, we cannot assure that our media service revenues will not experience fluctuation or that we can maintain the growth rate we have experienced.

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 27,167, 28,613 and 27,100 dealers in 2017, 2018 and 2019, respectively. Our leads generation services revenues accounted for 40.5%, 39.7% and 38.9% of our net revenues in 2017, 2018 and 2019, respectively. We will continue to enhance our ability to (i) increase the penetration rate of high-end subscription packages; (ii) provide more diversified and upgraded value-added services to our dealer customers, leveraging our capabilities of connecting dealers with our large user base; and (iii) ultimately increase the average revenue contribution per dealer. However, given the slowdown in China's domestic automotive market as well as the negative impact of the COVID-19 outbreak on the automotive industry, we cannot assure that our leads generation services revenues will not experience fluctuation or that we can maintain the growth rate we have experienced.

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 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 new car launch, intelligent e-marketing, intelligent showroom, smart call-out and smart assistant to automakers and dealers. Our revenues from online marketplace and others accounted for 8.3%, 11.8% and 17.7% of our net revenues in 2017, 2018 and 2019, respectively. Revenues from direct vehicle sales accounted for 65.4%, nil and nil of revenues from online marketplace and others in 2017, 2018 and 2019, 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. However, given the slowdown in China's domestic automotive market as well as the negative impact of the COVID-19 outbreak on the automotive industry, we cannot assure that our online marketplace and others revenues will not experience fluctuation or that we can maintain the growth rate we have experienced.

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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:

	For the Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except percentages)						
Cost of revenues:							
Content-related costs ⁽¹⁾	390,885	6.9%	441,459	6.0%	633,042	90,931	7.4%
Depreciation and amortization expenses	41,579	0.7	41,600	0.6	31,169	4,477	0.4
Bandwidth and IDC costs	89,889	1.6	105,313	1.5	106,146	15,247	1.3
Tax surcharges	184,111	3.3	231,916	3.2	189,935	27,282	2.3
Cost of sales	299,536	5.3	—	—	—	—	—
Total cost of revenues	1,006,000	17.8%	820,288	11.3%	960,292	137,937	11.4%

Note:

- (1) Including share-based compensation expenses of RMB15.2 million for 2017, RMB16.1 million for 2018 and RMB15.5 million (US\$2.2 million) for 2019.

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.

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.

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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.

Tax Surcharges. Our tax surcharges primarily consist of 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 3.3% in 2017, 3.2% in 2018 and 2.3% in 2019. The decrease of tax surcharges in 2019 was due to the halved fee rate of cultural development fees charged for our advertising services starting July 2019, and which will last till 2024.

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:

	For the Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US\$	%
Operating expenses:							
Sales and marketing expenses ⁽¹⁾	1,647,519	29.2%	2,435,236	33.6%	3,093,345	444,331	36.7%
General and administrative expenses ⁽²⁾	281,951	5.0	314,846	4.4	317,967	45,673	3.8
Product development expenses ⁽³⁾	878,773	15.6	1,135,247	15.7	1,291,054	185,448	15.3
Total operating expenses	2,808,243	49.8%	3,885,329	53.7%	4,702,366	675,452	55.8%

Notes:

- (1) Including share-based compensation expenses of RMB53.1 million for 2017, RMB61.6 million for 2018 and RMB46.1 million (US\$6.6 million) for 2019.
- (2) Including share-based compensation expenses of RMB60.0 million for 2017, RMB56.0 million for 2018 and RMB62.9 million (US\$9.0 million) for 2019.
- (3) Including share-based compensation expenses of RMB49.6 million for 2017, RMB68.6 million for 2018 and RMB79.5 million (US\$11.4 million) for 2019.

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.

General and Administrative Expenses. Our general and administrative expenses primarily consist of personnel-related expenses for management and administrative personnel and professional service fees.

Product Development Expenses. Our product development expenses primarily consist of personnel-related expenses associated with the development of new technologies and products, investment in underlying big data, AR and VR related technologies, and enhancement of our websites and mobile applications.

Taxation

Cayman Islands

Autohome Inc., Autohome E-commerce Inc., Autohome Link Inc. and Autohome Financing Limited are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, companies incorporated in the Cayman Islands are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

British Virgin Islands

Cheerbright is a company incorporated in the British Virgin Islands. Under the current laws of the British Virgin Islands, Cheerbright is not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the British Virgin Islands.

Hong Kong

Autohome (Hong Kong) Limited, Autohome Media, Autohome E-commerce Hong Kong Limited, Autohome Link Hong Kong Limited and Autohome Financing Hong Kong Limited were incorporated in Hong Kong. Companies incorporated and registered in Hong Kong are subject to Hong Kong profits tax on the taxable income as reported in their respective statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. The applicable tax rate is 16.5% in Hong Kong. For 2017, 2018 and 2019, save for the tax payment made by Autohome Financing Hong Kong Limited in relation to our disposal of the Financing JV as its 25% shareholder, we did not make any other provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong during these periods except for the above-mentioned investment disposal gain. Under the Hong Kong tax law, our subsidiaries in Hong Kong are exempted from income tax on their foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

PRC

On December 29, 2018, the Standing Committee of the National People's Congress amended the PRC Enterprise Income Tax Law, which was issued on March 16, 2007. The Implementing Regulations of the Law of the PRC on Enterprise Income Tax was issued on December 6, 2007 and became effective on January 1, 2008 and was revised on April 23, 2019. Under the PRC Enterprise Income Tax Law and its implementation rules, a standard 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, unless they qualify for certain exceptions.

Autohome WFOE, Chezhiying WFOE, Beijing Autohome Technologies Co., Ltd., or Beijing Autohome Technologies, Beijing Prbrownies and Beijing Kemoshijie Technology Co., Ltd. are recognized as HNTEs and are eligible for a 15% preferential tax rate effective through 2021, 2020, 2020, 2020 and 2020, respectively, upon the completion of their filings with the relevant tax authorities. The qualification as an HNTE is subject to annual evaluation and a three-year review by the relevant authorities in China. Three HNTEs, Autohome WFOE, Beijing Autohome Technologies and Beijing Prbrownies, further enjoy a more preferential enterprise tax rate of 10% as they are accredited as KSEs under the relevant PRC laws and regulations as well, which tax rate will continue to apply for so long as each of them maintains their respective KSE status during each relevant tax year. In the meanwhile, Chengdu Prbrownies Software Co., Ltd., or Chengdu Prbrownies, is recognized as a software enterprise and enjoys a 50% reduction in the statutory income tax rate of 25% for the tax years of 2019, 2020 and 2021 provided that it maintains its status as a software enterprise during each relevant tax year.

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Pursuant to the Circular on Income Tax Policies for Further Encouraging the Development of Software Industry and Integrated Circuit Industry jointly issued by the SAT and the MOF on April 20, 2012, and the Circular on Issues concerning Preferential Enterprise Income Tax Policies for Software and Integrated Circuit Industries jointly issued by the MOF, the SAT, the NDRC and the MIIT on May 4, 2016, eligible software enterprises which pass annual review and filing by the relevant tax authorities can enjoy exemption of enterprise income tax for the first and second year as calculated from the profit making year or no later than December 31, 2017 if no profit is made prior to that date, and thereafter enjoy half of the statutory rate of 25% for the third through fifth year thereafter until the expiration of the preferential period. Beijing Pbrownies started to make profit since 2015, and it passed the review and filing as an eligible software enterprise by the relevant tax authorities in 2016 and 2017, which qualified it for the exemption of enterprise income tax for the tax years of 2015 and 2016. As each of Beijing Pbrownies, Autohome WFOE and Beijing Autohome Technologies, has further registered as a KSE in 2018 and 2019, it enjoyed a reduced enterprise income tax of 10% for tax year of 2017 and 2018. Going forward, if any of Autohome WFOE, Beijing Autohome Technologies and Beijing Pbrownies fails to complete the filing and registration with the relevant tax authorities, it will no longer enjoy the preferential tax rate, and the applicable enterprise income tax rate may increase to up to 15% as an HNTE if it still maintains the HNTE qualification, or up to 25% if it loses the HNTE qualification. If Chengdu Pbrownies fails to maintain its software enterprise qualification, it will automatically forfeit the respective preferential tax treatment described above.

Except for the above-mentioned entities, our remaining PRC subsidiaries and all the VIEs were subject to enterprise income tax at a rate of 25% for 2017, 2018 and 2019.

If our holding company in the Cayman Islands, Autohome Inc., were deemed to be a “PRC resident enterprise” under the Enterprise Income Tax Law, it would be subject to enterprise income tax on its global income at a rate of 25%. If a subsidiary of us established in Hong Kong were deemed to be a “PRC resident enterprise” and Autohome Inc. were not deemed to be a “PRC resident enterprise” under the Enterprise Income Tax Law, then dividends payable by such subsidiary to Autohome Inc. may become subject to 10% PRC dividend withholding tax. Under such circumstances, it is not clear whether dividends payable by our PRC subsidiaries to their respective shareholders in Hong Kong would still be subject to PRC dividend withholding tax at a rate of 5%. If such subsidiary in Hong Kong were deemed to be a “PRC resident enterprise” under the Enterprise Income Tax Law, it would be subject to enterprise income tax at a rate of 25%. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—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.”

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the end of each reporting period and the reported amount of revenue and expenses during each reporting period. We evaluate these estimates and assumptions based on historical experience, knowledge and assessment of current business and other conditions and expectations that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from these estimates and assumptions.

Some of our accounting policies require higher degrees of judgment than others in their application. When reviewing our consolidated financial statements, you should consider (a) our selection of critical accounting policies, (b) the judgment and other uncertainties affecting the application of such policies and (c) the sensitivity of reported results to changes in conditions and assumptions. For further information on our significant accounting policies, see Note 2 to our consolidated financial statements for 2017, 2018 and 2019. We consider the policies discussed below to be critical to an understanding of our consolidated financial statements as their application places significant demands on the judgment of our management. We believe the following critical accounting policies are most significant to the presentation of our financial statements and some of which may require the most difficult, subjective and complex judgments. They should be read in conjunction with our consolidated financial statements, the risks and uncertainties of which are described under “Item 3. Key Information—D. Risk Factors” and other disclosures included in this annual report.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, “*Revenue from Contracts with Customers (Topic 606)*” (“ASU 2014-09”), which amended the existing accounting standards for revenue recognition. Subsequently, the FASB issued several amendments and updates to the new revenue guidance. We adopted the new revenue guidance beginning January 1, 2018 by applying the modified retrospective method to those contracts that are not completed as of January 1, 2018, with the comparative information not being adjusted and continuing to be reported under ASC 605. The most significant impact on us is the change from the presentation of VAT on gross basis to net basis. This change reduces revenues and cost of revenues for the gross amount of VAT collected and paid, respectively, and presents VAT refunds as a component of other income, net. This change has no impact on the determination of the amount or timing of services and other revenue to be recognized and is only a change in classification. There were no adjustments to the opening balance of retained earnings upon initially applying the new guidance. Adoption of the new revenue recognition standards had no impact to our consolidated balance sheet, consolidated statement of cash flows, or consolidated statement of changes in shareholders’ equity for the year ended December 31, 2018.

Our revenues are derived from media services, leads generation services and online marketplace and others. Under Topic 606, revenues are recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. The recognition of revenue involves certain management judgments including identification of performance obligations, stand-alone selling price for each performance obligation and estimation of variable consideration represented by sales rebates. We provide rebates to agency companies based on their cumulative annual advertising and service volume, and the timeliness of their payments, which are accounted for as variable consideration. We estimate our obligations under such agreements by applying the most likely amount method, based on an evaluation of the likelihood of the agency companies’ achievement of the advertising and service volume targets and the timeliness of their payments, after taking into account the agency companies’ purchase trends and history. A refund liability, included in accrued expenses and other payables, is recognized for expected sales rebates payable to agency companies in relation to advertising services provided. We recognize revenue for the amount of fees we receive from the customers, after deducting these sales rebates, and net of VAT collected from customers. We believe that there will not be significant changes to our estimates of variable consideration and update the estimate at each reporting period as actual utilization becomes available.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, we satisfy a performance obligation.

Media services

Media services revenues mainly include revenues from automaker advertising services and regional marketing campaigns conducted by certain automobile brands’ regional offices. The majority of our online advertising service contracts involve multiple deliverables or performance obligations presented on PC and mobile platforms and in different formats, such as banner advertisements, links and logos, other media insertions and promotional activities that are delivered over different periods of time.

Revenue is allocated among these different deliverables based on their relative stand-alone selling prices. We generally determine the stand-alone selling price as the observable price of a product or service charged to customers when sold on a stand-alone basis. Advertising services are primarily delivered based on cost per day (“CPD”) pricing model. For CPD advertising arrangements, revenue is recognized when the corresponding advertisements are published over the stated display period. For cost per thousand impressions (“CPM”) model, revenue is recognized when the advertisements are displayed and based on the number of times that the advertisement has been displayed. For cost-per-click (“CPC”) model, revenue is recognized when the user clicks on the customer-sponsored links and based on the number of clicks. For certain marketing campaigns and promotional activities services, revenue is recognized when the corresponding services have been rendered.

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Leads generation services

Leads generation services primarily include revenues from (i) dealer subscription services, (ii) advertising services sold to individual dealer advertisers, (iii) used car listing services. Under the dealer subscription services, we make available throughout the subscription period a webpage linked to our websites and mobile applications where the dealers can publish information such as the pricing of their products, locations and addresses and other related information. Advanced payment is normally made for the dealer subscription services and revenue is recognized over time on a straight line basis as services are constantly provided over the subscription period. For the advertising services sold to individual dealers, revenue is recognized when the advertisement is published over the stated display period. The used car listing services primarily include listing and display of used vehicles and generation of sales leads through our platform. Our used car marketplace acts as a user interface that allows potential used car buyers to identify listings that meet their specific requirements and contact the relevant sellers. Our service fee is charged based on the number of displayed days, or quantity of sales leads delivered. Revenue is recognized at a point in time upon the display of vehicles or the delivery of sales leads.

Online marketplace and others

Online marketplace and others revenues primarily consist of revenues related to new car and used car marketplace, auto-financing business, data products, and others. For the 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 service. For the new car marketplace, we also act as the platform allowing users to review automotive-related information, purchase coupons offered by automakers for discounts and make purchases to complete transaction. For our used car marketplace, we act as a C2B2C transaction system that facilitates the used car transaction between sellers and buyers and charge service fee per each sale. For the auto-financing business, we provide a platform which serves as a bridge to match users and automobile sellers that have auto financing needs with our cooperative financial institutions that offer a variety of products covering merchant loans, consumer loans, leases and insurance services. The auto-financing service fee is charged on a per sale or lead basis. The service fee is recognized at a point in time when the relevant information is displayed, marketing solution package is delivered, when the sales leads are delivered or upon the successful facilitation of a transaction. For the data products, we provide data analysis reports and data-driven intelligent sales and marketing tools for automakers and dealers and recognize revenue at a point in time upon the delivery of reports or over the period of the consumption or utilization of marketing tools by the automakers and dealers.

Contract Balances

Payment terms and conditions vary by contract and service types. However, excluding dealer subscription and used car listing, the rest of service contracts usually require payment within several months of service delivery. The term between billings and when payment is due is not significant and we generally do not provide significant financing terms. Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represent amounts invoiced and revenue recognized prior to invoicing, when we have satisfied our performance obligations and have the unconditional right to collect payment. Non-refundable payments in advance of revenue recognition are recorded as deferred revenue and recognized as revenue along with the fulfillment of performance obligations. Deferred revenue is primarily related to the advanced payment related to dealer subscription services and used car listings under leads generation services. The beginning balance of deferred revenue of RMB1.5 billion (US\$217.0 million) was fully recognized as revenue for the year ended December 31, 2019. There was no significant change in contract liability balance for the year ended December 31, 2019.

Accounts receivable are carried at net realizable value. An allowance for doubtful accounts is recorded in the period when a loss is probable based on an assessment of specific evidence indicating troubled collection, historical experience, accounts aging and other factors. An accounts receivable balance is written off after all collection effort has ceased.

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Practical Expedients and Exemptions

We have elected to use the practical expedient to not disclose the remaining performance obligations for contracts that have durations of one year or less. We do not have significant remaining performance obligations in excess of one year. For the remaining performance obligations as of December 31, 2019, most of them are to be recognized within a year.

The revenue standard requires us to recognize an asset for the incremental costs of obtaining a contract with a customer if the benefit of those costs is expected to be longer than one year. We have determined that sales commission for sales personnel meet the requirements of capitalization. However, we apply a practical expedient to expense these costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less.

Leases

Adoption of the New Lease Accounting Standard

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2016-02, *Leases* (“ASU 2016-02”). Further, as a clarification of the new guidance, the FASB issued several amendments and updates. We adopted the new lease guidance beginning January 1, 2019 by applying the modified retrospective method to those contracts that are not completed as of January 1, 2019, with the comparative information not being adjusted and continues to be reported under historic accounting standards. There is no impact to retained earnings at adoption.

We have elected to utilize the package of practical expedients at the time of adoption, which allows us to (1) not reassess whether any expired or existing contracts are or contain leases, (2) not reassess the lease classification of any expired or existing leases, and (3) not reassess initial direct costs for any existing leases. We also have elected to utilize the short-term lease recognition exemption and, for those leases that qualified, we did not recognize operating lease right-of-use (“ROU”) assets or operating lease liabilities.

Upon the adoption of the new guidance on January 1, 2019, we recognized operating lease ROU assets of RMB184.8 million and operating lease liabilities of RMB176.4 million (including current portion of RMB121.8 million and non-current portion of RMB54.6 million).

New Lease Accounting Policies

We determine if an arrangement is a lease and determine the classification of the lease, as either operating or finance, at commencement. We have operating leases for office buildings and data centers and has no finance leases as of December 31, 2019. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the lease payments over the lease term at commencement date.

As our leases do not provide an implicit rate, an incremental borrowing rate is used based on the information available at commencement date, to determine the present value of lease payments. The incremental borrowing rates approximate the rate we would pay to borrow in the currency of the lease payments for the weighted-average life of the lease.

The operating lease ROU assets also include any lease payments made prior to lease commencement and excludes lease incentives and initial direct costs incurred if any. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Our lease agreements contain both lease and non-lease components, which are accounted for separately based on their relative standalone price.

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As of December 31, 2019, we recognized the following items related to operating lease in its consolidated balance sheet.

		As of December 31, 2019	
		RMB	US\$
		(in thousands)	
Classification in consolidated balance sheet			
Operating lease ROU assets	Other non-current assets	81,055	11,643
Operating lease liabilities, current portion	Accrued expenses and other payables	52,781	7,582
Operating lease liabilities, non-current portion	Other liabilities	23,067	3,313

Lease cost recognized in our consolidated statements of comprehensive income is summarized as follows:

		For the Year Ended December 31, 2019	
		RMB	US\$
		(in thousands)	
Classification in consolidated statements of comprehensive income			
Operating lease cost	Cost of revenues and operating expenses	128,507	18,459
Cost of other leases with terms less than one year	Cost of revenues and operating expenses	38,229	5,491

Income taxes

We account for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. We record a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

We apply ASC 740, *Accounting for Income Taxes*, to account for uncertainty in income taxes. ASC 740 prescribes a recognition threshold a tax position is required to meet before being recognized in the financial statements. We have recorded unrecognized tax benefits in the other liabilities line item in the accompanying consolidated balance sheets. We have elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of “income tax expense”, in the consolidated statements of operations data.

Our estimated liability for unrecognized tax benefits and the related interest and penalties are periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The actual benefits ultimately realized may differ from our estimates. As each audit is concluded, adjustments, if any, are recorded in our consolidated financial statements. Additionally, in future periods, changes in facts and circumstances, and new information may require us to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which they occur.

We adopted ASU No. 2015-17, *Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities to be classified as non-current on the balance sheet, starting the first quarter of 2017 on a retrospective basis. After adoption of this ASU, current deferred tax assets of RMB99.2 million as of December 31, 2016 on consolidated balance sheet was reclassified as non-current.

Fair Value Measurements of Financial Instruments

Our financial instruments primarily comprise of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, amounts due from related parties, other non-current assets excluding operating lease right-of-use assets, accrued expenses and other payables, and amounts due to related parties. The carrying values of these financial instruments excluding other non-current assets approximated their fair values due to the short-term maturity of these instruments.

ASC topic 820 (“ASC 820”), *Fair Value Measurements and Disclosures*, establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace

Level 3 – Unobservable inputs which are supported by little or no market activity

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Goodwill

Goodwill represents the excess of the purchase price over the amounts assigned to the fair value of the assets acquired and the liabilities assumed of an acquired business. Our goodwill at December 31, 2018 and 2019 were related to our acquisition of Cheerbright, China Topside and Norstar. In accordance with ASC 350, *Goodwill and Other Intangible Assets*, recorded goodwill amounts are not amortized, but rather are tested for impairment annually or more frequently if there are indicators of impairment present.

Goodwill is tested for impairment at the reporting unit level on an annual basis (December 31 for us) and between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value. These events or circumstances include a significant change in stock prices, business environment, legal factors, financial performances, competition, or events affecting the reporting unit. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The estimation of fair value of reporting unit using a discounted cash flow methodology also requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for the reporting unit.

Our management has determined that we represent the lowest level within the entity at which goodwill is monitored for internal management purposes. Our management evaluated the recoverability of goodwill by performing a qualitative assessment before using a two-step impairment test approach at the reporting unit level. Based on an assessment of the qualitative factors, our management determined that it is more-likely-than-not that the fair value of the reporting unit is in excess of its carrying amount. Therefore, our management concluded that it was not necessary to proceed to the two-step goodwill impairment test. As of December 31, 2018 and 2019, goodwill was RMB1.5 billion and RMB1.5 billion (US\$216.1 million), respectively. No impairment loss was recorded for any of the years presented.

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If we reorganize our reporting structure in a manner that changes the composition of one or more of its reporting units, goodwill is reassigned based on the relative fair value of each of the affected reporting units.

Other non-current assets

Other non-current assets are primarily comprised of an investment in TTP in the form of a three-year convertible bond with an annual 8% compound interest rate, in an aggregate principal amount of US\$100 million. Concurrently with the issuance of the convertible bond, we were granted the right (not the obligation) 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 consummation of transaction in June 2018. On or prior to June 11, 2021, the maturity date, unless extended otherwise, any or all of the outstanding principal under the bond is automatically convertible into preferred shares of TTP subject to certain conditions, or optionally convertible into preferred shares of TTP at our discretion.

A convertible bond that is not within the scope of ASC 320 "*Investments—debt and equity securities*" is accounted for under ASC 310 "*Receivables*." The initial investment amount of US\$100 million was first allocated, based on fair value, to any freestanding instrument that was purchased together with the convertible loan, and to any embedded features requiring separate recognition under ASC 815 "*Derivatives and Hedging*." The US\$65 million warrant was recognized as a freestanding financial derivative and recorded at its fair value; any subsequent changes in fair value will be recognized in earnings. There were no embedded features that required separate recognition. After allocation, the remaining investment amount was recognized as the convertible bond. The difference between the carrying value and face value of the convertible bond, after allocation, was treated as a discount on convertible bond and is amortized and recognized as interest income using the effective interest method. The convertible bond is carried at its amortized cost, net of the discount.

According to ASC 310-10-35, a loan receivable should be evaluated for impairment at each reporting period. A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. All amounts due according to the contractual terms means that both the contractual interest payments and the contractual principal payments of a loan will be collected as scheduled in the loan agreement.

Share-based Compensation

Share-based awards granted to employees are accounted for under ASC 718, *Compensation—Stock Compensation*, which requires that share-based awards granted to employees be measured based on the grant date fair value and recognized as compensation expense over the requisite service period (which is generally the vesting period) in the consolidated statements of comprehensive income. We have elected to recognize compensation expense using the straight-line method for all share-based awards granted with service conditions that have a graded vesting schedule. For awards with performance condition and multiple service dates, if the performance conditions are all set at inception and independent for each year, each tranche should be accounted for as a separate award with its own requisite service period. Compensation cost should be recognized over the respective requisite service period separately for each separately-vesting tranche as though each tranche of the award is, in substance, a separate award.

Under ASC 718, an entity can make an accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. We have elected to estimate the forfeiture rate at the time of grant and revise, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. We recognize compensation cost for awards with performance conditions if and when we conclude that it is probable that the performance condition will be achieved. We reassess the probability of vesting at each reporting period for awards with performance conditions and adjust compensation cost based on its probability assessment.

Forfeiture rates are estimated based on historical and future expectations of employee turnover rates and are adjusted to reflect future changes in circumstances and facts, if any. Share-based compensation expense is recorded net of estimated forfeitures such that expense is recorded only for those share-based awards that are expected to vest. To the extent we revise these estimates in the future, the share-based payments could be materially impacted in the period of revision, as well as in following periods. We, with the assistance of an independent third-party valuation firm, determined the fair value of the stock options granted to employees. The binomial option pricing model was applied in determining the estimated fair value of the options granted to employees. Subsequent to the IPO, fair value of the ordinary shares is the price of our publicly traded shares.

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We account for a change in any of the terms or conditions of share-based awards as a modification in accordance with ASC subtopic 718-20, *Compensation-Stock Compensation: Awards Classified as Equity*, whereby the incremental fair value, if any, of a modified award, is recorded as compensation cost on the date of modification for vested awards or over the remaining vesting period for unvested awards. The incremental compensation cost is the excess of the fair value of the modified award on the date of modification over the fair value of the original award immediately before the modification.

Results of Operations

The following table presents our results of operations in absolute amounts and as a percentage of our total net revenues for the years indicated.

	For the Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except percentages)						
Net revenues							
Media services	2,892,333	51.2%	3,508,254	48.5%	3,653,767	524,831	43.4%
Leads generation services	2,288,281	40.5	2,870,996	39.7	3,275,544	470,502	38.9
Online marketplace and others	466,709	8.3	853,901	11.8	1,491,440	214,232	17.7
Total net revenues	5,647,323	100.0	7,233,151	100.0	8,420,751	1,209,565	100.0
Cost of revenues ⁽¹⁾	(1,006,000)	(17.8)	(820,288)	(11.3)	(960,292)	(137,937)	(11.4)
Gross Profit	4,641,323	82.2	6,412,863	88.7	7,460,459	1,071,628	88.6
Operating expenses							
Sales and marketing expenses ⁽¹⁾	(1,647,519)	(29.2)	(2,435,236)	(33.6)	(3,093,345)	(444,331)	(36.7)
General and administrative expenses ⁽¹⁾	(281,951)	(5.0)	(314,846)	(4.4)	(317,967)	(45,673)	(3.8)
Product development expenses ⁽¹⁾	(878,773)	(15.6)	(1,135,247)	(15.7)	(1,291,054)	(185,448)	(15.3)
Total operating expenses	(2,808,243)	(49.8)	(3,885,329)	(53.7)	(4,702,366)	(675,452)	(55.8)
Other income, net	218,750	3.9	341,391	4.7	477,699	68,617	5.7
Operating profit	2,051,830	36.3	2,868,925	39.7	3,235,792	464,793	38.5
Interest income	220,282	3.9	358,811	5.0	469,971	67,507	5.6
(Loss)/earnings from equity method investments	(10,571)	(0.2)	24,702	0.3	685	98	0.0
Fair value change of other non-current assets	—	—	(11,017)	(0.2)	(5,442)	(782)	(0.1)
Income before income taxes	2,261,541	40.0	3,241,421	44.8	3,701,006	531,616	44.0
Income tax expense	(267,082)	(4.7)	(377,890)	(5.2)	(500,361)	(71,872)	(5.9)
Net income	1,994,459	35.3	2,863,531	39.6	3,200,645	459,744	38.1
Net loss/(income) attributable to noncontrolling interests	7,160	0.1	7,484	0.1	(679)	(98)	0.0
Net income attributable to Autohome Inc.	2,001,619	35.4	2,871,015	39.7	3,199,966	459,646	38.1

Note:

(1) Including share-based compensation expenses as follows:

	For the Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except percentages)						
Allocation of Share-Based Compensation Expenses							
Cost of revenues	15,166	0.3%	16,112	0.2%	15,508	2,228	0.2%
Sales and marketing expenses	53,064	0.9	61,599	0.9	46,081	6,619	0.5
General and administrative expenses	59,954	1.1	55,992	0.8	62,884	9,033	0.7
Product development expenses	49,602	0.9	68,622	0.9	79,535	11,424	0.9
Total share-based compensation expenses	177,786	3.2%	202,325	2.8%	204,008	29,304	2.4%

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Net Revenues. Our net revenues increased by 16.4% from RMB7,233.2 million in 2018 to RMB8,420.8 million (US\$1,209.6 million) in 2019. This increase was due to an 8.6% increase in combined revenues from media and leads generation services, and a 74.7% increase in online marketplace and others revenue.

Media services. Our media services revenues increased by 4.1% from RMB3,508.3 million in 2018 to RMB3,653.8 million (US\$524.8 million) in 2019. This increase was due to increased revenue from automaker advertising services and regional marketing campaigns conducted by certain automobile brands' regional offices.

The increase in revenues from our media services was primarily attributable to 16.6% increase in average revenue per automaker advertiser from RMB34.1 million in 2018 to RMB39.7 million (US\$5.7 million) in 2019 as automakers continued to allocate a greater portion of their advertising budgets to our online advertising and marketing channels, with increasingly diversified and optimized portfolio of products being offered.

Leads generation services. Leads generation services revenues increased by 14.1% from RMB2,871.0 million in 2018 to RMB3,275.5 million (US\$470.5 million) in 2019. The increase in leads generation services revenues was mainly driven by a 20.5% increase in average revenue per paying dealer from RMB100.3 thousand in 2018 to RMB120.9 thousand (US\$17.4 thousand) in 2019. We provided leads generation services to 27,100 dealers in 2019, compared to 28,613 dealers in 2018.

Online marketplace and others. Revenues from online marketplace and others increased by 74.7% from RMB853.9 million in 2018 to RMB1,491.4 million (US\$214.2 million) in 2019. This increase was primarily attributable to the increased contribution from data products and auto-financing business. Revenues from online marketplace and others in 2019 consisted of revenues related to new car and used car marketplace business, auto-financing business, data products and others.

Cost of Revenues. Our cost of revenues increased by 17.1% from RMB820.3 million in 2018 to RMB960.3 (US\$137.9 million) in 2019.

Content-related Costs. Our content-related costs increased by 43.4% from RMB441.5 million in 2018 to RMB633.0 (US\$90.9 million) in 2019, primarily due to an increased expenditure related to content generation, acquisition and execution and expenses directly related to the execution of service contracts. Our content-related costs included share-based compensation expenses, which were RMB15.5 (US\$2.2 million) in 2019, compared to RMB16.1 million in 2018.

Depreciation and Amortization Expenses. Our depreciation and amortization expenses were RMB31.2 million (US\$4.5 million) in 2019, compared to RMB41.6 million in 2018.

Bandwidth and IDC Costs. Our bandwidth and IDC costs increased slightly from RMB105.3 million in 2018 to RMB106.1 (US\$15.2 million) in 2019.

Tax Surcharges. Tax surcharges decreased by 18.1% from RMB231.9 million in 2018 to RMB189.9 million (US\$27.3 million), as a result of the halved fee rate of cultural development fees charged for our advertising services starting July 2019, and which will last till 2024.

Operating Expenses. Our operating expenses increased by 21.0% from RMB3,885.3 million in 2018 to RMB4,702.4 million (US\$675.5 million) in 2019, primarily due to increases in sales and marketing expenses and product development expenses as we continued to reinvest in future growth opportunities.

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Sales and Marketing Expenses. Our sales and marketing expenses increased by 27.0% from RMB2,435.2 million in 2018 to RMB3,093.3 million (US\$444.3 million) in 2019. This increase was primarily due to a 41.0% increase in marketing and promotional expenses from RMB1,650.9 million in 2018 to RMB2,327.7 million (US\$334.3 million) in 2019, mainly in connection with the *818 Global Super Auto Show* and increased offline execution to support automakers and dealers along with business development. As a percentage of net revenues, sales and marketing expenses were 36.7% in 2019, compared to 33.6% in 2018. Our sales and marketing expenses in 2019 included share-based compensation expenses of RMB46.1 million (US\$6.6 million) in 2019, compared to RMB61.6 million in 2018.

General and Administrative Expenses. Our general and administrative expenses were RMB318.0 million (US\$45.7 million) in 2019, a slight increase compared to RMB314.8 million in 2018. As a percentage of net revenues, general and administrative expenses decreased from 4.4% in 2018 to 3.8% in 2019. Our general and administrative expenses for 2019 included share-based compensation expenses of RMB62.9 million (US\$9.0 million), compared to RMB56.0 million in 2018.

Product Development Expenses. Our product development expenses increased by 13.7% from RMB1,135.2 million in 2018 to RMB1,291.1 million (US\$185.4 million) in 2019. The increase was primarily due to an 8.3% increase in salaries and benefits (including share-based compensation expenses) from RMB896.5 million in 2018 to RMB970.9 million (US\$139.5 million) in 2019, and increased expenditure for technical service and technology infrastructure, which is in line with our overall growth and continued reinvestment in future growth opportunities. As a percentage of net revenues, product development expenses were 15.3% in 2019, compared to 15.7% in 2018. Our product development expenses for 2019 included share-based compensation expenses of RMB79.5 million (US\$11.4 million), compared to RMB68.6 million in 2018.

Other income, net. Our other income, net, primarily consists of VAT refund, government grants and others. Other income, net, was RMB477.7 million (US\$68.6 million) in 2019, compared to RMB341.4 million in 2018.

Income before Income Taxes. Our income before income taxes was RMB3,701.0 million (US\$531.6 million) in 2019, compared to RMB3,241.4 million in 2018.

Income Tax Expense. We incurred income tax expense of RMB500.4 (US\$71.9 million) in 2019, representing a 32.4% increase compared to RMB377.9 million in 2018, primarily due to an increase in taxable income and accrual of withholding tax associated with our annual dividend policy.

Net Income Attributable to Autohome Inc. As a result of the foregoing, we had net income attributable to Autohome Inc. of RMB3,200.0 million (US\$459.6 million) in 2019, increased by 11.5% compared to net income attributable to Autohome Inc. of RMB2,871.0 million in 2018.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Net Revenues. Our net revenues increased by 28.1% from RMB5,647.3 million in 2017 to RMB7,233.2 million in 2018. This increase was due to a 23.1% increase in combined revenues from media and leads generation services, and an 83.0% increase in online marketplace and others revenue, partially offset by the close of direct vehicle sales as part of our implementation of an asset-light strategy.

Media services. Our media services revenues increased by 21.3% from RMB2,892.3 million in 2017 to RMB3,508.3 million in 2018. This increase was due to increased revenue from automaker advertising services and regional marketing campaigns conducted by certain automobile brands' regional offices.

The increase in revenues from our media services was primarily attributable to 18.9% increase in average revenue per automaker advertiser from RMB28.6 million in 2017 to RMB34.1 million in 2018, as automakers continued to allocate a greater portion of their advertising budgets to our online advertising and marketing channels, with increasingly diversified and optimized portfolio of products being offered.

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Leads generation services. Leads generation services revenues increased by 25.5% from RMB2,288.3 million in 2017 to RMB2,871.0 million in 2018. The increase in leads generation services revenues was mainly driven by a 19.1% increase in average revenue per paying dealer from RMB84.2 thousand in 2017 to RMB100.3 thousand in 2018, as well as an expanded dealer client base. We provided leads generation services to 28,613 dealers in 2018, compared to 27,167 dealers in 2017.

Online marketplace and others. Revenues from online marketplace and others increased by 83.0% from RMB466.7 million in 2017 to RMB853.9 million in 2018. Excluding direct vehicle sales in 2017, the year-over-year increase would have been 429.4%. This increase was primarily attributable to the increased contribution from auto-financing business and data products and others. Revenues from online marketplace and others in 2018 consisted of revenues related to new car and used car marketplace business, auto-financing business, data products and others. Revenues from direct vehicle sales account for 65.4% and nil of revenues from online marketplace and others in 2017 and 2018, respectively.

Cost of Revenues. Our cost of revenues decreased by 18.5% from RMB1,006.0 million in 2017 to RMB820.3 million in 2018. Excluding the cost of direct vehicle sales in 2017, cost of revenues would have increased 16.1% compared to 2017.

Content-related Costs. Our content-related costs increased by 12.9% from RMB390.9 million in 2017 to RMB441.5 million in 2018, primarily due to a 22.6% increase of salaries and benefits of our editorial personnel (including share-based compensation expenses) from RMB139.5 million in 2017 to RMB171.0 million in 2018. Our content-related costs included share-based compensation expenses, which increased from RMB15.2 million in 2017 to RMB16.1 million (US\$2.3 million) in 2018.

Depreciation and Amortization Expenses. Our depreciation and amortization expenses were RMB41.6 million in 2018, compared to RMB41.6 million in 2017.

Bandwidth and IDC Costs. Our bandwidth and IDC costs increased by 17.2% from RMB89.9 million in 2017 to RMB105.3 million in 2018, primarily due to increased bandwidth and IDC requirements to fulfill the growth of our user traffic, improve the user experience and enhance our big data analytics capabilities.

Tax Surcharges. Tax surcharges increased by 26.0% from RMB184.1 million for 2017 to RMB231.9 million in 2018, as a result of increased revenues.

Operating Expenses. Our operating expenses increased by 38.4% from RMB2,808.2 million in 2017 to RMB3,885.3 million in 2018, primarily due to increases in sales and marketing expenses and product development expenses as we continued to reinvest in future growth opportunities.

Sales and Marketing Expenses. Our sales and marketing expenses increased by 47.8% from RMB1,647.5 million in 2017 to RMB2,435.2 million in 2018. This increase was primarily due to (i) an increase in marketing and promotional expenses from RMB994.4 million in 2017 to RMB1,650.9 million in 2018, mainly in connection with the increased offline execution along with business development and promotion and branding expenses related to our platform, and (ii) an 18.3% increase in salaries and benefits (including share-based compensation expenses) from RMB555.8 million in 2017 to RMB657.6 million in 2018, which is in line with our overall growth. As a percentage of net revenues, sales and marketing expenses were 33.6% in 2018, compared to 29.2% in 2017. Our sales and marketing expenses in 2018 included share-based compensation expenses of RMB61.6 million, compared to RMB53.1 million in 2017.

General and Administrative Expenses. Our general and administrative expenses increased by 11.7% from RMB282.0 million in 2017 to RMB314.8 million in 2018. This increase was primarily attributable to a 15.2% increase in salaries and benefits (including share-based compensation expenses) from RMB181.7 million in 2017 to RMB209.2 million in 2018. As a percentage of net revenues, general and administrative expenses decreased from 5.0% in 2017 to 4.4% in 2018. Our general and administrative expenses for 2018 included share-based compensation expenses of RMB56.0 million, compared to RMB60.0 million in 2017.

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Product Development Expenses. Our product development expenses increased by 29.2% from RMB878.8 million in 2017 to RMB1,135.2 million in 2018. The increase was primarily due to a 25.6% increase in salaries and benefits (including share-based compensation expenses) from RMB713.6 million in 2017 to RMB896.5 million in 2018, as a result of the increase in product development headcount, which is in line with our overall growth and continued reinvestment in future growth opportunities. As a percentage of net revenues, product development expenses were 15.7% in 2018, compared to 15.6% in 2017. Our product development expenses for 2018 included share-based compensation expenses of RMB68.6 million, compared to RMB49.6 million in 2017.

Other income, net. Our other income, net, primarily consists of VAT refund, government grants and others. Other income, net, was RMB341.4 million in 2018, compared to RMB218.8 million in 2017.

Income before Income Taxes. Our income before income taxes was RMB3,241.4 million in 2018 compared to RMB2,261.5 million in 2017.

Income Tax Expense. We incurred income tax expense of RMB377.9 million in 2018, representing a 41.5% increase compared with RMB267.1 million in 2017, primarily due to an increase in taxable income.

Net Income Attributable to Autohome Inc. As a result of the foregoing, we had net income attributable to Autohome Inc. of RMB2,871.0 million in 2018, increased by 43.4% compared to net income attributable to Autohome Inc. of RMB2,001.6 million in 2017.

Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the consumer price index in China increased by 1.6%, 2.1% and 2.9% in 2017, 2018 and 2019, and the year-over-year percent changes in the consumer price index for December 2017, 2018 and 2019 were increases of 1.8%, 1.9% and 4.5%, respectively. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

Recent Accounting Pronouncements

See Item 17 of Part III, “Financial Statements—Note 2—Summary of significant accounting policies—Recent accounting pronouncements.”

B. Liquidity and Capital Resources

Cash Flows and Working Capital

Our principal sources of liquidity are cash generated from our operating activities and our issuance of ADSs. In December 2013, we completed our initial public offering and raised net proceeds of US\$142.6 million, after deducting underwriting commissions and discounts and expenses. In November 2014, we completed our 2014 Offering and raised net proceeds of US\$97.3 million, after deducting underwriting commissions and discounts and expenses. Our principal uses of cash for 2017, 2018 and 2019 were primarily composed of operating activities, including employee compensation, tax expenses, content-related expenditure, promotion and marketing expenses, bandwidth and IDC costs, investment in research and development, investing activities including equity and strategic investments and other capital expenditures, and payment of dividends. As of December 31, 2019, we had cash and cash equivalents, restricted cash and short-term investments altogether amounting to RMB12.8 billion (US\$1,838.6 million).

We believe that our current cash and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for at least the next 12 months. We may require additional cash due to unanticipated business conditions or other future developments. We may also need additional cash resources if we find and wish to pursue opportunities for investments, acquisitions, strategic cooperation or other similar actions. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or secure debt funding from financial institutions.

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The following table sets forth a summary of our cash flows for the years indicated.

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash generated from operating activities	2,463,699	3,111,438	2,889,369	415,032
Net cash used in investing activities	(4,913,827)	(3,301,239)	(1,168,267)	(167,811)
Net cash generated from/(used in) financing activities	61,070	(543,968)	68,676	9,865
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(2,584)	39,151	(13,250)	(1,904)
Net (decrease)/increase in cash and cash equivalents and restricted cash	(2,391,642)	(694,618)	1,776,528	255,182
Cash and cash equivalents and restricted cash at beginning of year	3,303,230	911,588	216,970	31,166
Cash and cash equivalents and restricted cash at end of year	911,588	216,970	1,993,498	286,348

Operating Activities

Net cash generated from operating activities was RMB2,889.4 million (US\$415.0 million) for 2019. This amount was primarily attributable to net income of RMB3,200.6 million (US\$459.7 million), (a) adjusted for (i) certain non-cash items, primarily including share-based compensation expenses of RMB204.0 million (US\$29.3 million), deferred income taxes of RMB145.0 million (US\$20.8 million), non-cash lease expense of RMB122.4 million (US\$17.6 million) and depreciation of property and equipment of RMB106.9 million (US\$15.4 million), (ii) interest income of convertible bond of RMB70.9 million (US\$10.2 million), and (iii) changes in operating assets and liabilities that positively affected operating cash flow, primarily due to an increase in advance from customers of RMB20.6 million (US\$3.0 million), an increase in amounts due to related parties of RMB16.5 million (US\$2.4 million) and an increase in other liabilities of RMB21.5 million (US\$3.1 million), (b) partially offset by changes in operating assets and liabilities that negatively affected operating cash flow, primarily due to an increase in accounts receivable of RMB479.5 million (US\$68.9 million), an increase in prepaid expenses and other current assets of RMB51.0 million (US\$7.3 million), an increase in other non-current assets of RMB186.6 million (US\$26.8 million), a decrease in accrued expenses and other payables of RMB22.6 million (US\$3.3 million), a decrease in deferred revenue of RMB139.8 million (US\$20.1 million), and a decrease in income tax payable of RMB73.7 million (US\$10.6 million). The increase in amounts due to related parties was primarily due to the increased purchase of service from related parties along with business development. The increase in other liabilities was mainly due to the recognition of operating lease liabilities. The increase in accounts receivable was primarily due to the increase of our media services and online marketplace and others services. The increase in prepaid expenses and other current assets was primarily attributable to advanced payment of VAT and surcharges. The increase in other non-current assets was primarily due to the recognition of operating lease right-of-use assets. The decrease in accrued expenses and other payables was mainly due to the fluctuation in accrued rebates to advertising agencies and salaries and benefits payable. The decrease in deferred revenue was mainly attributable to the late start of dealer subscription renewal process for the year of 2020 and changes in business model initiatives for new and used car transaction business.

Net cash generated from operating activities was RMB3,111.4 million for 2018. This amount was primarily attributable to net income of RMB2,863.5 million, (a) adjusted for (i) certain non-cash items, primarily including share-based compensation expenses of RMB202.3 million, deferred income taxes of RMB102.1 million, depreciation of property and equipment of RMB90.3 million, interest income from convertible bond of RMB36.2 million, earnings from equity method investments of RMB24.7 million, and fair value change of short-term investments of RMB29.7 million and (ii) changes in operating assets and liabilities that positively affected operating cash flow, primarily due to an increase in accrued expenses and other payables of RMB807.3 million, an increase in deferred revenue of RMB101.2 million, (b) partially offset by changes in operating assets and liabilities that negatively affected operating cash flow, primarily due to an increase in accounts receivable of RMB904.3 million, an increase in prepaid expenses and other current assets of RMB62.8 million. The increase in accrued expenses and other payables was mainly due to the increase in accrued rebates to advertising agencies in accordance with the growth of media service revenues, increase in year-end bonuses to employees during the period and marketing expenses. The increase in deferred revenue was mainly attributable to the growth of our dealer subscription services. The increase in accounts receivable was primarily due to the increase of our media services and online marketplace and others services. The increase in prepaid expenses and other current assets was primarily attributable to advanced payment of VAT and surcharges and VAT refund receivable.

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Net cash generated from operating activities was RMB2,463.7 million for 2017. This amount was primarily attributable to net income of RMB1,994.5 million, (a) adjusted for (i) certain non-cash items, primarily including share-based compensation expenses of RMB177.8 million, deferred income taxes of RMB12.3 million, depreciation of property and equipment of RMB81.9 million, loss from equity method investments of RMB10.6 million, and fair value change of short-term investments of RMB29.0 million and (ii) changes in operating assets and liabilities that positively affected operating cash flow, primarily due to an increase in accrued expenses and other payables of RMB425.3 million, an increase in deferred revenue of RMB397.3 million, a decrease in prepaid expenses and other current assets of RMB191.3 million and a decrease in inventory of RMB94.1 million, (b) partially offset by changes in operating assets and liabilities that negatively affected operating cash flow, primarily due to an increase in accounts receivable of RMB688.9 million, decrease in income tax payable of RMB172.4 million, and a decrease in notes payable of RMB31.1 million. The increase in accrued expenses and other payables was mainly due to the increase in accrued rebates to advertising agencies in accordance with the growth of media service revenues, accrual for the year-end bonuses to employees during the period and marketing expenses. The increase in deferred revenue was mainly attributable to the growth of our dealer subscription services. The decrease in prepaid expenses and other current assets and inventories was attributable to the clearance of direct sales vehicle inventories. The decrease in notes payable was primarily due to the maturity and settlement of short-term bank acceptance notes used for the purchase of new vehicles. The increase in accounts receivable was primarily due to the increase of our media services.

Investing Activities

Net cash used in investing activities was RMB1,168.3 million (US\$167.8 million) in 2019, which was primarily attributable to purchase of term deposits and adjustable-rate financial products and increased capital expenditures primarily related to the purchase of servers and software.

Net cash used in investing activities was RMB3,301.2 million in 2018, which was primarily attributable to the purchase of term deposits and adjustable-rate financial products, investment in TTP in the form of convertible bond and capital expenditures primarily related to the purchase of electronic equipment, partially offset by the cash inflow from our disposal of the Financing JV.

Net cash used in investing activities was RMB4,913.8 million in 2017, which was primarily attributable to the purchase of term deposits and adjustable-rate financial products, capital expenditures primarily related to the purchase of electronic equipment, purchase of operating license and investment in and disposal of equity investees.

Financing Activities

Net cash generated from financing activities in 2019 was RMB68.7 million (US\$9.9 million), which was attributable to proceeds from exercise of share-based awards.

Net cash used in financing activities in 2018 was RMB544.0 million, which was attributable to payment of dividends, partially offset by proceeds from exercise of share-based awards.

Net cash generated from financing activities in 2017 was RMB61.1 million, which was attributable to proceeds from exercise of share-based awards.

Capital Expenditures

Cash outflow in connection with capital expenditures amounted to RMB86.4 million, RMB113.8 million and RMB204.1 million (US\$29.3 million) in 2017, 2018 and 2019, respectively. These capital expenditures were primarily used for purchase of servers and software for our business.

Holding Company Structure

Our ability to pay dividends is primarily dependent on our receiving distributions of funds from our subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by our PRC subsidiaries only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of our PRC subsidiaries.

Under PRC law, our PRC subsidiaries are required to provide for certain statutory reserves, namely a general reserve, an enterprise expansion fund and a staff welfare and bonus fund and allocate at least 10% of their after-tax profits on an individual company basis as determined under PRC accounting standards to the general reserve, and have the right to discontinue allocations to the general reserve if such reserve has reached 50% of registered capital on an individual company basis. In addition, they are also required to make appropriations to the enterprise expansion fund and staff welfare and bonus fund at the discretion of their respective boards of directors. Our VIEs in the PRC are also subject to similar statutory reserve requirements. These reserves can only be used for specific purposes and are not transferable to us in the form of loans, advances or cash dividends. As of December 31, 2017, 2018 and 2019, our PRC subsidiaries and our VIEs had appropriated RMB51.8 million, RMB75.9 million and RMB84.5 million (US\$12.1 million), respectively, of retained earnings for their statutory reserves.

As a result of these PRC laws and regulations, prior to allocations of after-tax profits to the statutory reserves, our PRC subsidiaries and VIEs are restricted in their ability to transfer a portion of their net assets to us.

Foreign exchange and other regulation in the PRC may further restrict our PRC subsidiaries and VIEs from transferring funds to us in the form of dividends, loans and advances. As of December 31, 2018 and 2019, the amounts of the net restricted assets of our PRC subsidiaries and our VIEs were RMB9,747.1 million and RMB13,311.5 million (US\$1,912.1 million), respectively.

C. Research and Development, Patents and Licenses, etc.

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.

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 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. We are also able to provide precision marketing services to our automakers, dealers and other automotive-related customers so that they can deliver relevant advertisements to targeted users who are more receptive to such marketing information.

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We distribute our web content to numerous network nodes close to our users by utilizing the content delivery networks, allowing most of our user communications to bypass internet congestion. With our technological expertise, we manage the content delivery networks to enhance our website responsiveness and to improve user experience. As such, we believe our websites have a performance advantage over other automotive vertical websites.

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 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.

We had an experienced product development team of 1,790 engineers as of December 31, 2019. Our past innovation has focused on helping users research, select and purchase suitable automobiles through our websites.

We have also begun to develop additional products and services for our mobile applications and media-related technology, enhance the big data analytics capabilities as well as AR- and VR-related technologies. Our product development expenses were RMB878.8 million, RMB1,135.2 million and RMB1,291.1 million (US\$185.4 million) for the years ended December 31, 2017, 2018 and 2019, respectively.

Intellectual Property

See “Item 4. Information on the Company—B. Business Overview—Intellectual Property.”

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since the beginning of our fiscal year 2019 that are reasonably likely to have a material effect on our net revenues, income from operations, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder’s equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

F. Tabular Disclosures of Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2019:

	Payments Due by Period				Total
	Less than 1 Year	1 to 3 years	3 to 5 Years	More than 5 Years	
Operating lease obligations ⁽¹⁾	54,091	24,682	—	—	78,773

Note:

(1) Operating lease obligations related to the lease of office space and internet data centers.

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Lease cost for the years ended December 31, 2017, 2018 and 2019 were RMB95.7 million, RMB100.0 million and RMB166.7 million (US\$24.0 million), respectively, with the figure in 2019 including those related to lease of data centers.

G. Safe Harbor

See “Forward-Looking Statements” on page 1 of this annual report.

ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Min Lu	59	Chairman of the Board and Chief Executive Officer
Dong Liu	55	Director
Han Qiu	45	Director
Zheng Liu	51	Director
Junling Liu	55	Independent Director
Tianruo Pu	51	Independent Director
Dazong Wang	65	Independent Director
Jun Zou	49	Chief Financial Officer
Xiao Wang	40	Chief Technology Officer
Haifeng Shao	48	Co-President
Jingyu Zhang	46	Co-President

Mr. Min Lu has served as our chairman of the board and our chief executive officer since June 2016. Mr. Lu also currently serves as the Chief Insurance Business Officer and Chief Information Officer of Ping An Insurance (Group) Company of China. Before joining our Company, Mr. Lu worked at Ping An and served consecutively as the General Manager Assistant of Ping An Organization & Human Resources Department, Standing Deputy Director of Ping An Development and Reform Center, General Manager of Ping An Credit Card (Preparatory) Center, Deputy General Manager of Ping An Life Insurance Company of China, Ltd. and General Manager of the Bank Assurance Business Unit and Chief of the Strategy Center of Ping An Insurance (Group) Company of China. Mr. Lu is an experienced professional in the Chinese insurance industry, as well as a specialist in strategic development. From 2009 to 2014, Mr. Lu served as chairman and chief executive officer of Ping An Health Insurance Company of China, Ltd. Mr. Lu holds an MBA degree from the University of Dundee.

Mr. Dong Liu has served as our director since June 2016. Mr. Dong Liu joined Ping An Group in 2014 and is currently deputy general manager of China Ping An Trust Co., Ltd., or Ping An Trust, and the chief executive officer as well as the principal partner of Ping An Capital. Prior to joining Ping An Group, Mr. Liu was the chief representative of the Government of Singapore Investment Corporation, or GIC, Greater China, and a Senior Vice President of GIC from 2007 to 2014, a principal investment officer of the International Finance Corporation, a sister organization of the World Bank and member of the World Bank Group, in China from 2003 to 2007, a senior investment officer of the International Finance Corporation in Washington D.C. from 1998 to 2003 and a senior economist at The World Bank Group in Washington D.C. from 1994 to 1998. Mr. Liu has more than 20 years of international and domestic investment experience. Since returning to China in 2003, Mr. Liu has led investments in sectors such as the consumer, healthcare, education, environmental protection, financial services, technology and agribusiness industries.

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Ms. Han Qiu has served as our director since June 2016. Ms. Han Qiu is the co-general manager of One Connect Financial Technology Co., Ltd.. She joined Shanghai OneConnect Financial Technology Co., Ltd. in September 2016 as chief innovation officer and deputy general manager. Ms. Qiu has over 15 years of experience in finance, technology and data analytics. Ms. Qiu joined Ping An Group in April 2014 and has successively served as the general manager of the data platform department of Ping An Technology and the general manager of Shenzhen Qianhai Credit Centre Co., Ltd., during which Ms. Qiu led the establishment of personal credit service business in Ping An Group. Before joining Ping An Group, Ms. Qiu served as the APAC head of research for GE (China) Research and Development Centre Co., Ltd. from January 2003 to September 2006, a consultant with McKinsey & Company from October 2006 to August 2008, head of IT for Fullerton Financial Holdings Pte. Ltd. from September 2008 to July 2013, and as transformation management director of Standard Chartered Bank (China) Limited from July 2013 to April 2014. Ms. Qiu received her bachelor's degree in international accounting and her master's degree in accounting from Nanjing University in July 1997 and June 2000, respectively. Ms. Qiu also received a master's degree in accounting and finance from City University of Hong Kong in November 2002.

Mr. Zheng Liu has served as our director since December 2017. Mr. Liu currently serves as the deputy general manager of Ping An Property Insurance Company of China and the general director of its agency business unit. Mr. Liu has nearly 27 years of experience in business management and the industry of insurance, in particular property insurance. He joined Ping An Group in 1993 and has served consecutively as the assistant to the general manager, the deputy general manager and the general manager of Ping An Property Insurance Company of China's Beijing Branch. In 2011, Mr. Liu was relocated to Ping An Property Insurance Company of China's headquarters, and has since then served consecutively as its deputy general manager and general director of western China business unit, then its deputy general manager and general director of new sales channel business unit, and its deputy general manager and general director of northern Chinese business unit. Mr. Zheng Liu received a Bachelor of Laws degree from Sun Yat-sen University in China.

Mr. Junling Liu has served as our independent director since January 2015. Mr. Liu is the co-founder, chairman and chief executive officer of 111, Inc. (NYSE: YI), an online healthcare cloud service provider. He co-founded and served as chief executive officer of YHD.com from 2008 to 2015. Prior to founding YHD.com, Mr. Liu served as the global vice president and president for mainland China and Hong Kong at Dell Inc. from 2006 to 2007. He also held various executive positions at internationally renowned technology companies such as Avaya China, Openwave Systems and Lucent Technologies Asia. Mr. Liu serves as an independent director of Hua Medicine (HKSE: 02552). Mr. Liu received his bachelor's degree in education from Flinders University in Australia and master's degree in international business administration from Flinders University. Mr. Liu became an inductee of China's Thousand Talent Plan in 2012.

Mr. Tianruo Pu has served as our independent director since December 2016. Mr. Pu currently serves as an independent director and chairman of the audit committee of One Connect Financial Technology (NYSE: OCFT), a financial technology company, as an independent director and chairman of the audit committee of Renren Inc. (NYSE: RENN) and its subsidiary Kaixin Auto (Nasdaq: KXIN), a group company operating a used car business and a SaaS business, as an independent director and chairman of the audit committee of 3SBio Inc. (HKSE: 1530), a bio-pharmaceutical company, and as an independent director of Luckin Coffee Inc. (NASDAQ: LK). Mr. Pu has more than twenty years of work experience in finance and accounting in both the United States and China. Previously, Mr. Pu served as the chief financial officer of several companies including Zhaopin Limited (formerly NYSE: ZPIN), UTStarcom (Nasdaq: UTSI) and Nuokang Bio-Pharmaceutical (formerly Nasdaq: NKBP). Mr. Pu received an MBA degree from Northwestern University's Kellogg School of Management and a Master of Science degree in accounting from the University of Illinois.

Dr. Dazong Wang has served as our independent director since December 2016. Dr. Wang has been the founder and the chairman of Ophoenix Capital Management since 2011. Dr. Wang also serves as a director of FUBA Automotive Electronics GmbH, Germany, a leading supplier of automotive reception systems, as a director of Merit Automotive Electronics Systems, S.L., Spain, a leading supplier of complex automotive mechatronics modules and as a director of Committee of 100, a non-profit membership organization of prominent Chinese Americans. From 2008 to 2011, Dr. Wang was the president and chief executive officer of Beijing Automotive Industry Corporation. From 2006 to 2008, Dr. Wang served as the vice president of Shanghai Automotive Industry Corporation, where he was responsible for engineering and key component operations. Before that, Dr. Wang served several positions in General Motors Company, or GM, from 1985 to 2006, including, senior staff engineer, China country manager and engineering director for North America operations. Dr. Wang received a Ph.D. degree from Cornell University and a Master of Science degree from Huazhong University of Science and Technology in China.

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Mr. Jun Zou has served as our chief financial officer since September 2017. Mr. Zou has 26 years of experience in financial management and capital markets in the U.S., Europe and China. He most recently served as iDreamSky's chief financial officer from 2014 to 2016, during which time he led the company's initial public offering on the Nasdaq Global Select Market and the company's subsequent privatization. Prior to joining iDreamSky, Mr. Zou served as the chief financial officer for several U.S.-listed Chinese companies, including E-Commerce China Dangdang Inc. (NYSE: DANG, now privatized), a leading business-to-consumer e-commerce company in China from 2012 to 2014, and Xunlei Limited (Nasdaq: XNET), a shared cloud computing and blockchain technology company in China, from 2010 to 2012. He has also worked as the chief financial officer for the global technical services business unit and the head of the global customer financing and treasury at Huawei Technologies, a Fortune 500 technology company in China from 2006 to 2008. Before returning to China, Mr. Zou served in progressive managerial roles in treasury, customer finance, strategic planning and eventually as global controller for the managed services business unit at Ericsson in the U.S. and Sweden. Mr. Zou received a master degree in business administration from the University of Texas in the U.S. and a bachelor degree in international business and economics from Shanghai International Studies University in China.

Mr. Xiao Wang has served as our chief technology officer since November 2019 and has served as our vice president of big data since August 2017. Prior to joining Autohome, Mr. Wang was a senior director of the big data business of JD. com, Inc. (Nasdaq: JD) from May 2010 to June 2017 after serving for about 1 year in Baidu, Inc. (Nasdaq: BIDU) as a senior manager of its internet affiliate product business from June 2009 to May 2010 and for about 5 years with Tongcheng-Elong Holdings Ltd. (HKG: 0780) as a senior technology manager from December 2004 to June 2009. Mr. Wang received a Bachelor of Science in Information Technology and a dual Bachelor of Science in Economics from Peking University in 2001.

Mr. Haifeng Shao has served as our president since February 2018. Mr. Shao worked for Ping An Group for over 22 years, including 15 years as a senior manager in the financial services division, and seven years in its internet finance division. He joined Ping An Group in 1996 where he served successively as the General Assistant Manager of Ping An Life Insurance, Shanghai Branch; the Deputy General Manager of Ping An Life Insurance, Yunnan Branch; and the Deputy General Manager of Ping An Annuity Insurance. Starting 2012, Mr. Shao served as the General Manager of Ping An E-wallet. In 2016, Mr. Shao served as the General Manager of Ping An Finance One Connect. Mr. Shao received a Bachelor of Arts in Literature from Nanjing Normal University in China.

Mr. Jingyu Zhang has been serving as our co-president since November 2019 after joining us in March 2017 and has about 20 years of experience working in the product development and sales business. He was the officer in charge of product technology in Xuan Yue Xing Electric Automobile Co., Ltd. from December 2015 to June 2016, and was the deputy general manager of the automotive business of Sina Corp (Nasdaq: SINA) from August 2012 to December 2015. Before that, he worked at Aspect Software Inc. as its director of post-sales service for the Greater China region from April 2010 to August 2012 after serving for more than two years in PCCW Limited (HKG: 0008) as its product manager from September 2007 to March 2010. Prior to his career in PCCW Limited, he worked for Bright Oceans Inter-Telecom Corporation. (SHA: 600289), starting in March 2005, and remained as the assistant president of its research center until August 2007. Mr. Zhang received a Bachelor of Science in Mechanics in 1997 from Jilin Institute of Technology (which merged into Jilin University in 2000).

B. Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2019, we incurred an aggregate compensation expense of approximately RMB19.6 million (US\$2.8 million) for our executive officers and directors (not including share-based compensation expenses). Our PRC subsidiaries and VIEs are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance, housing fund and other statutory benefits. Other than the above-mentioned statutory contributions mandated by applicable PRC law, we have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. For additional information on share incentive grants to our directors and executive officers, see "—Share Incentive Plans."

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Employment Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause at any time without advance notice or remuneration for certain acts of the executive officer, such as a conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. In such case, the executive officer will not be entitled to receive payment of any severance benefits or other amounts by reason of the termination, and the executive officer's right to all other benefits will terminate, except as required by any applicable law. We may also terminate an executive officer's employment without cause upon one-month advance written notice. In such case of termination by us, we are required to provide compensation to the executive officer, including cash compensation determined based on the term of office of the involved executive officer. The executive officer may terminate the employment at any time with a one-month advance written notice, if there is any significant change in the executive officer's duties and responsibilities inconsistent in any material and adverse respect with his or her title and position, or a material reduction in the executive officer's annual salary before the next annual salary review, or if otherwise approved by the board of directors.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his duties in connection with the employment, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice and to assign all right, title and interest in them to us, and assist us in obtaining patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment. Specifically, each executive officer has agreed not to (a) approach our clients, advertisers or contacts or other persons or entities introduced to the executive officer for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (b) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors; or (c) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination.

Share Incentive Plans

2011 Share Incentive Plan

In May 2011, we adopted our 2011 Share Incentive Plan to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. The maximum aggregate number of our Class A ordinary shares which may be issued pursuant to all awards under the 2011 Share Incentive Plan, as currently in effect, is 7,843,100. As of February 29, 2020, options to purchase 11,128 Class A ordinary shares under the 2011 Share Incentive Plan at an exercise price of US\$2.20 were outstanding. The following table summarizes, as of February 29, 2020, the outstanding options we had granted to our directors and officers and to other individuals as a group under our 2011 Share Incentive Plan:

<u>Name</u>	<u>Options</u>	<u>Exercise Price (US\$/Share)</u>	<u>Date of Grant</u>	<u>Date of Expiration</u>	<u>Vesting Schedule</u>
Individuals other than directors and officers as a group	11,128	US\$2.20	December 19, 2011	Ten years after date of grant	Approximately four years from each date of grant

The following paragraphs describe the principal terms of the 2011 Share Incentive Plan:

Types of Awards. The Plan permits the awards of incentive and non-statutory share-based awards, share appreciation rights, restricted shares and restricted share units. The following briefly describes the principal features of the various awards that may be granted under the 2011 Share Incentive Plan.

- *Options.* The administrator may grant incentive stock options, or ISOs, or non-statutory stock options, NSOs, under our 2011 Share Incentive Plan. Unless the administrator determines otherwise, the exercise price of options granted under our 2011 Share Incentive Plan must at least be equal to the fair market value of our ordinary shares on the date of grant and its term may not exceed ten years. In addition, for any participant who owns more than 10% of the total combined voting rights of all classes of our outstanding shares, or of certain of our parent or subsidiary, the term of an ISO must not exceed five years and the exercise price of such ISO must equal at least 110% of the fair market value on the grant date. The administrator determines the term of all other options.

After termination of an employee, director or consultant, he or she may exercise his or her option, to the extent vested as of such date of termination, within 60 days of termination, or such longer period of time stated in the option agreement. In the absence of a specified period of time in the option agreement, the option will remain exercisable for a period of 12 months in the event of a termination due to death or disability. However, in no event may an option be exercised later than the expiration of its term.

- *Share appreciation rights.* Share appreciation rights may be granted under our 2011 Share Incentive Plan. Share appreciation rights allow the recipient to receive the appreciation in the fair market value of our Class A ordinary shares between the exercise date and the date of grant. The exercise price of share appreciation rights granted under our 2011 Share Incentive Plan must at least be equal to the fair market value of our Class A ordinary shares on the date of grant. The administrator determines the terms of share appreciation rights, including when such rights vest and become exercisable and whether to settle such awards in cash or with our ordinary shares, or a combination thereof. Share appreciation rights expire under the same rules that apply to options.
- *Restricted shares.* Restricted shares may be granted under our 2011 Share Incentive Plan. Restricted share awards are Class A ordinary shares that are subject to various restrictions, including restrictions on transferability and forfeiture provisions. Restricted shares will vest and the restrictions on such shares will lapse, in accordance with terms and conditions established by the administrator. The administrator will determine the number of restricted shares granted to any employee. The administrator may impose whatever conditions to vesting it determines to be appropriate. For example, the administrator may set restrictions based on the achievement of specific performance goals and/or continued service to us. Holders of restricted share awards generally will have voting rights but not dividend rights, unless the administrator provides otherwise. Restricted shares that do not vest for any reason will be forfeited by the recipient and will revert to us.
- *Restricted Share Units.* A restricted share unit award is the grant of the right to receive an ordinary share at a future date and may be subject to forfeiture. Our plan administrator has the discretion to set performance objectives or other vesting criteria that will determine the number or value of restricted share units to be granted. Unless otherwise determined by our plan administrator, a restricted share unit is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator, at the time of grant, specifies the dates on which the restricted share units *Administration.* Our board of directors or the compensation committee of our board of directors administers our 2011 Share Incentive Plan. Subject to the provisions of our 2011 Share Incentive Plan, the administrator has the power to determine the terms of the awards, including the recipients, the exercise price, the number of shares subject to each such award, the vesting schedule applicable to the awards, together with any vesting acceleration, and the form of consideration payable upon exercise. The administrator also has the authority to modify or amend awards, to prescribe rules and to construe and interpret the 2011 Share Incentive Plan. Our board of directors may delegate limited authority to additional committees with respect to certain employees and consultants to reduce the burden on the board in administering the 2011 Share Incentive Plan.

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Award Agreement. Options, share appreciation rights, restricted shares, or restricted share units granted under the plan are evidenced by an award agreement that sets forth the terms, conditions, and limitations for each grant.

Eligibility. We may grant awards to our employees, directors and consultants of our company. However, we may grant options that are intended to qualify as incentive share-based awards only to our employees and employees of our parent companies and subsidiaries.

Transferability. Unless the administrator provides otherwise, our 2011 Share Incentive Plan does not allow for the transfer of awards other than by will or the laws of descent and distribution and only the recipient of an award may exercise an award during his or her lifetime.

Certain Adjustments. In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under the 2011 Share Incentive Plan, the administrator will make adjustments to one or more of the number and class of shares that may be delivered under the plan and/or the number, class and price of shares covered by each outstanding award and the numerical share limits contained in the plan. In the event of our proposed liquidation or dissolution, the administrator will notify participants as soon as practicable and all awards will terminate immediately prior to the consummation of such proposed transaction.

Change in Control Transactions. Our 2011 Share Incentive Plan provides that in the event of our merger or change in control, as defined in the 2011 Share Incentive Plan, each outstanding award will be treated as the administrator determines, except that if the successor corporation or its parent or subsidiary does not assume or substitute an equivalent award for each outstanding option or share appreciation right, then such option or share appreciation right will be exercisable for a period of time determined by the administrator in its sole discretion. The option or share appreciation right will then terminate upon the expiration of the specified period of time.

Term. Our 2011 Share Incentive Plan will continue in effect for a term of ten years from the later of (a) the date upon its adoption by our board of directors, or (b) the date of the most recent approval by our board of directors or shareholders of an increase in the number of shares reserved for issuance under the 2011 Share Incentive Plan.

Amendment and Termination. Our board of directors has the authority to amend, suspend or terminate the 2011 Share Incentive Plan. We will need to obtain a shareholder approval of any amendment to the 2011 Share Incentive Plan to the extent necessary and desirable to comply with applicable laws.

2013 Share Incentive Plan

We adopted the 2013 Share Incentive Plan in November 2013. The maximum aggregate number of Class A ordinary shares which may be issued pursuant to all awards under the 2013 Share Incentive Plan is 3,350,000. As of February 29, 2020, 173,361 restricted shares under the 2013 Share Incentive plan were outstanding. The following table summarizes, as of February 29, 2019, the outstanding awards we had granted to our directors and officers and to other individuals as a group under the 2013 Share Incentive Plan:

Name	Restricted Shares	Date of Grant	Vesting Schedule
Min Lu	*	March 23, 2017	Approximately four years from the date of grant
Junling Liu	*	December 19, 2016	Approximately four years from each date of grant
Tianruo Pu	*	December 19, 2016	Approximately four years from the date of grant
Dazong Wang	*	December 19, 2016	Approximately four years from the date of grant
Jingyu Zhang	*	April 13, 2017	Approximately four years from the date of grant
Directors and officers as a group	*	Between December 19, 2016 to April 13, 2017	Approximately four years from each date of grant
Other individuals as a group	*	Between May 23, 2016 to April 13, 2017	Approximately four years from each date of grant

* Less than one percent of our total outstanding share capital.

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The following paragraphs summarize the terms of the 2013 Share Incentive Plan:

Types of Awards. The 2013 Share Incentive Plan permits the awards of options, restricted shares and restricted share units. The following briefly describe the principal features of the various awards that may be granted under the 2013 Share Incentive Plan.

- *Options.* Options provide for the right to purchase a specified number of our ordinary shares at a specified price and usually will become exercisable at the discretion of our plan administrator in one or more installments after the grant date. The option exercise price may be paid, subject to the discretion of the plan administrator, in cash or check, in our Class A ordinary shares which have been held by the option holder for such period of time as may be required by our plan administrator, in other property with value equal to the exercise price, through a broker-assisted cashless exercise, or by any combination of the foregoing.
- *Restricted Shares.* A restricted share award is the grant of our Class A ordinary shares which are subject to certain restrictions and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator may also impose other restrictions on the restricted shares, such as limitations on the right to vote or the right to receive dividends.
- *Restricted Share Units.* A restricted share unit award is the grant of the right to receive an ordinary share at a future date and may be subject to forfeiture. Our plan administrator has the discretion to set performance objectives or other vesting criteria that will determine the number or value of restricted share units to be granted. Unless otherwise determined by our plan administrator, a restricted share unit is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator, at the time of grant, specifies the dates on which the restricted share units become fully vested.

Plan Administration. Our board or a committee of one or more members of our board duly authorized for the purpose of the 2013 Share Incentive Plan can act as the plan administrator.

Award Agreement. Options, restricted shares or restricted share units granted under the 2013 Share Incentive Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

Eligibility. We may grant awards to our directors, employees or consultants.

Exercise Price. The exercise price in respect of any option shall be determined by the plan administrator and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the shares. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive.

Term of the Options. The term of each option grant shall normally be no more than ten years from the date of the grant. If the grantee is an employee of ours who owns shares representing more than ten percent of the voting power of all classes of our shares immediately prior to the time the option is granted, then the term of the grant shall be no more than five years from the date of the grant.

Vesting Schedule and Condition. In general, the plan administrator determines the vesting schedule and vesting condition, which is set forth in the award agreement.

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Transfer Restrictions. Unless otherwise determined by the plan administrator, no awards may be transferred other than by will or the laws of descent and distribution. Nevertheless, awards (other than incentive share-based awards) can be transferred to certain persons or entities related to the plan participants.

Termination. The 2013 Share Incentive Plan will expire in 2023 and may be terminated earlier with the approval of our board.

Amended and Restated 2016 Share Incentive Plan

Our board of directors adopted and amended the 2016 Share Incentive Plan, or the Amended and Restated 2016 Plan, in March 2017 and April 2017, respectively. The Amended and Restated 2016 Plan was approved by our parent company, Ping An Insurance (Group) Company of China, Ltd., a company listed on the Hong Kong Stock Exchange, at its general meeting on June 16, 2017 and was subsequently approved, confirmed and ratified by our shareholders at our extraordinary general meeting of shareholders on June 27, 2017. The maximum aggregate number of Class A ordinary shares which may be issued pursuant to all awards under the Amended and Restated 2016 Plan is 4,890,000. As of February 29, 2020, options to purchase 836,507 Class A ordinary shares under the Amended and Restated 2016 Plan at exercise prices ranging from US\$22.19 to US\$85.31 were outstanding. The following table summarizes, as of February 29, 2020, the outstanding options we had granted to our directors and officers and to other individuals as a group under the Amended and Restated 2016 Plan:

Name	Options	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration	Vesting Schedule
Min Lu	*	29.55	July 11, 2017	Ten years after grant date	Approximately four years from the date of grant
	*	77.84	August 29, 2018	Ten years after grant date	Approximately four years from the date of grant
Dong Liu	*	58.68	January 1, 2018	Ten years after grant date	Approximately four years from the date of grant
Jun Zou	*	65.10	December 1, 2017	Ten years after grant date	Approximately four years from the date of grant
	*	77.84	August 29, 2018	Ten years after grant date	Approximately four years from the date of grant
Xiao Wang	*	38.42	November 30, 2017	Ten years after grant date	Approximately four years from the date of grant
Haifeng Shao	*	69.90	March 22, 2018	Ten years after grant date	Approximately four years from the date of grant
	*	77.84	August 29, 2018	Ten years after grant date	Approximately four years from the date of grant
Jingyu Zhang	*	29.55	June 30, 2017	Ten years after grant date	Approximately four years from the date of grant
	*	83.27	April 20, 2018	Ten years after grant date	Approximately four years from the date of grant
	*	85.31	July 3, 2019	Ten years after grant date	Approximately four years from the date of grant
	*	70.02	January 1, 2020	Ten years after grant date	Approximately four years from the date of grant
Directors and officers as a group	*	29.55~85.31	Between June 30, 2017 and January 1, 2020	Ten years after grant date	Approximately four years from each date of grant
Other individuals as a group	*	22.19~85.31	Between June 3, 2016 and July 3, 2019	Ten years after grant date	Approximately three or four years from each date of grant

* Less than one percent of our total outstanding share capital.

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The following paragraphs describe the principal terms of the Amended and Restated 2016 Plan:

Types of Awards. The Amended and Restated 2016 Plan permits the awards of options, restricted shares, restricted share units and share appreciation rights. The following briefly describe the principal features of the various awards that may be granted under the Amended and Restated 2016 Plan.

- *Options.* Options provide for the right to purchase a specified number of our ordinary shares at a specified price and usually will become exercisable at the discretion of our plan administrator in one or more installments after the grant date. The total number of Class A ordinary shares issued and to be issued upon the exercise of the options granted and to be granted to any participant in any 12-month period up to and including the date of grant shall not exceed 1% of the issued and outstanding shares of the Company as at the date of grant. The option exercise price may be paid, subject to the discretion of the plan administrator, in cash or check, in our Class A ordinary shares which have been held by the option holder for such period of time as may be required by our plan administrator, in other property with value equal to the exercise price, through a broker-assisted cashless exercise, or by any combination of the foregoing. For so long as we remain a subsidiary of the Hong Kong Parent, the administration of the Amended and Restated 2016 Plan shall comply with the Hong Kong Listing Rules in respect of options.

The options shall lapse (to the extent not already exercised) automatically on the earliest of: (i) expiry of the term of any option, (ii) the date of termination of employment for certain causes, (iii) expiry of the 60-day period from the date of voluntary resignation of the participant, (iv) the date of termination of such other contract or agreement constituting a participant for his breach of the terms thereof or in accordance with the termination provisions of such contract or agreement by any contracting party, (v) expiry of the three-month period following the occurrence of an event which causes the participant to cease to be an eligible person, including ill-health, injury, disability, death or retirement, (vi) the date on which the resolution to voluntarily wind up the Company is passed and the date of the commencement of winding up of the Company.

- *Restricted Shares.* A restricted share award is the grant of our Class A ordinary shares which are subject to certain restrictions and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator may also impose other restrictions on the restricted shares, such as limitations on the right to vote or the right to receive dividends.
- *Restricted Share Units.* A restricted share unit award is the grant of the right to receive an ordinary share at a future date and may be subject to forfeiture. Our plan administrator has the discretion to set performance objectives or other vesting criteria that will determine the number or value of restricted share units to be granted. Unless otherwise determined by our plan administrator, a restricted share unit is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator, at the time of grant, specifies the dates on which the restricted share units become fully vested.
- *Share Appreciation Rights.* Share appreciation rights may be granted under our Amended and Restated 2016 Plan. Share appreciation rights allow the recipient to receive the appreciation in the fair market value of our Class A ordinary shares between the exercise date and the date of grant. The exercise price of share appreciation rights granted under our Amended and Restated 2016 Plan must at least be equal to the fair market value of our Class A ordinary shares on the grant date. The plan administrator determines the terms of share appreciation rights, including when such rights vest and become exercisable and whether to settle such awards in cash or with our ordinary shares, or a combination thereof. Share appreciation rights expire under the same rules that apply to options.

Plan Administration. Our board or a committee of one or more members of our board duly authorized for the purpose of the Amended and Restated 2016 Plan can act as the plan administrator. Such committee may from time to time in its absolute discretion waive or amend the rules of the Amended and Restated 2016 Plan as it deems desirable, provided that, except with the prior approval of the shareholders of our Company and the shareholders of our Hong Kong Parent (for so long as we remain a subsidiary of the Hong Kong Parent) in general meetings: (i) no alteration to any of the matters set out in Rule 17.03 of the Hong Kong Listing Rules shall be made to the advantage of participants; and (ii) no alteration to the terms and conditions of the Amended and Restated 2016 Plan which are of a material nature or any change to the terms of the options granted may be made, except where the alterations take effect automatically under the existing terms of the Amended and Restated 2016 Plan, provided that as we remain a subsidiary of the Hong Kong Parent, the amended terms must still comply with the relevant requirements of Chapter 17 of the Hong Kong Listing Rules.

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Award Agreement. Options, restricted shares or restricted share units granted under the Amended and Restated 2016 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

Eligibility. We may grant awards to our directors, employees or consultants.

Exercise Price. The exercise price in respect of any option shall be determined by the plan administrator and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the shares. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive. For so long as we remain a subsidiary of the Hong Kong Parent, the determination of the exercise price shall comply with the Hong Kong Listing Rules.

Term of the Options. The term of each option grant shall normally be no more than ten years from the date of the grant. If the grantee is an employee of ours who owns shares representing more than ten percent of the voting power of all classes of our shares immediately prior to the time the option is granted, then the term of the grant shall be no more than five years from the date of the grant.

Vesting Schedule and Condition. In general, the plan administrator determines the vesting schedule and condition, which is set forth in the award agreement.

Transfer Restrictions. Unless otherwise determined by the plan administrator, no awards may be transferred other than by will or the laws of descent and distribution. Nevertheless, awards (other than options) can be transferred to certain persons or entities related to the plan participants.

Termination. The Amended and Restated 2016 Plan will expire in 2027 and may be terminated earlier with the approval of our board.

Amended 2016 Share Incentive Plan II

We adopted the 2016 Share Incentive Plan II (as amended by Amendment No. 1 to the 2016 Share Incentive Plan II), or the Amended 2016 Share Incentive Plan II, in December 2016. The maximum aggregate number of Class A ordinary shares which may be issued pursuant to all awards under the Amended 2016 Share Incentive Plan II is 3,000,000. As of February 29, 2020, 672,011 restricted shares under the Amended 2016 Share Incentive Plan II were outstanding.

The following table summarizes, as of February 29, 2020, the outstanding restricted shares that we had granted to our directors and officers and to other individuals as a group under our Amended 2016 Share Incentive Plan II.

Name	Restricted Shares	Date of Grant	Vesting Schedule
Jun Zou	*	December 1, 2017	Approximately four years from the date of grant
Xiao Wang	*	November 30, 2017	Approximately four years from the date of grant
Haifeng Shao	*	March 22, 2018	Approximately four years from the date of grant
Jingyu Zhang	*	March 22, 2019	Approximately two years from the date of grant
	*	January 1, 2020	Approximately four years from the date of grant
Directors and officers as a group	*	Between November 30, 2017 and January 1, 2020	Approximately one to four years from each date of grant
Other individuals as a group	*	Between April 13, 2017 and December 3, 2019	Approximately one to four years from each date of grant

* Less than one percent of our total outstanding share capital.

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The following paragraphs describe the principal terms of the Amended 2016 Share Incentive Plan II:

Types of Awards. The Amended 2016 Share Incentive Plan II permits the awards of restricted shares. A restricted share award is the grant of our Class A ordinary shares which are subject to certain restrictions and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator may also impose other restrictions on the restricted shares, such as limitations on the right to vote or the right to receive dividends.

Plan Administration. Our board or a committee of one or more members of our board duly authorized for the purpose of the Amended 2016 Share Incentive Plan II can act as the plan administrator.

Award Agreement. Restricted shares granted under the Amended 2016 Share Incentive Plan II are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

Eligibility. We may grant awards to our directors, employees or consultants.

Vesting Schedule and Condition. In general, the plan administrator determines the vesting schedule and condition, which is set forth in the award agreement.

Transfer Restrictions. Unless otherwise determined by the plan administrator, no awards may be transferred other than by will or the laws of descent and distribution, or to certain persons or entities related to the plan participants.

Termination. The Amended 2016 Share Incentive Plan II will expire in 2026 and may be terminated earlier with the approval of our board of directors.

C. Board Practices

Our board of directors consists of seven directors. A director is not required to hold any shares in the Company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he or she is materially interested provided (a) such director, if his or her interest in such contract or arrangement is material, has declared the nature of his or her interest at the earliest meeting of the board at which it is practicable for him or her to do so, either specifically or by way of a general notice and (b) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee. The directors may exercise all the powers of the company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

We have established three committees under the board of directors: the audit committee, the compensation committee and the nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

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Audit Committee. Our audit committee consists of Messrs. Tianruo Pu, Dazong Wang and Junling Liu. Mr. Tianruo Pu is the chairman of our audit committee. We have determined that Messrs. Tianruo Pu, Dazong Wang and Junling Liu satisfy the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual and Rule 10A-3 under the Securities Exchange Act of 1934. In addition, our board of directors has determined that Mr. Tianruo Pu qualifies as an audit committee financial expert as defined in Item 16A of Form 20-F. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and preapproving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management’s response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

In 2019, our audit committee held meetings or passed resolutions by unanimous written consent six times.

Compensation Committee. Our compensation committee consists of Messrs. Min Lu, Zheng Liu and Dazong Wang. Mr. Min Lu is the chairman of our compensation committee. We have determined that Dr. Dazong Wang satisfies the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our nonemployee directors; and
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements.

In 2019, our compensation committee held meetings or passed resolutions by unanimous written consent five times.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Messrs. Min Lu and Tianruo Pu and Ms. Han Qiu. Mr. Min Lu is the chairperson of our nominating and corporate governance committee. We have determined that Mr. Tianruo Pu satisfies the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;

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- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

In 2019, our nominating and corporate governance committee held meetings or passed resolutions by unanimous written consent three times.

Duties of Directors

Under Cayman Islands law, our directors have a duty to act honestly in good faith with a view to our best interests. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. Our company has the right to seek damages if a duty owed by our directors is breached.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board of directors. At each annual general meeting, one-third of our directors then existing, or if their number is not a multiple of three, then the number nearest to and not exceeding one-third, shall retire from office by rotation, provided that the chairman of the board and/or our chief executive officer shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

D. Employees

We had 4,097, 4,335 and 4,198 employees as of December 31, 2017, 2018 and 2019, respectively. The following table sets forth the number of our employees by function as of December 31, 2019:

Functional Area	Number of Employees
Sales and marketing	1,721
Product development	1,790
Content and editorial	501
Management and administrative	186
Total	4,198

Through a combination of short-term performance evaluations and long-term incentive arrangements, we intend to build a competent, loyal and highly motivated workforce. We have not experienced any work stoppages due to labor disputes.

E. Share Ownership

Class A Ordinary Shares

As of February 29, 2020, we had 119,077,249 Class A ordinary shares outstanding (excluding 1,085,051 Class A ordinary shares that are reserved for future grants under our share incentive plans). In addition, as of February 29, 2020, we had granted, and had outstanding, options to purchase a total of 847,635 Class A ordinary shares and 845,372 restricted shares to our employees and directors. For information regarding the Share Incentive Plans, see “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers.”

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Class B Ordinary Shares

As of February 29, 2020, we did not have any Class B ordinary shares outstanding.

Beneficial Ownership of Ordinary Shares

Except as specifically noted in the table, the following table sets forth information with respect to the beneficial ownership of our Class A ordinary shares as of February 29, 2020:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our ordinary shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Class A Ordinary Shares Beneficially Owned as of February 29, 2020	
	Number	% ⁽¹⁾
Directors and Executive Officers:		
Min Lu ⁽²⁾	*	*
Dong Liu ⁽³⁾	*	*
Han Qiu ⁽⁴⁾	—	—
Zheng Liu ⁽⁵⁾	—	—
Junling Liu ⁽⁶⁾	*	*
Tianruo Pu ⁽⁷⁾	*	*
Dazong Wang ⁽⁸⁾	*	*
Jun Zou ⁽⁹⁾	*	*
Xiao Wang ⁽¹⁰⁾	*	*
Haifeng Shao ⁽¹¹⁾	*	*
Jingyu Zhang ⁽¹²⁾	*	*
All Directors and Executive Officers as a Group	*	*
Principal Shareholders:		
Yun Chen ⁽¹³⁾	61,824,328	51.9%
Entities Affiliated with Kayne Anderson ⁽¹⁴⁾	10,936,971	9.2%
Entities Affiliated with Orbis Investment ⁽¹⁵⁾	8,978,526	7.5%
Standard Life Aberdeen Plc ⁽¹⁶⁾	6,346,614	5.3%

* Less than one percent of our total outstanding share capital.

Notes:

- (1) For each person and group included in this column, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of the total number of our total ordinary shares outstanding, which is 119,077,249 as of February 29, 2020, and the number of shares such person or group has the right to acquire upon exercise of option, warrant or other right within 60 days after February 29, 2020.
- (2) Represents Class A ordinary shares in the form of ADSs vested from options and restricted shares held by Mr. Lu. The business address of Mr. Lu is 18th Floor, Tower B, CEC Plaza, No. 3 Dan Ling Street, Haidian District, Beijing 100080, People's Republic of China.
- (3) Represents Class A ordinary shares in the form of ADSs vested from options held by Mr. Liu. The business address of Mr. Liu is Ping An Finance Building, No. 1333 Lujiazui Loop, Pudong District, Shanghai 200120, People's Republic of China.
- (4) The business address of Ms. Qiu is Block A, Poly West Bund Center, No. 1119, Wanping South Road, Xuhui District, Shanghai 200232, People's Republic of China.
- (5) The business address of Mr. Liu is No. 5033, Yitian Road, Futian District, Shenzhen 518000, People's Republic of China.
- (6) Represents Class A ordinary shares in the form of ADSs vested from restricted shares held by Mr. Liu. The business address of Mr. Liu is Lane 572, Bibo Road, Pudong District, Shanghai, 201203, People's Republic of China.

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- (7) Represents Class A ordinary shares in the form of ADSs vested from restricted shares held by Mr. Pu. The address of Mr. Pu is Jing Shu Yuan, Haidian District, Beijing 100102, People's Republic of China.
- (8) Represents Class A ordinary shares in the form of ADSs vested from restricted shares held by Dr. Wang. The business address of Dr. Wang is 502 North Tower, 1 Guanghua Road, Chaoyang District, Beijing, 100020, People's Republic of China.
- (9) Represents Class A ordinary shares in the form of ADSs vested from options held by Mr. Zou. The business address of Mr. Zou is 18th Floor, Tower B, CEC Plaza, No. 3 Dan Ling Street, Haidian District, Beijing 100080, People's Republic of China.
- (10) Represents Class A ordinary shares in the form of ADSs vested from options and restricted shares held by Mr. Wang. The business address of Mr. Wang is 18th Floor, Tower B, CEC Plaza, No. 3 Dan Ling Street, Haidian District, Beijing 100080, People's Republic of China.
- (11) Represents Class A ordinary shares Mr. Shao has the right to acquire upon exercise of options and restricted shares within 60 days after February 29, 2020. The business address of Mr. Shao is 18th Floor, Tower B, CEC Plaza, No. 3 Dan Ling Street, Haidian District, Beijing 100080, People's Republic of China.
- (12) Represents Class A ordinary shares Mr. Zhang has the right to acquire upon exercise of options and restricted shares within 60 days after February 29, 2020. The business address of Mr. Zhang is 18th Floor, Tower B, CEC Plaza, No. 3 Dan Ling Street, Haidian District, Beijing 100080, People's Republic of China.
- (13) Represents 61,824,328 Class A ordinary shares beneficially owned as of February 29, 2020 and as reported in a Schedule 13D/A filed by Yun Chen, a Cayman Islands company and a special purpose vehicle and subsidiary of Ping An Insurance (Group) Company of China, Ltd., a company organized under the laws of the People's Republic of China. Ping An Insurance (Group) Company of China, Ltd.'s business address is Ping An Finance Building, No. 1333 Lujiazui Loop, Pudong District, Shanghai 200120, People's Republic of China.
- (14) The number of Class A ordinary shares beneficially owned is as of December 31, 2019, as reported in a Schedule 13G/A jointly filed with the SEC on February 13, 2020 by Kayne Anderson Rudnick Investment Management LLC, or Kayne Anderson, and Virtus Investment Advisers, Inc., which are collectively referred to as the Entities Affiliated with Kayne Anderson, and consists of 10,936,971 Class A ordinary shares represented by American depositary shares. Entities Affiliated with Kayne Anderson are investment advisers in accordance with §240.13d-1(b)(1)(ii)(E). Kayne Anderson's business address is 1800 Avenue of the Stars, 2nd Floor, Los Angeles, CA 90067, USA. Virtus Investment Advisers, Inc.'s business address is One Financial Plaza, Hartford, CT 06103, USA.
- (15) The number of Class A ordinary shares beneficially owned is as of December 31, 2019, as reported in a Schedule 13G/A jointly filed with the SEC on February 18, 2020 by Orbis Investment Management Limited, or Orbis Investment, and Allan Gray Australia Pty Limited, which are collectively referred to as the Entities Affiliated with Orbis Investment, and consists of 8,978,526 Class A ordinary shares represented by American depositary shares. Entities Affiliated with Orbis Investment are non-U.S. institutions in accordance with 240.13d-1(b)(1)(ii)(J) and groups in accordance with 240.13d-1(b)(1)(ii)(K). Orbis Investment's business address is Orbis House, 25 Front Street, Hamilton Bermuda HM11. Allan Gray Australia Pty Limited's business address is Level 2, Challis House, 4 Martin Place, Sydney NSW2000, Australia.
- (16) The number of Class A ordinary shares beneficially owned is as of December 31, 2019, as reported in a Schedule 13G/A filed with the SEC on February 11, 2020 by Standard Life Aberdeen Plc, and consists of 6,346,614 Class A ordinary shares represented by American depositary shares. Standard Life Aberdeen Plc is an investment adviser in accordance with §240.13d-1(b)(1)(ii)(E). Standard Life Aberdeen Plc's business address is 1 George Street, Edinburgh, X0 Eh2 2ll.

To our knowledge, as of February 29, 2020, 57,252,921 Class A ordinary shares were held by one record holder in the United States, which was Deutsche Bank Trust Company Americas, the depository of our ADS program (excluding 1,085,051 Class A ordinary shares that are reserved for future grants under our share incentive plans). No Class B ordinary shares were held by record holders in the United States. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our Class A ordinary shares in the United States.

ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholder

As of February 29, 2020, Yun Chen owned 51.9% of our total issued and outstanding ordinary shares. Yun Chen is a wholly owned subsidiary of Ping An Insurance (Group) Company of China, Ltd. As such, we are indirectly controlled by Ping An Insurance (Group) Company of China, Ltd., which beneficially owned 51.9% of the total voting rights in our company.

Please refer to "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

B. Related Party Transactions

Contractual Arrangements with Our Variable Interest Entities

PRC laws and regulations currently limit foreign ownership of companies that engage in internet services. We established the following contractual arrangements by and among the following entities to conduct part of our operations in China:

- Autohome WFOE, a wholly owned PRC subsidiary of ours, Autohome Information, the shareholders of Autohome Information and two subsidiaries of Autohome Information, namely Chengshi Advertising and Autohome Advertising; and
- Chezhiying WFOE, a wholly owned PRC subsidiary of ours, Shengtuo Hongyuan, the shareholders of Shengtuo Hongyuan and two subsidiaries of Shengtuo Hongyuan, namely Beijing Autohome Used Car Appraisal Co., Ltd., or Autohome Used Car Appraisal, and Beijing Autohome Used Car Brokerage Co., Ltd., or Autohome Used Car Brokerage.

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 have been terminated. Autohome WFOE entered into a series of contractual agreements with (i) Autohome Information and each of its individual nominee shareholders in March 2017, (ii) Autohome Information and each of its subsidiaries, namely Autohome Advertising and Chengshi Advertising, in September 2016, and (iii) 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. Shanghai Advertising currently is not conducting any business and is in the process of liquidation and dissolution. Autohome WFOE has signed the termination agreements with respect to the contractual agreements that it has entered into with Shanghai Advertising and each of their individual nominee shareholders to terminate the contractual arrangements on the date of the issuance of an approval notice for the deregistration of Shanghai Advertising by the competent Bureau of Industry and Commerce in charge of Shanghai Advertising. We also entered into a series of contractual arrangements with Guangzhou You Che You Jia Advertising Co., Ltd., or Guangzhou Advertising, and each of its then individual nominee shareholders previously. We have terminated such agreements and have completed the dissolution and deregistration of Guangzhou Advertising in December 2018.

The following is a summary of our current contractual arrangements (i) by and among Autohome WFOE, Autohome Information and two of its subsidiaries, Autohome Advertising and Chengshi Advertising, and the shareholders of Autohome Information, and (ii) by and among Chezhiying WFOE, Shengtuo Hongyuan and its two subsidiaries, and the shareholders of Shengtuo Hongyuan. The contractual agreements by and among Autohome WFOE and Shanghai Advertising and its shareholders are substantially the same as the contractual agreements among Autohome WFOE, Autohome Information and its shareholders.

Agreements that Provide Effective Control over Autohome Information and Shengtuo Hongyuan

Equity Interest Pledge Agreements. Pursuant to the equity interest pledge agreements between Autohome WFOE and each of the two shareholders of Autohome Information entered into in March 2017, each shareholder of Autohome Information pledges to Autohome WFOE all of his or her equity interests in Autohome Information to secure the performance of such shareholder's respective obligations and Autohome Information's obligations under the loan agreements, equity option agreements, and the exclusive technology consulting and service agreements. See “—Contractual Arrangements with Our Variable Interest Entities—Agreements that Transfer Economic Benefits of Autohome Information and Shengtuo Hongyuan to Us” and “—Contractual Arrangements with Our Variable Interest Entities—Agreements that Provide Us the Options to Purchase the Equity Interests in Autohome Information and Shengtuo Hongyuan” for a brief description of these obligations. Without Autohome WFOE's consent, shareholders of Autohome Information shall not create or permit to create any encumbrances on the pledged equity interests in Autohome Information. In the event of default, Autohome WFOE is entitled to request immediate repayment of the outstanding amounts payable under the loan agreements, the equity option agreements and the exclusive technology consulting and service agreements or to dispose of the pledged equity interests at Autohome WFOE's sole discretion. The equity pledge agreements have an indefinite term and will terminate after all the secured obligations under these agreements have been satisfied in full or the pledged equity interests have been transferred to Autohome WFOE or its designee.

Pursuant to the equity interest pledge agreements between Autohome WFOE and Autohome Information entered into in September 2016, Autohome Information pledges to Autohome WFOE all of its equity interests in Chengshi Advertising and Autohome Advertising to secure the performance of its obligations under the equity option agreements and the obligations of Chengshi Advertising and Autohome Advertising under the exclusive technology consulting and service agreements. These equity interest pledge agreements contain substantially the same terms as the equity interest pledge agreements between Autohome WFOE and the shareholders of Autohome Information.

In September 2016, Chezhiying WFOE and each of the shareholders of Shengtuo Hongyuan entered into equity interest pledge agreements. The terms of these agreements are substantially the same as the equity interest pledge agreements between Autohome WFOE and each of the two shareholders of Autohome Information described above. In September 2016, Chezhiying WFOE and Shengtuo Hongyuan entered into equity interest pledge agreements. The terms of these agreements are substantially the same as the equity interest pledge agreements between Autohome WFOE and Autohome Information. As of the date of this annual report, we have completed the registration for the equity interest pledge agreements between Autohome WFOE and Autohome Information's individual shareholders, and between Chezhiying WFOE and Shengtuo Hongyuan's individual shareholders.

Power of Attorney. In September 2016 and March 2017, Autohome Information and each of the shareholders of Autohome Information executed an irrevocable power of attorney appointing Autohome WFOE, or any person designated by Autohome WFOE, as their attorney-in-fact, to vote on their behalf at the shareholders' meetings of Autohome Advertising, Chengshi Advertising and Autohome Information and to exercise full voting rights as the shareholders of these companies with powers granted under PRC laws and regulations and the articles of association of each of the above companies, including the rights to appoint directors and management personnel.

In September 2016, Shengtuo Hongyuan and each of the shareholders of Shengtuo Hongyuan executed an irrevocable power of attorney appointing Chezhiying WFOE, or any person designated by Chezhiying WFOE, as their attorney-in-fact, to vote on their behalf at the shareholders' meetings of Shengtuo Hongyuan's subsidiaries and Shengtuo Hongyuan and to exercise full voting rights as the shareholders of these companies with powers granted under PRC laws and regulations and the articles of association of each of the above companies, including the rights to appoint directors and management personnel.

Agreements that Transfer Economic Benefits of Autohome Information and Shengtuo Hongyuan to Us

Exclusive Technology Consulting and Service Agreements. Pursuant to the exclusive technology consulting and service agreements entered into between Autohome WFOE and each of Autohome Information, Autohome Advertising and Chengshi Advertising in March 2017, September 2016 and September 2016, respectively, Autohome WFOE has the exclusive right to provide each of these VIEs comprehensive technology and management consulting services. In addition, Autohome WFOE is obligated to provide financing support to each of these VIEs to ensure the cash flow requirements of the day-to-day operations of these VIEs. Each of these VIEs is obligated to pay to Autohome WFOE service fees, which are calculated based on such VIE's revenues reduced by its tax, operating expenses and an appropriate amount of retained profit that is determined pursuant to our tax planning strategies and relevant tax laws. Such service fees may be adjusted by Autohome WFOE at Autohome WFOE's sole discretion. Autohome WFOE owns the intellectual properties arising from the performance of these agreements. These agreements have a 30-year term that can be automatically extended for another 10 years at the option of Autohome WFOE and can only be terminated by the parties' mutual written consent or by Autohome WFOE's prior 30-day notice at its sole discretion. During the term of these agreements, these VIEs may not enter into any agreements with third parties for the provision of any technology or management consulting services without prior consent of Autohome WFOE.

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In September 2016, Chezhiying WFOE and each of Shengtuo Hongyuan and its two subsidiaries entered into exclusive technology consulting and service agreements. The terms of these agreements are substantially the same as the exclusive technology consulting and service agreements between Autohome WFOE and each of Autohome Information, Autohome Advertising and Chengshi Advertising described above.

Autohome WFOE and Chezhiying WFOE recognized service fees from all the VIEs in the amount of RMB414.8 million in 2017, RMB289.5 million in 2018 and RMB221.7 million (US\$31.8 million) in 2019 in consideration for services provided to the VIEs.

Loan Agreements. Pursuant to the loan agreements between Autohome WFOE and each of the two shareholders of Autohome Information entered into in March 2017, Autohome WFOE granted interest-free loans to these two shareholders of Autohome Information. The loans are to be used solely for the purpose of making capital contributions to the registered capital of Autohome Information. The term of the loans is indefinite and must be repaid in the manner specified in the agreements upon written notice from Autohome WFOE at any time in Autohome WFOE's sole discretion or upon an event of default by the shareholders of Autohome Information.

In September 2016, Chezhiying WFOE and each of the shareholders of Shengtuo Hongyuan entered into loan agreements. The terms of these agreements are substantially the same as the loan agreements between Autohome WFOE and each of the two shareholders of Autohome Information described above.

Agreements that Provide Us the Options to Purchase the Equity Interests in Autohome Information and Shengtuo Hongyuan

Equity Option Agreements. Pursuant to the equity option agreements among Autohome WFOE, Autohome Information and each of the two shareholders of Autohome Information entered into in March 2017, each shareholder of Autohome Information jointly and severally grants to Autohome WFOE an option to purchase all or part of his or her equity interests in Autohome Information at a price equivalent to the lowest price permitted by PRC law. The purchase price is to be offset against the loan repayments under the loan agreements. If there will be additional payments to be made by Autohome Information to these shareholders required by the PRC law, these shareholders must immediately return the received payments to Autohome WFOE. Autohome WFOE may exercise its option at any time or transfer the rights and obligations under the equity option agreement to any of its designated parties. The equity option agreements have an indefinite term and will terminate at the earlier of (i) the date on which the equity interests in Autohome Information have been transferred to Autohome WFOE or its designated parties, or (ii) the unilateral termination by Autohome WFOE.

Pursuant to the equity option agreements among Autohome WFOE, Autohome Information and two of Autohome Information's subsidiaries, namely Autohome Advertising and Chengshi Advertising, entered into in September 2016, Autohome Information granted Autohome WFOE or its designated parties an option to purchase all or part of Autohome Information's equity interests in these Autohome Information subsidiaries at a price equivalent to the lowest price permitted by PRC law. Autohome WFOE may exercise its option at any time. The equity option agreements have an indefinite term and will terminate at the earlier of (i) the date on which all of Autohome Information's equity interests in these subsidiaries have been transferred to Autohome WFOE or its designated parties, or (ii) the unilateral termination by Autohome WFOE.

In September 2016, Chezhiying WFOE, Shengtuo Hongyuan and each of the shareholders of Shengtuo Hongyuan entered into equity option agreements. The terms of these agreements are substantially the same as the equity option agreements among Autohome WFOE, Autohome Information and each of the two shareholders of Autohome Information described above. In September 2016, Chezhiying WFOE, Shengtuo Hongyuan and each of the two subsidiaries of Shengtuo Hongyuan entered into equity option agreements. The terms of these agreements are substantially the same as the equity option agreements among Autohome WFOE, Autohome Information and each of Autohome Advertising and Chengshi Advertising.

Transactions with Entities Affiliated with Our Shareholders

Since Ping An Group became our controlling shareholder, it provided services including rental and property management services, technical services and other miscellaneous services, and assets to us for a total amount of RMB55.2 million in 2017, RMB88.7 million in 2018 and RMB107.7 million (US\$15.5 million) in 2019.

We earned service fees primarily for providing facilitation services related to insurance products and loan and leasing product transactions for Ping An Group or its affiliates on our platform as well as providing advertising services to Ping An Group for a total amount of RMB21.2 million in 2017, RMB473.5 million in 2018 and RMB447.0 million (US\$64.2 million) in 2019.

Since Ping An Group became our controlling shareholder, we and a subsidiary of Ping An Group entered into a sales contract under which we sold vehicles to the subsidiary for a total amount of RMB21.9 million in 2016. The outstanding receivable was collected in full as of December 31, 2016.

Investor's Rights Agreements

We entered into an investor's rights agreement with Yun Chen on September 30, 2016. Under this investor's rights agreement, so long as Yun Chen holds at least 20% of our issued and outstanding shares, (i) we must permit Yun Chen and its designated representatives, at their own cost and expense, at reasonable times and upon reasonable prior notice to us, to review our books and records and to discuss our financial condition with our officers; and (ii) we must provide to Yun Chen our financial statements stated in the investor's rights agreement so long as its external auditor considers it to be necessary to consolidate our financial statements into Yun Chen's financial statements in accordance with the PRC accounting standards.

Employment Agreements

See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Employment Agreements" for a description of the employment agreements we have entered into with our senior executive officers.

Share Incentive Plans

See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Share Incentive Plans" for a description of share-based compensation awards we have granted to our directors and officers and to other individuals as a group.

See Note 12 to our financial statements for further information about our related party transactions.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8 FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

From time to time, we 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.

Dividend Policy

Our board of directors has complete discretion to declare dividends.

In November 2017, our board of directors declared a special cash dividend to the holders of our ordinary shares of record as of the close of business on January 4, 2018, or the Record Date. We paid a cash dividend of US\$0.76 per share (inclusive of applicable fees payable to our depository bank) on or about January 15, 2018 to the holders of our ordinary shares as of the Record Date.

On November 4, 2019, our board of directors resolved to adopt a regular dividend policy. Under this policy, we may issue recurring cash dividend every year from 2020 in an amount of approximately 20% of the net income generated in the previous fiscal year, with the exact amount to be determined by our directors based on our financial performance and cash position prior to the distribution. On February 19, 2020, our board of directors declared cash dividend of US\$0.77 per ordinary share (or per ADS) in favor of holders of our Class A ordinary shares as of the close of business on April 15, 2020 in accordance of the dividend policy, which cash dividend was scheduled to be paid on or about April 22, 2020.

Despite the dividend policy in place, our board of directors has the authority to decide the timing and amount of any future dividends, if any, based 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.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Item 4. Information on the Company—B. Business Overview—PRC Regulation—Regulations on Dividend Distribution.”

If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Item 12. Description of Securities other than Equity Securities—D. American Depositary Shares.” Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9 THE OFFER AND LISTING

A. Offering and Listing Details

See “—C. Markets.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on the NYSE since December 11, 2013 under the symbol “ATHM.”

D. Selling Shareholders

Not applicable.

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E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10 ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands company and our affairs are governed by our memorandum and articles of association and the Companies Law of the Cayman Islands, referred to as the Companies Law below. The following are summaries of certain provisions of our memorandum and articles of association in effect as of the date of this annual report insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is located at 2nd Floor Harbour Center 42 North Church Street George Town, Grand Cayman, Cayman Islands. The memorandum of association provides, *inter alia*, that the liability of the shareholders of our company is limited to the amount, if any, for the time being unpaid on the ordinary shares. The objects for which our company is established are unrestricted (including acting as an investment company), and we shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that we are an exempted Company, we will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of our business carried on outside the Cayman Islands.

Board of Directors

See “Item 6. Directors, Senior Management and Employees—C. Board Practices—Duties of Directors” and “—Terms of Directors and Officers.”

Ordinary Shares

General

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. All of our outstanding ordinary shares, which consist of Class A ordinary shares, are fully paid and non-assessable. Certificates representing the Class A ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and transfer their Class A ordinary shares.

Class Rights of our Class A and Class B Ordinary Shares

Subject to our fourth memorandum and articles of association and any resolution of the shareholders to the contrary and without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares, the Class A ordinary shares and Class B ordinary shares carry equal rights and rank *pari passu* with one another other than as set out below.

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Conversion

Subject to the provisions of our fourth amended and restated memorandum and articles of association and in compliance with all fiscal and other laws and regulations applicable thereto, a holder of Class B ordinary shares shall have the right to convert all or any of its Class B ordinary shares into Class A ordinary shares on a one-for-one basis. We previously had Class B ordinary shares held by Telstra. As a result of the sale by Telstra to Yun Chen in June 2016, all of our then outstanding Class B ordinary shares were converted into Class A ordinary shares. As of the date of this annual report, we do not have any Class B ordinary shares outstanding.

A holder of Class A ordinary shares has no rights of conversion in respect of each such Class A ordinary share into Class B ordinary shares.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by us in general meeting or by our board of directors subject to the Companies Law and to the fourth amended and restated memorandum and articles of association.

Voting Rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting every holder of Class A ordinary shares who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote on a show of hands, and on a poll every shareholder holding Class A ordinary shares present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly appointed representative) shall have one vote for each fully paid Class A ordinary share of which such shareholder is the holder. As a result of the sale by Telstra to Yun Chen in June 2016, all of our then outstanding Class B ordinary shares were converted into Class A ordinary shares.

A quorum required for a meeting of shareholders consists of two shareholders entitled to vote and present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative holding at least one third of the voting rights represented by the issued and outstanding ordinary shares throughout the meeting. We may, but are not obligated to, hold a general meeting in each year as our annual general meeting. The annual general meeting shall be held at such time and place as may be determined by the directors. Each general meeting, other than an annual general meeting, shall be an extraordinary general meeting. A majority of our board of directors or our chairman may call extraordinary general meetings. Advance notice of at least ten clear days is required for the convening of our annual general meeting and other shareholders' meetings. The agenda of any extraordinary general meeting will be set by a majority of the directors then in office.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of at least two-thirds of the votes cast attaching to the outstanding ordinary shares. A special resolution will be required for important matters such as a change of name or making changes to our fourth amended and restated memorandum and articles of association.

Transfer of Ordinary Shares

Subject to the restrictions of our fourth amended and restated memorandum and articles of association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

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- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required; and
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four.

If our directors refuse to register a transfer, they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of the Designated Stock Exchange (as defined in the fourth amended and restated memorandum and articles of association), be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

Liquidation

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. The amount received by holders of Class A ordinary shares and Class B ordinary shares should be the same in any liquidation event. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption of Ordinary Shares

Subject to the provisions of the Companies Law, we may repurchase or redeem shares at our option or at the option of the holders of these shares, on such terms and in such manner, including out of capital, as may be determined by our board of directors.

Variations of Rights of Shares

All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

General Meetings of Shareholders

Shareholders' meetings may be convened by a majority of our board of directors or our chairman. Advance notice of at least ten clear days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders. In addition, general meetings will also be convened on the requisition in writing of any shareholder or shareholders entitled to attend and vote at our general meetings holding at least one third of the voting rights represented by our issued voting shares.

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Appointment of Directors

Our shareholders may by ordinary resolution elect any person to fill a casual vacancy or as an addition to the existing board.

The directors will also have the power from time to time and at any time to appoint any person as a director to fill a casual vacancy on the board or as an addition to the existing board.

Inspection of Books and Records

Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will allow our shareholders to inspect our register of members and provide our shareholders with annual audited financial statements.

Pursuant to the investor's rights agreement we have with the Yun Chen and other shareholders, Yun Chen has the right to access our books and records so long as it holds in aggregate at least 20% of our issued and outstanding share capital.

Issuance of Additional Preferred Shares

Our fourth amended and restated memorandum of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our fourth amended and restated memorandum of association authorizes our board of directors to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preferred shares without action by our shareholders to the extent authorized but unissued. The issuance of preferred shares may be used as an anti-takeover device without further action on the part of the shareholders. Issuance of these shares may dilute the voting rights of holders of ordinary shares.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described elsewhere in "Item 4. Information on the Company—B. Business Overview," "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions," or elsewhere in this annual report.

D. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—PRC Regulation—Regulations on Foreign Exchange."

E. Taxation

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes levied by the Government of the Cayman Islands that are likely to be material to holders of ADSs or Class A ordinary shares. The Cayman Islands is not party to any double tax treaties, except for a double tax treaty entered into with the United Kingdom in 2010. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and
- (b) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of 20 years from July 22, 2008.

People's Republic of China Taxation

We are a holding company incorporated in the Cayman Islands, which indirectly holds Autohome WFOE, Chezhiying WFOE and other subsidiaries in the PRC. Our business operations are principally conducted through our PRC subsidiaries and VIEs. Although we believe we are not a PRC resident enterprise for enterprise income tax purposes, substantial uncertainty exists. In the event that our company or any of our offshore entities, is considered to be a PRC resident enterprise: (a) our company or our offshore entities, as the case may be, would be subject to the PRC enterprise income tax at the rate of 25% on worldwide income; and (b) dividend income that our company or our offshore entities, as the case may be, receives from our PRC subsidiaries would be exempt from the PRC withholding tax since such income is exempted under the Enterprise Income Tax Law for PRC resident enterprise; and (c) any dividends we pay to our non-PRC shareholders or ADS holders as well as gains realized by such shareholders or ADS holders from the transfer of our shares or ADSs may be regarded as China-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%, subject to reduction or exemption by an applicable treaty. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—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.”

As uncertainties remain regarding the interpretation and implementation of the Enterprise Income Tax Law and its implementation rules, we cannot assure you that, if we are deemed a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would not be subject to any PRC withholding tax. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—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.”

United States Federal Income Tax Considerations

The following discussion is a summary of United States federal income tax considerations relating to the ownership and disposition of our ADSs or Class A ordinary shares by U.S. Holders (as defined below) that will hold ADSs or Class A ordinary shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the “Code”). This discussion is based upon applicable provisions of the Code, Treasury regulations (proposed, temporary and final) promulgated thereunder, pertinent judicial decisions, interpretive rulings of the Internal Revenue Service and such other authorities as we have considered relevant, which are subject to change, possibly with retroactive effect. This discussion does not address all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, certain financial institutions, insurance companies, broker-dealers, pension plans, regulated investment companies, real estate investment trusts, cooperatives, and tax-exempt organizations (including private foundations), holders who are not U.S. Holders, holders who own (directly, indirectly, or constructively) 10% or more of our stock (by vote or value), investors that will hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, investors that are traders in securities that have elected the mark-to-market method of accounting, investors required to accelerate the recognition of any item of gross income with respect to our ADSs or Class A ordinary shares as a result of such income being recognized on an applicable financial statement or investors that have a functional currency other than the United States dollar), all of whom may be subject to tax rules that differ significantly from those discussed below. In addition, this discussion does not address United States federal estate, gift, Medicare, and alternative minimum tax considerations, or any non-United States, state, or local tax considerations. Each U.S. Holder is urged to consult its tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in ADSs or Class A ordinary shares.

General

For purposes of this summary, a “U.S. Holder” is a beneficial owner of our ADSs or Class A ordinary shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation for United States federal income tax purposes, created in, or organized under the laws of the United States or any state thereof or the District of Columbia, or treated as such for United States federal income tax purposes, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a United States person under the Code.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of our ADSs or Class A ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner of a partnership holding our ADSs or Class A ordinary shares, the U.S. Holder is urged to consult its tax advisors regarding an investment in our ADSs or Class A ordinary shares.

It is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner, for United States federal income tax purposes, of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of our Class A ordinary shares for our ADSs will not be subject to United States federal income tax.

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be classified as a “passive foreign investment company” (or a “PFIC”), for United States federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year produce or are held for the production of passive income (the “asset test”). Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash is categorized as a passive asset and the company’s goodwill and other unbooked intangibles associated with active business activity are taken into account as non-passive assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock.

Although the law in this regard is unclear, we treat our VIEs as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operation in our consolidated financial statements. If it were determined, however, that we are not the owner of our VIEs for United States federal income tax purposes, we would likely be treated as a PFIC for our current and any subsequent taxable year.

Furthermore, the determination of whether we will be or become a PFIC will depend, 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. 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 our becoming a PFIC for the current or subsequent taxable years.

Assuming we are the owner of our VIEs for U.S. federal income tax purposes, we believe that we primarily operate as an active provider of online automotive advertising solutions in China. Based on our current income and assets, we do not believe that we were a PFIC for the taxable year ended December 31, 2019 and do not anticipate becoming a PFIC in the current taxable year or in future taxable years. While we do not believe that we were a PFIC for the taxable year ended December 31, 2019 and do not anticipate becoming a PFIC for the current taxable year or 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, the determination of whether we will be or become a PFIC will depend, in part, upon the value of our goodwill and other unbooked intangibles (which will depend upon the market value of our ADSs from time to time, which may be volatile). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our current market capitalization. If our market capitalization subsequently declines, we may be or become classified as a PFIC for the current taxable year or future taxable years. It is also possible that the Internal Revenue Service may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our company being or becoming a PFIC for the current taxable year or foreseeable future.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, the PFIC tax rules discussed below under “Passive Foreign Investment Company Rules” generally will apply to such U.S. Holder for such taxable year and, unless the U.S. Holder makes certain elections, will apply in future years even if we cease to be a PFIC in subsequent years. The discussion below under “Dividends” and “Sale or Other Disposition of ADSs or Class A Ordinary Shares” is written on the basis that we will not be classified as a PFIC for United States federal income tax purposes.

Dividends

Any cash distributions (including the amount of any PRC tax withheld, if any) paid on ADSs or Class A ordinary shares out of our earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of Class A ordinary shares, or by the depository bank, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid will generally be treated as a “dividend” for United States federal income tax purposes. Non-corporate U.S. Holders receiving dividend income generally will be subject to tax on such dividend income from a “qualified foreign corporation” at a lower applicable capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period and other requirements are met. A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (i) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States, or (ii) if it is eligible for the benefits of a comprehensive tax treaty with the United States that the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and that includes an exchange of information program. Our ADSs are listed on the NYSE, which is an established securities market in the United States, and will be considered readily tradable on an established securities market for as long as the ADSs continue to be listed on such exchange. Thus, we believe that we will be a qualified foreign corporation with respect to dividends we pay on our ADSs, but there can be no assurance that our ADSs will continue to be considered readily tradable on an established securities market in later years.

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Since we do not expect that our Class A ordinary shares be listed on established securities markets, it is unclear whether dividends that we pay on our ordinary shares that are not backed by ADSs currently meet the requirements for the reduced tax rate. However, in the event that we are deemed to be a PRC resident enterprise under the Enterprise Income Tax Law (see “People’s Republic of China Taxation”), we may be eligible for the benefits of the United States-PRC income tax treaty, which the United States Treasury Department has determined is satisfactory for this purpose, and be treated as a qualified foreign corporation with respect to dividends paid on our ADSs or Class A ordinary shares. Dividends received on our ADSs or Class A ordinary shares will not be eligible for the dividends-received deduction allowed to corporations. Each U.S. Holder is advised to consult its tax advisors regarding the availability of the reduced tax rate applicable to qualified dividend income for any dividends we pay with respect to our ADSs or Class A ordinary shares.

Dividends generally will be treated as income from foreign sources for United States foreign tax credit purposes. In the event that we are deemed to be a PRC resident enterprise under the Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our ADSs or Class A ordinary shares. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on ADSs or Class A ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for United States federal income tax purposes, in respect of such withholding taxes, but only for a year in which such U.S. Holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Class A Ordinary Shares

A U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in such ADSs or Class A ordinary shares. Any capital gain or loss will be long-term gain or loss if the ADSs or Class A ordinary shares have been held for more than one year and will generally be United States-source gain or loss for United States foreign tax credit purposes. Long-term capital gain of non-corporate U.S. Holders is generally eligible for reduced rates of taxation. In the event that gain from the disposition of the ADSs or Class A ordinary shares is subject to tax in the PRC, a U.S. Holder that is eligible for the benefits of the United States-PRC income tax treaty may elect to treat the gain as PRC-source income. The deductibility of a capital loss may be subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or Class A ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, and unless the U.S. Holder makes a mark-to-market election with respect to ADSs (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder’s holding period for the ADSs or Class A ordinary shares), and (ii) any gain realized on the sale or other disposition, including a pledge, under certain circumstances, of ADSs or Class A ordinary shares. Under these PFIC rules:

- the U.S. Holder’s excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period for the ADSs or Class A ordinary shares;

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- the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC (each, a "pre-PFIC year") will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to individuals or corporations, as appropriate, for that year;
- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares and any of our non-United States subsidiaries is also a PFIC (i.e., a lower-tier PFIC), such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by a lower-tier PFIC and a disposition of shares of a lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to our ADSs, provided that the ADSs are regularly traded on the NYSE. We anticipate that the ADSs should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes this election, the U.S. Holder will generally (i) include as ordinary income for each taxable year the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of such ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will be allowed only to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. Holder will not be required to take into account the gain or loss described above during any year that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election. In the case of a U.S. Holder who has held ADSs or Class A ordinary shares during any taxable year in respect of which we were classified as a PFIC and continues to hold such ADSs or Class A ordinary shares (or any portion thereof) and has not previously made a mark-to-market election, and if such U.S. Holder makes a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs or Class A ordinary shares.

Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make "qualified electing fund" elections which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

Dividends that we pay on our ADSs or Class A ordinary shares will not be eligible for the reduced tax rate that applies to qualified dividend income discussed above under "Dividends" if we are classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year. If a U.S. Holder owns our ADSs or Class A ordinary shares during any taxable year that we are a PFIC, the U.S. Holder must generally file an annual report with the Internal Revenue Service, subject to certain limited exceptions. Each U.S. Holder is urged to consult its tax advisor concerning the United States federal income tax consequences of owning and disposing of our ADSs or Class A ordinary shares if we are or become a PFIC, including filing requirements, the possibility of making a mark-to-market election and the unavailability of the qualifying electing fund election.

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F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC registration statements on Form F-1 under the Securities Act with respect to our initial public offering and our follow-on offering of our Class A ordinary shares represented by ADSs.

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, or the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year, which is December 31. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. Copies of reports and other information, when filed, may also be inspected without charge, and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Deutsche Bank Trust Company Americas, the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

In accordance with NYSE Rule 203.01, we will post this annual report on our website <http://ir.autohome.com.cn>. In addition, we will provide hardcopies of our annual report to shareholders, including ADS holders, free of charge upon request.

I. Subsidiary Information

Not applicable.

ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits, and adjustable-rate short-term investments. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. Based on our interest earning instruments during the year ended December 31, 2019, a 10% change in the interest rates would result in an increase or decrease of RMB47.0 million (US\$6.8 million) of our total amount of interest income for 2019. However, our future interest income may fluctuate due to changes in market interest rates. See "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources."

Foreign Exchange Risk

We earn substantially all of our revenues and incur most of our expenses in RMB, and substantially all of our sales contracts are denominated in RMB. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the RMB because the value of our business is effectively denominated in RMB, while the ADSs will be traded in U.S. dollars. Based on the amount of our cash and cash equivalents and short-term investments as of December 31, 2019, a 1.0% change in the exchange rate between the Renminbi and the U.S. dollar would result in an increase or decrease of approximately US\$0.6 million to our cash and cash equivalents and short-term investments.

Significant revaluation of RMB against U.S. dollar may materially affect our earnings and financial position, the conversion of RMB into foreign currencies, including U.S. dollars, is based on rates set by the PBOC. 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. On November 30, 2015, the Executive Board of the International Monetary Fund 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. In 2017, the RMB has appreciated significantly in the backdrop of a weak U.S. dollar, robust Chinese economy in 2017 and stringent foreign exchange regulation. In the first quarter of 2018, the RMB continued to appreciate. However, the RMB depreciated significantly in the remaining quarters of 2018. In the first half of 2019, the RMB appreciated, compared to the end of 2018. However, the RMB continued to depreciate in the remaining half of 2019 and reached the lowest rate in over a decade to over seven per U.S. dollar during the period from August 2019 to December, 2019. 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. 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.

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.

ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

Deutsche Bank Trust Company Americas, the depository of our ADS program, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The principal executive office of the depository is located at 60 Wall Street, New York, NY 1005, USA. As an ADS holder, you will be required to pay the following service fees to the depository bank:

<u>Service</u>	<u>Fees</u>
• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property	Up to US\$0.05 per ADS issued
• Cancellation of ADSs, including in the case of termination of the deposit agreement	Up to US\$0.05 per ADS cancelled
• Distribution of cash dividends or other cash distributions	Up to US\$0.05 per ADS held
• Distribution of ADSs pursuant to share dividends, free share distributions or exercise of rights	Up to US\$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	A fee equivalent to the fee that would be payable if securities distributed to you had been Class A ordinary shares and the Class A ordinary shares had been deposited for issuance of ADSs
• Depository services	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depository bank
• Transfer of ADRs	US\$1.50 per certificate presented for transfer

As an ADS holder, you will also be responsible for paying certain fees and expenses incurred by the depository bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs) such as:

- Fees for the transfer and registration of Class A ordinary shares charged by the registrar and transfer agent for the Class A ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of Class A ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when Class A ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of Class A ordinary shares on deposit.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to Class A ordinary shares, deposited securities, ADSs and ADRs.
- Any applicable fees and penalties thereon.

The depository fees payable upon the issuance and cancellation of ADSs are typically paid to the depository bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository bank and by the brokers (on behalf of their clients) delivering the ADSs to the depository bank for cancellation. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository bank to the holders of record of ADSs as of the applicable ADS record date.

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The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Fees and Other Payments Made by the Depositary to Us

Our depositary has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. Further, the depositary has agreed to reimburse us certain fees payable to the depositary by holders of ADSs. Neither we nor the depositary can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this time. In 2019, we received from the depositary a reimbursement of approximately US\$0.6 million.

PART II.

ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

See "Item 10. Additional Information" for a description of the rights of securities holders, which remain unchanged.

The following "Use of Proceeds" information relates to:

- the registration statement on Form F-1, as amended (File Number 333-192085) for our initial public offering of 8,993,000 ADSs (reflecting the full exercise of the over-allotment option by the underwriters to purchase an additional 1,173,000 ADSs), representing 8,993,000 Class A ordinary shares, which registration statement was declared effective by the SEC on December 10, 2013. Deutsche Bank Securities Inc. and Goldman Sachs (Asia) L.L.C. acted as the representatives of the underwriters in our initial public offering; and
- the registration statement on Form F-1, as amended (File Number 333-199862) for our 2014 Offering of 9,645,659 ADSs (reflecting the partial exercise of the over-allotment option by the underwriters to purchase an additional 1,145,659 ADSs), representing 9,645,659 Class A ordinary shares, which registration statement was declared effective by the SEC on November 19, 2014. Deutsche Bank Securities Inc. and Goldman Sachs (Asia) L.L.C. acted as the representatives of the underwriters in our 2014 Offering.

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We incurred expenses and paid to others US\$12.8 million for underwriting discounts and commissions in connection with our initial public offering. We incurred expenses and paid to others US\$5.0 million for underwriting discounts and commissions in connection with our 2014 Offering. We received net proceeds of approximately US\$142.6 million and US\$97.3 million from our initial public offering and 2014 Offering, respectively.

For the period from December 10, 2013, the date that our registration statement on Form F-1 for our initial public offering was declared effective by the SEC, to December 31, 2019, we used an aggregate of approximately US\$145.8 million of the net proceeds from our initial public offering and the 2014 Offering for payment of establishment of new subsidiaries, investment in joint venture and other strategic investments, payment of dividends, professional fees, insurance fees, compensation to directors and general corporate purposes.

We intend to use the remainder of the proceeds from the Offerings for general corporate purposes, including funding potential investments and acquisitions of complementary businesses, assets and technologies.

ITEM 15 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our management has concluded that, as of December 31, 2019, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with U.S. GAAP and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements. Our management, with the participation of our chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of our company's internal control over financial reporting as of December 31, 2019 based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, any evaluation of effectiveness as to future periods is subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Attestation Report of the Independent Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm, as stated in its report included on page F-2 of this annual report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Tianruo Pu is our audit committee financial expert, who is an independent director under the standards set forth in Section 303A of the New York Stock Exchange Listed Company Manual and Rule 10A-3 of the Exchange Act. Mr. Pu is the chairman of our audit committee.

ITEM 16B CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chairman, chief executive officer, chief financial officer, controller, vice presidents and any other persons who perform similar functions for us. We filed our code of business conduct and ethics as Exhibit 99.1 to our registration statement on Form F-1, as amended, which was originally filed with the SEC on November 4, 2013. We subsequently amended the code of business conduct and ethics and filed it as Exhibit 11.1 to our annual report on Form 20-F filed with the SEC on March 31, 2014. We have posted a copy of our code of business conduct and ethics on our website at <http://ir.autohome.com.cn>.

ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm, for the periods indicated. We did not pay any other fees to our independent registered public accounting firm during the periods other than those indicated below.

	For the Year Ended December 31,	
	2018	2019
	(in RMB thousands)	
Audit fees ⁽¹⁾	7,957	8,052
Tax fees ⁽²⁾	—	140
Other fees ⁽³⁾	802	116

Notes:

- (1) "Audit fees" means the aggregate fees billed for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements, the audit of our internal control over financial reporting and the review of our comparative interim financial information.
- (2) "Tax fees" represents the aggregated fees billed for professional services rendered by our independent registered public accounting firm for tax compliance, tax advice and tax planning.
- (3) "Other fees" represents the aggregate fees charged to us for services rendered by our independent registered public accounting firm other than services reported under "audit fees" and "tax fees."

The policy of our audit committee is to preapprove all audit and non-audit services provided by our independent registered public accounting firm, including audit services, tax services and other services as described above, other than those for *de minimis* services which are approved by the audit committee prior to the completion of the audit. Our audit committee has approved all of our audit fees, tax fees and other fees for the year ended December 31, 2019.

ITEM 16D EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

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ITEM 16E PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G CORPORATE GOVERNANCE

Because Yun Chen owns more than 50% of the total voting power of our ordinary shares, we are a “controlled company” under Section 303A of the New York Stock Exchange Listed Company Manual. We intend to rely on certain exemptions that are available to controlled companies from NYSE corporate governance requirements, including the requirements:

- that the board of directors must have a majority of independent directors;
- that the board of directors must have a compensation committee composed entirely of independent directors; and
- that the board of directors must have a nominating/corporate governance committee composed entirely of independent directors.

We availed ourselves of these controlled company exemptions. As a result, we did not have a majority of independent directors on our board, and each of our compensation committee and our nominating and corporate governance committee did not consist entirely of independent directors. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—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.”

ITEM 16H MINE SAFETY DISCLOSURE

Not applicable.

PART III.

ITEM 17 FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18 FINANCIAL STATEMENTS

The consolidated financial statements of Autohome Inc. are included at the end of this annual report.

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ITEM 19 EXHIBITS

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	<u>Fourth Amended and Restated Memorandum and Articles of Association of the Registrant, adopted on November 27, 2013 (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1, as amended (File No. 333-192085), initially filed with the Securities and Exchange Commission on November 4, 2013)</u>
2.1	<u>Registrant’s Specimen American Depositary Receipt (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1, as amended (File No. 333-192085), initially filed with the Securities and Exchange Commission on November 4, 2013)</u>
2.2	<u>Registrant’s Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1, as amended (File No. 333-192085), initially filed with the Securities and Exchange Commission on November 4, 2013)</u>
2.3	<u>Deposit Agreement among the Registrant, the depository and holders of the American Depositary Receipts dated as of December 10, 2013 (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-196006), filed with the Securities and Exchange Commission on May 16, 2014)</u>
2.4	<u>Description of American Depositary Shares and Class A ordinary shares of the Registrant (incorporated herein by reference to the section titled “Description of American Depositary Shares” and the subsection of “Ordinary Shares” and “Differences in Corporate Law” in the section titled “Description of Share Capital” in the Registrant’s registration statement on Form F-1 (File No. 333-199862), originally filed with the Securities and Exchange Commission on November 5, 2014, as amended, including any form of prospectus contained therein pursuant to Rule 424(b) under the Securities Act of 1933)</u>
4.1	<u>2011 Share Incentive Plan of the Registrant (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1, as amended (File No. 333-192085), initially filed with the Securities and Exchange Commission on November 4, 2013)</u>
4.2	<u>2013 Share Incentive Plan of the Registrant (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1, as amended (File No. 333-192085), initially filed with the Securities and Exchange Commission on November 4, 2013)</u>
4.3	<u>Form of Indemnification Agreement between the Registrant and its directors and officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1, as amended (File No. 333-192085), initially filed with the Securities and Exchange Commission on November 4, 2013)</u>
4.4	<u>English translation of Form of Employment Agreement between a subsidiary of the Registrant and an executive officer of the Registrant (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1, as amended (File No. 333-192085), initially filed with the Securities and Exchange Commission on November 4, 2013)</u>
4.5	<u>English translation of the Executed Form of the Exclusive Technology Consulting and Service Agreement between Autohome WFOE and Autohome Information dated March 25, 2017 (incorporated by reference to Exhibit 4.13 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.6	<u>English translation of the Executed Form of the Exclusive Technology Consulting and Service Agreement between Autohome WFOE and Shanghai Advertising dated March 25, 2017 (incorporated by reference to Exhibit 4.14 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.7	<u>English translation of the Executed Form of the Exclusive Technology Consulting and Service Agreement between Chezhiying WFOE and Shengtuo Hongyuan dated September 30, 2016 (incorporated by reference to Exhibit 4.16 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.8	<u>English translation of the Executed Form of the Exclusive Technology Consulting and Service Agreement between Autohome WFOE and Autohome Advertising dated September 30, 2016 (incorporated by reference to Exhibit 4.17 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.9	<u>English translation of the Executed Form of the Exclusive Technology Consulting and Service Agreement between Autohome WFOE and Chengshi Advertising dated September 30, 2016 (incorporated by reference to Exhibit 4.18 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.10	<u>English translation of the Executed Form of the Exclusive Technology Consulting and Service Agreement between Chezhiying WFOE and Autohome Used Car Appraisal dated September 30, 2016 (incorporated by reference to Exhibit 4.19 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.11	<u>English translation of the Executed Form of the Exclusive Technology Consulting and Service Agreement between Chezhiying WFOE and Autohome Used Car Brokerage dated September 30, 2016 (incorporated by reference to Exhibit 4.20 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.12	<u>English translation of the Executed Form of the Loan Agreement between Autohome WFOE and Min Lu dated March 25, 2017 (incorporated by reference to Exhibit 4.21 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.13	<u>English translation of the Executed Form of the Loan Agreement between Autohome WFOE and Haiyun Lei dated March 25, 2017 (incorporated by reference to Exhibit 4.22 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.14	<u>English translation of the Executed Form of the Loan Agreement between Autohome WFOE and Min Lu dated March 25, 2017 (incorporated by reference to Exhibit 4.23 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.15	<u>English translation of the Executed Form of the Loan Agreement between Autohome WFOE and Haiyun Lei dated March 25, 2017 (incorporated by reference to Exhibit 4.24 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.16	<u>English translation of the Executed Form of the Loan Agreement between Chezhiying WFOE and Min Lu dated September 30, 2016 (incorporated by reference to Exhibit 4.27 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.17	<u>English translation of the Executed Form of the Loan Agreement between Chezhiying WFOE and Haiyun Lei dated September 30, 2016 (incorporated by reference to Exhibit 4.28 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.18	<u>English translation of the Executed Form of the Equity Option Agreement among Autohome WFOE, Autohome Information and Min Lu dated March 25, 2017 (incorporated by reference to Exhibit 4.29 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.19	<u>English translation of the Executed Form of the Equity Option Agreement among Autohome WFOE, Autohome Information and Haiyun Lei dated March 25, 2017 (incorporated by reference to Exhibit 4.30 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.20	<u>English translation of the Executed Form of the Equity Option Agreement among Autohome WFOE, Shanghai Advertising and Min Lu dated March 25, 2017 (incorporated by reference to Exhibit 4.31 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.21	<u>English translation of the Executed Form of the Equity Option Agreement among Autohome WFOE, Shanghai Advertising and Haiyun Lei dated March 25, 2017 (incorporated by reference to Exhibit 4.32 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.22	<u>English translation of the Executed Form of the Equity Option Agreement among Chezhiying WFOE, Shengtuo Hongyuan and Min Lu dated September 30, 2016 (incorporated by reference to Exhibit 4.35 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.23	<u>English translation of the Executed Form of Equity Option Agreement among Chezhiying WFOE, Shengtuo Hongyuan and Haiyun Lei dated September 30, 2016 (incorporated by reference to Exhibit 4.36 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.24	<u>English translation of the Executed Form of the Equity Option Agreement among Autohome WFOE, Autohome Information and Autohome Advertising dated September 30, 2016 (incorporated by reference to Exhibit 4.37 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.25	<u>English translation of the Executed Form of the Equity Option Agreement among Autohome WFOE, Autohome Information and Chengshi Advertising dated September 30, 2016 (incorporated by reference to Exhibit 4.38 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.26	<u>English translation of the Executed Form of the Equity Option Agreement among Chezhiying WFOE, Shengtuo Hongyuan and Autohome Used Car Appraisal dated September 30, 2016 (incorporated by reference to Exhibit 4.39 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.27	<u>English translation of the Executed Form of the Equity Option Agreement among Chezhiying WFOE, Shengtuo Hongyuan and Autohome Used Car Brokerage dated September 30, 2016 (incorporated by reference to Exhibit 4.40 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.28	<u>English translation of the Executed Form of the Equity Interest Pledge Agreement between Autohome WFOE and Min Lu dated March 25, 2017 (incorporated by reference to Exhibit 4.41 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.29	<u>English translation of the Executed Form of the Equity Interest Pledge Agreement between Autohome WFOE and Haiyun Lei dated March 25, 2017 (incorporated by reference to Exhibit 4.42 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.30	<u>English translation of the Executed Form of the Equity Interest Pledge Agreement between Autohome WFOE and Min Lu dated March 25, 2017 (incorporated by reference to Exhibit 4.43 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.31	<u>English translation of the Executed Form of the Equity Interest Pledge Agreement between Autohome WFOE and Haiyun Lei dated March 25, 2017 (incorporated by reference to Exhibit 4.44 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.32	<u>English translation of the Executed Form of the Equity Interest Pledge Agreement between Chezhiying WFOE and Min Lu dated September 30, 2016 (incorporated by reference to Exhibit 4.47 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.33	<u>English translation of the Executed Form of the Equity Interest Pledge Agreement between Chezhiying WFOE and Haiyun Lei dated September 30, 2016 (incorporated by reference to Exhibit 4.48 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.34	<u>English translation of the Executed Form of the Equity Interest Pledge Agreement between Autohome WFOE and Autohome Information dated September 30, 2016 (incorporated by reference to Exhibit 4.49 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.35	<u>English translation of the Executed Form of the Equity Interest Pledge Agreement between Autohome WFOE and Autohome Information dated September 30, 2016 (incorporated by reference to Exhibit 4.50 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.36	<u>English translation of the Executed Form of the Equity Interest Pledge Agreement between Chezhiying WFOE and Shengtuo Hongyuan dated September 30, 2016 (incorporated by reference to Exhibit 4.51 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>
4.37	<u>English translation of the Executed Form of the Equity Interest Pledge Agreement between Chezhiying WFOE and Shengtuo Hongyuan dated September 30, 2016 (incorporated by reference to Exhibit 4.52 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.38	<u>English translation of the Executed Form of the Power of Attorney by Min Lu dated March 25, 2017 (incorporated by reference to Exhibit 4.53 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>
4.39	<u>English translation of the Executed Form of the Power of Attorney by Haiyun Lei dated March 25, 2017 (incorporated by reference to Exhibit 4.54 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>
4.40	<u>English translation of the Executed Form of the Power of Attorney by Min Lu dated March 25, 2017 (incorporated by reference to Exhibit 4.55 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>
4.41	<u>English translation of the Executed Form of the Power of Attorney by Haiyun Lei dated March 25, 2017 (incorporated by reference to Exhibit 4.56 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>
4.42	<u>English translation of the Executed Form of the Power of Attorney by Min Lu dated September 30, 2016 (incorporated by reference to Exhibit 4.59 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>
4.43	<u>English translation of the Executed Form of the Power of Attorney by Haiyun Lei dated September 30, 2016 (incorporated by reference to Exhibit 4.60 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>
4.44	<u>English translation of the Executed Form of the Power of Attorney by Autohome Information dated September 30, 2016 (incorporated by reference to Exhibit 4.61 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>
4.45	<u>English translation of the Executed Form of the Power of Attorney by Autohome Information dated September 30, 2016 (incorporated by reference to Exhibit 4.62 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>
4.46	<u>English translation of the Executed Form of the Power of Attorney by Shengtuo Hongyuan dated September 30, 2016 (incorporated by reference to Exhibit 4.63 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>
4.47	<u>English translation of the Executed Form of the Power of Attorney by Shengtuo Hongyuan dated September 30, 2016 (incorporated by reference to Exhibit 4.64 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>
4.48	<u>Amended and Restated 2016 Share Incentive Plan of the Registrant, as amended on April 20, 2017 (incorporated by reference to Exhibit 4.65 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>
4.49	<u>2016 Share Incentive Plan II (as amended by Amendment No 1 to the 2016 Share Incentive Plan II) of the Registrant (incorporated by reference to Exhibit 4.66 to our annual report on For 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>
4.50	<u>Investor's Rights Agreement by and among the Registrant and Yun Chen dated September 30, 2016 (incorporated by reference to Exhibit 4.67 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 25, 2017).</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.51	Investment Agreement relating to US\$100 Million 8.0% Convertible Bond and other Convertible Bonds issued by TTP Car Inc. between the Registrant and TTP Car Inc. dated June 6, 2018 (incorporated by reference to Exhibit 4.59 to our annual report on Form 20-F (File No. 001-36222), filed with the SEC on April 12, 2019)
8.1*	List of Principal Subsidiaries and VIEs
11.1	Amended and Restated Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 11.1 to the Form 20-F (File No. 001-36222), filed with the Securities and Exchange Commission on March 31, 2014)
12.1*	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of PricewaterhouseCoopers Zhong Tian LLP, independent registered public accounting firm
15.2*	Consent of Commerce & Finance Law Offices
101.INS*	Inline XBRL Instance Document—this instance document does not appear on the Interactive Data File because its XBRL tags are not embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed with this annual report on Form 20-F.

** Furnished with this annual report on Form 20-F.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

AUTOHOME INC.

By: /s/ Min Lu

Name: Min Lu

Title: Chairman of the Board and Chief Executive Officer

Date: April 3, 2020

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AUTOHOME INC.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Autohome Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Autohome Inc. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 and Note 14 to the consolidated financial statements, the Company changed the manner in which it accounts for revenue from contracts with customers and the related cost of revenues in 2018.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15 of the Form 20-F. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) related to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue recognition — sales rebates

As described in Note 2 to the consolidated financial statements, the Company recognized net revenue for the year ended December 31, 2019 after deducting applicable sales rebates, which are accounted for as variable consideration. The Company provides sales rebates to customers based on their cumulative annual advertising and service volume, and the timeliness of their payments. The Company estimated its obligations under such agreements by applying the most likely amount method based on an evaluation of the likelihood of the customers' achievement of the advertising and service volume targets, and the timeliness of their payments, after taking into account the customers' purchase trends and history. A liability of RMB683,915 thousands was recognized for expected sales rebates payable to customers as of December 31, 2019.

The principal considerations for our determination that performing procedures relating to revenue recognition - sales rebates is a critical audit matter are there was significant judgment by management to estimate sales rebates, which in turn led to a high degree of auditor judgment, subjectivity, and audit effort in performing procedures and evaluating audit evidences related to management's significant assumptions, including the likelihood of the customers' achievement of the advertising and service volume targets, and the timeliness of their payments, after taking into account the customers' purchase trends and history.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of internal controls relating to the revenue recognition process, including internal controls over management's estimate of sales rebates. These procedures also included, among others, (i) testing the reasonableness of significant assumptions used by management, including the likelihood of the customers' achievement of the advertising and service volume targets, and the timeliness of their payments, after taking into account the customers' purchase trends and history, by testing documents supporting the Company's confirmations of sales rebates rates with customers subsequent to year-end, and (ii) testing the completeness, accuracy and relevance of underlying data used.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China
April 3, 2020

We have served as the Company's auditor since 2016.

AUTOHOME INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2019

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”) except for number of shares and per share data)

	Note	2018 RMB	2019 RMB	US\$
ASSETS				
Current assets:				
Cash and cash equivalents		211,970	1,988,298	285,601
Short-term investments	3	9,849,488	10,806,812	1,552,301
Accounts receivable (net of allowance for doubtful accounts of RMB3,589 and RMB33,989 (US\$4,883) as of December 31, 2018 and 2019, respectively)	4	2,795,835	3,231,486	464,174
Amounts due from related parties, current	12	34,047	29,501	4,238
Prepaid expenses and other current assets	5	249,977	302,285	43,421
Total current assets		13,141,317	16,358,382	2,349,735
Non-current assets:				
Restricted cash		5,000	5,200	747
Property and equipment, net	7	170,198	281,773	40,474
Intangible assets, net	8	39,404	27,746	3,985
Goodwill		1,504,278	1,504,278	216,076
Long-term investments	9	70,979	71,664	10,294
Amounts due from related parties, non-current	12	2,041	4,509	648
Deferred tax assets	6	90,179	27,782	3,991
Other non-current assets	10	732,805	874,531	125,618
Total non-current assets		2,614,884	2,797,483	401,833
Total assets		15,756,201	19,155,865	2,751,568
LIABILITIES AND EQUITY				
Current liabilities:				
Accrued expenses and other payables	11	2,439,948	2,417,438	347,243
Advance from customers		75,017	95,636	13,737
Deferred revenue		1,510,726	1,370,953	196,925
Income tax payable		119,210	45,489	6,534
Amounts due to related parties	12	19,868	36,387	5,227
Total current liabilities (including current liabilities of consolidated VIEs without recourse to Autohome WFOE or Chezhiying WFOE of RMB276,569 and RMB193,303 (US\$27,767) as of December 31, 2018 and 2019, respectively)		4,164,769	3,965,903	569,666
Non-current liabilities:				
Other liabilities	6	24,068	45,534	6,541
Deferred tax liabilities	6	455,921	538,487	77,349
Total non-current liabilities (including non-current liabilities of consolidated VIEs without recourse to Autohome WFOE or Chezhiying WFOE of RMB27,015 and RMB19,504 (US\$2,801) as of December 31, 2018 and 2019, respectively)		479,989	584,021	83,890
Total liabilities (including total liabilities of consolidated VIEs without recourse to Autohome WFOE or Chezhiying WFOE of RMB303,584 and RMB212,807 (US\$30,568) as of December 31, 2018 and 2019, respectively)		4,644,758	4,549,924	653,556
Commitments and contingencies	13			

The accompanying notes are an integral part of these consolidated financial statements, continued

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AUTOHOME INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2019

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”) except for number of shares and per share data, continued)

	<u>Note</u>	<u>2018</u>	<u>2019</u>	
		RMB	RMB	US\$
Shareholders’ equity:				
Ordinary shares (par value of US\$0.01 per share; 100,000,000,000 (including 99,931,211,060 Class A and 68,788,940 Class B) shares authorized; 118,056,345 and 118,926,687 shares issued and outstanding, all comprised of Class A, as of December 31, 2018 and 2019, respectively)	15	7,969	8,029	1,153
Additional paid-in capital		3,500,620	3,774,373	542,155
Accumulated other comprehensive income		128,375	148,415	21,318
Retained earnings		7,498,314	10,698,280	1,536,712
Total Autohome Inc. shareholders’ equity		11,135,278	14,629,097	2,101,338
Noncontrolling interests		(23,835)	(23,156)	(3,326)
Total equity		11,111,443	14,605,941	2,098,012
Total liabilities and equity		15,756,201	19,155,865	2,751,568

The accompanying notes are an integral part of these consolidated financial statements

AUTOHOME INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”) except for number of shares and per share data)

	Note	2017 RMB	2018 RMB	2019	
				RMB	US\$
Net revenues:					
Media services		3,065,832	3,508,254	3,653,767	524,831
Leads generation services		2,615,998	2,870,996	3,275,544	470,502
Online marketplace and others		528,351	853,901	1,491,440	214,232
Total net revenues (including related party transactions of RMB22,939, RMB473,590 and RMB447,350 (US\$64,258) for the years ended December 31, 2017, 2018 and 2019, respectively)		6,210,181	7,233,151	8,420,751	1,209,565
Cost of revenues (including related party transactions of RMB13,418, RMB24,771 and RMB41,591 (US\$5,974) for the years ended December 31, 2017, 2018 and 2019, respectively)	14	(1,358,685)	(820,288)	(960,292)	(137,937)
Gross profit		4,851,496	6,412,863	7,460,459	1,071,628
Operating expenses:					
Sales and marketing expenses		(1,647,519)	(2,435,236)	(3,093,345)	(444,331)
General and administrative expenses (including provision for doubtful accounts of RMB1,110, RMB2,215 and RMB36,676 (US\$5,268) for the years ended December 31, 2017, 2018 and 2019, respectively)		(281,951)	(314,846)	(317,967)	(45,673)
Product development expenses		(878,773)	(1,135,247)	(1,291,054)	(185,448)
Total Operating expenses (including related party transactions of RMB44,446, RMB74,302 and RMB67,810 (US\$9,741) for the years ended December 31, 2017, 2018 and 2019, respectively)		(2,808,243)	(3,885,329)	(4,702,366)	(675,452)
Other income, net		8,577	341,391	477,699	68,617
Operating profit		2,051,830	2,868,925	3,235,792	464,793
Interest income (including related party transactions of RMB35,049, RMB50,968 and RMB47,459 (US\$6,817) for the years ended December 31, 2017, 2018 and 2019, respectively)		220,282	358,811	469,971	67,507
(Loss)/earnings from equity method investments		(10,571)	24,702	685	98
Fair value change of other non-current assets		—	(11,017)	(5,442)	(782)
Income before income taxes		2,261,541	3,241,421	3,701,006	531,616
Income tax expense	6	(267,082)	(377,890)	(500,361)	(71,872)
Net income		1,994,459	2,863,531	3,200,645	459,744
Net loss/(income) attributable to noncontrolling interests		7,160	7,484	(679)	(98)
Net income attributable to Autohome Inc.		2,001,619	2,871,015	3,199,966	459,646
Earnings per share for ordinary shares:					
Basic	17	17.20	24.40	26.99	3.88
Diluted	17	16.95	24.08	26.77	3.85
Weighted average number of shares used to compute earnings per share attributable to common stockholders:					
Basic	17	116,379,846	117,671,971	118,582,096	118,582,096
Diluted	17	118,058,856	119,235,379	119,515,247	119,515,247
Net income		1,994,459	2,863,531	3,200,645	459,744
Other comprehensive (loss)/income, net of tax of nil					
Foreign currency translation adjustments		(55,055)	58,421	20,040	2,879
Comprehensive income		1,939,404	2,921,952	3,220,685	462,623
Comprehensive loss/(income) attributable to noncontrolling interests		7,160	7,484	(679)	(98)
Comprehensive income attributable to Autohome Inc.		1,946,564	2,929,436	3,220,006	462,525

The accompanying notes are an integral part of these consolidated financial statements

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AUTOHOME INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”) except for number of shares and per share data)

	2017	2018	2019	
	RMB	RMB	RMB	US\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	1,994,459	2,863,531	3,200,645	459,744
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation of property and equipment	81,915	90,270	106,941	15,361
Amortization of intangible assets	6,923	11,623	11,662	1,675
Non-cash lease expense	—	—	122,427	17,586
Loss on disposal of property and equipment	2,909	789	83	12
Provision for doubtful accounts	1,110	2,215	36,676	5,268
Loss/(earnings) from equity method investments	10,571	(24,702)	(685)	(98)
Fair value change of short-term investments	(29,042)	(29,730)	20,662	2,968
Write-down of inventories and prepayment for vehicle purchase cost	1,483	—	—	—
Fair value change of other non-current assets	—	11,017	5,442	782
Interest income of convertible bond	—	(36,172)	(70,889)	(10,183)
Share-based compensation	177,786	202,325	204,008	29,304
Deferred income taxes	12,279	102,111	144,963	20,823
Changes in operating assets and liabilities:				
Accounts receivable	(688,923)	(904,313)	(479,538)	(68,881)
Amounts due from related parties, current	(4,051)	(9,545)	4,546	653
Prepaid expenses and other current assets	191,348	(62,813)	(50,995)	(7,325)
Inventories	94,134	—	—	—
Amounts due from related parties, non-current	(10,147)	8,915	(2,468)	(355)
Other non-current assets	16,386	(3,580)	(186,591)	(26,803)
Accrued expenses and other payables	425,306	807,333	(22,630)	(3,251)
Advance from customers	(5,428)	4,563	20,619	2,962
Notes payable	(31,063)	—	—	—
Deferred revenue	397,342	101,241	(139,773)	(20,077)
Income tax payable	(172,398)	(25,169)	(73,721)	(10,589)
Amounts due to related parties	(6,345)	9,583	16,519	2,373
Other liabilities	(2,855)	(8,054)	21,466	3,083
Net cash generated from operating activities	2,463,699	3,111,438	2,889,369	415,032
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(86,422)	(113,796)	(204,113)	(29,319)
Proceeds from disposal of property and equipment	811	665	621	89
Acquisition of intangible assets	(21,100)	(104)	—	—
Purchase of long-term investments	(30,000)	—	—	—
Purchase of convertible bond	—	(643,496)	—	—
Proceeds from disposal of long-term investments	57,500	51,500	—	—
Purchase of short-term investments	(19,613,774)	(54,532,940)	(42,660,267)	(6,127,764)
Maturity of short-term investments	14,779,158	51,936,932	41,695,492	5,989,183
Net cash used in investing activities	(4,913,827)	(3,301,239)	(1,168,267)	(167,811)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from exercise of share options	61,070	51,811	68,676	9,865
Payment of dividends	—	(595,779)	—	—
Net cash generated from/(used in) financing activities	61,070	(543,968)	68,676	9,865
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(2,584)	39,151	(13,250)	(1,904)
Net (decrease)/increase in cash and cash equivalents and restricted cash	(2,391,642)	(694,618)	1,776,528	255,182
Cash and cash equivalents and restricted cash at beginning of year	3,303,230	911,588	216,970	31,166
Cash and cash equivalents and restricted cash at end of year	911,588	216,970	1,993,498	286,348
Supplemental disclosures of cash flow information:				
Income taxes paid	430,136	362,835	430,308	61,810
Purchase of fixed assets included in accrued expenses and other payables	6,303	27,132	20,382	2,928
Dividends declared but not paid	595,779	—	—	—
Cash paid for amounts included in the measurement of operating lease liabilities	—	—	132,096	18,974
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	—	—	54,315	7,802

The accompanying notes are an integral part of these consolidated financial statements

AUTOHOME INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US\$") except for number of shares and per share data)

	Ordinary shares		Additional capital paid-in RMB	Accumulated other comprehensive income RMB	Retained Earnings RMB	Noncontrolling interests RMB	Total Equity RMB
	Shares Number	Amount RMB					
Balance as of December 31, 2016	115,297,224	7,784	3,006,152	125,009	3,221,459	(9,191)	6,351,213
Net income/(loss)	—	—	—	—	2,001,619	(7,160)	1,994,459
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	(55,055)	—	—	(55,055)
Dividends declared (RMB5.08 per Class A ordinary share; RMB595,779 to Class A ordinary shareholders)	—	—	—	—	(595,779)	—	(595,779)
Exercise and vesting of share-based awards	1,843,632	125	62,537	—	—	—	62,662
Share-based compensation	—	—	177,786	—	—	—	177,786
Balance as of December 31, 2017	117,140,856	7,909	3,246,475	69,954	4,627,299	(16,351)	7,935,286
Net income/(loss)	—	—	—	—	2,871,015	(7,484)	2,863,531
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	58,421	—	—	58,421
Exercise and vesting of share-based awards	915,489	60	51,820	—	—	—	51,880
Share-based compensation	—	—	202,325	—	—	—	202,325
Balance as of December 31, 2018	118,056,345	7,969	3,500,620	128,375	7,498,314	(23,835)	11,111,443
Net income	—	—	—	—	3,199,966	679	3,200,645
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	20,040	—	—	20,040
Exercise and vesting of share-based awards	870,342	60	69,745	—	—	—	69,805
Share-based compensation	—	—	204,008	—	—	—	204,008
Balance as of December 31, 2019	118,926,687	8,029	3,774,373	148,415	10,698,280	(23,156)	14,605,941
Balance as of December 31, 2019, in US\$		1,153	542,155	21,318	1,536,712	(3,326)	2,098,012

The accompanying notes are an integral part of these consolidated financial statements

AUTOHOME INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”) except for number of shares and per share data)

1. ORGANIZATION

Autohome Inc., formerly known as Sequel Limited (the “Company”), was incorporated under the laws of the Cayman Islands on June 23, 2008. Upon incorporation, the Company was 100% owned by Telstra Holdings Pty Ltd. (“Telstra”). On June 27, 2008 (the “Acquisition date”), the Company acquired Cheerbright International Holdings Limited (“Cheerbright”), China Topside Co., Ltd. (“China Topside”), and Norstar Advertising Media Holdings Co., Ltd. (“Norstar”), and their respective wholly foreign-owned enterprises and variable interest entities (“VIEs”). Subsequent to the acquisition, the Company was owned 55% by Telstra, and 45% by the selling shareholders of Cheerbright, China Topside and Norstar. In May 2012, Telstra acquired additional ordinary shares of the Company from other shareholders. In June 2016, Telstra completed the sale of approximately 47.4% of the then total issued shares in the Company to Ping An Insurance (Group) Company of China Ltd. (“Ping An”) and on February 22, 2017, Ping An further acquired from Telstra approximately 6.5% of the then total issued shares in the Company. After the consummation of the sale, Ping An became the Company’s controlling shareholder.

The Company successfully completed its IPO and listing of 8,993,000 American Depositary Shares (“ADSs”) on the New York Stock Exchange in December, 2013, and raised net proceeds of US\$142,590 from the offering. Each ADS represents one ordinary share. Upon the completion of IPO in December, 2013, the Company’s dual-class ordinary share structure came into effect (Note 15). Upon the completion of follow-on offering in November 2014, 2,424,801 ADSs were issued by the Company and 6,964,612 Class B ordinary shares were converted into Class A ordinary shares. The net proceeds from the follow-on offering amounted to US\$97,344 net of issuance cost. Upon the transfer of 47.4% share ownership by Telstra to Ping An in June 2016, all the Class B ordinary shares were converted into Class A ordinary shares. As of December 31, 2019, the Company had ordinary shares outstanding, all comprised of 118,926,687 Class A ordinary shares. Ping An became the Company’s controlling shareholder holding 52.0% of the total equity interest and voting rights, respectively in the Company as of December 31, 2019.

The Company, through its subsidiaries and VIEs (as disclosed in the table below), is engaged in the provision of media services, leads generation services and online marketplace and others.

As of December 31, 2019, the Company’s principal subsidiaries and VIEs where Autohome WFOE and Chezhiying WFOE are the primary beneficiaries include the following entities:

Entity	Date of incorporation or acquisition	Place of incorporation	Percentage of direct ownership by the Company
Subsidiaries			
Cheerbright International Holdings, Limited (“Cheerbright”)	June 13, 2006	British Virgin Islands	100%
Autohome E-commerce Inc.	February 6, 2015	Cayman Islands	100%
Autohome Link Inc.	January 29, 2015	Cayman Islands	100%
Autohome Financing Limited	March 23, 2015	Cayman Islands	100%
Autohome (Hong Kong) Limited (“Autohome HK”)	March 16, 2012	Hong Kong	100%
Autohome Media Limited (“Autohome Media”, formerly known as Prbrownies Marketing Limited)	October 18, 2013	Hong Kong	100%
Fetchauto Limited (UK)	October 8, 2019	United Kingdom	100%
Fetchauto Limited (Ireland)	October 18, 2019	Ireland	100%
FetchAuto GmbH	December 23, 2019	Germany	100%
Autohome E-commerce Hong Kong Limited	February 18, 2015	Hong Kong	100%
Autohome Link Hong Kong Limited	February 16, 2015	Hong Kong	100%
Autohome Financing Hong Kong Limited	April 15, 2015	Hong Kong	100%
Beijing Cheerbright Technologies Co., Ltd. (“Autohome WFOE”)	September 1, 2006	PRC	100%
Autohome Shanghai Advertising Co., Ltd.	September 29, 2013	PRC	100%
Beijing Prbrownies Software Co., Ltd. (formerly known as “Beijing Autohome Software Co., Ltd.”)	November 12, 2013	PRC	100%

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1. ORGANIZATION (CONTINUED)

Entity	Date of incorporation or acquisition	Place of incorporation	Percentage of direct ownership by the Company
Beijing Autohome Technologies Co., Ltd.	November 12, 2013	PRC	100%
Beijing Autohome Advertising Co., Ltd.	November 13, 2013	PRC	100%
Guangzhou Autohome Advertising Co., Ltd.	November 25, 2013	PRC	100%
Autohome (Tianjin) Automobile Sales Co., Ltd.	October 20, 2014	PRC	100%
Beijing Chezhiying Technology Co., Ltd. (“Chezhiying WFOE”)	May 26, 2015	PRC	100%
Beijing Chezhiying Software Co., Ltd. (“Chezhiying Software”)	December 9, 2015	PRC	100%
Beijing Kemoshijie Technology Co., Ltd.	September 11, 2015	PRC	100%
Beijing Haochezhihia E-commerce Co., Ltd.	April 25, 2016	PRC	75%
Huai’an Prbrownies Software Co., Ltd.	September 13, 2016	PRC	100%
Chengdu Prbrownies Software Co., Lt.	September 30, 2016	PRC	100%
Guangzhou Chezhihuitong Advertising Co., Ltd.	August 20, 2018	PRC	100%
Hainan Chezhiyitong Information Technology Co., Ltd.	August 20, 2018	PRC	100%
Tianjin Autohome Data Information Technology Co., Ltd.	October 15, 2018	PRC	100%
Autohome Zhejiang Advertising Co., Ltd.	December 19, 2018	PRC	100%
VIEs			
Beijing Autohome Information Technology Co., Ltd. (“Autohome Information”)	August 28, 2006	PRC	—
Beijing Shengtuo Autohome Advertising Co., Ltd.	September 21, 2010	PRC	—
Beijing Shengtuo Hongyuan Information Technology Co., Ltd. (“Shengtuo Hongyuan”)	November 8, 2010	PRC	—
Beijing Shengtuo Chengshi Advertising Co., Ltd.	November 12, 2010	PRC	—
Shanghai You Che You Jia Advertising Co., Ltd. (“Shanghai Advertising”)	December 31, 2011	PRC	—
Beijing Autohome Used Car Appraisal Co., Ltd.	January 30, 2015	PRC	—
Beijing Autohome Used Car Brokerage Co., Ltd.	June 10, 2015	PRC	—
Shanghai Tianhe Insurance Brokerage Co., Ltd.	September 21, 2017	PRC	—
Shanghai Leyulv Travel Agency Co., Ltd.	November 28, 2018	PRC	—

The Company, its subsidiaries and VIEs are hereinafter collectively referred to as the “Group”. The Group provides media services, leads generation services and online marketplace and others through its websites and mobile applications. These services are primarily offered to automakers and dealers, and advertising agencies that represent automakers and dealers in the automobile industry, and financial institutions. The Group’s principal geographic market is in the PRC. The Company does not conduct any substantive operations of its own but conducts its primary business operations through its wholly-owned subsidiaries and VIEs.

1. ORGANIZATION (CONTINUED)

PRC laws and regulations prohibit or restrict foreign ownership of internet content businesses. To comply with these foreign ownership restrictions, the Company and its subsidiaries operate websites and mobile applications and conduct its business related to internet content services through VIEs. The paid-in capital of the VIEs was funded by the Company's PRC subsidiaries, Autohome WFOE and Chezhiying WFOE, through loans extended to the VIEs' shareholders ("Nominee Shareholders"). The effective control of the VIEs is held by WFOEs, through a series of contractual agreements (the "Contractual Agreements"). As a result of the Contractual Agreements, the WFOEs maintain the ability to control the VIEs, are entitled to substantially all of the economic benefits from the VIEs and are obligated to absorb all of the VIE's expected losses.

In September 2016 and March 2017, the then individual nominee shareholders of Shengtuo Hongyuan, 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 interest in each of the entities to Min Lu and Haiyun Lei. In September 2016 and in March 2017, each of Autohome WFOE and Chezhiying WFOE, and each of Shengtuo Hongyuan and its two subsidiaries, Autohome Information and its two subsidiaries and Shanghai Advertising, and each of Min Lu and Haiyun Lei, as the individual nominee shareholder of VIEs, entered into contractual agreements.

Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between the Company and the VIEs through the irrevocable power of attorney agreement, whereby the Nominee Shareholders effectively assigned all of their voting rights underlying their equity interest in the VIEs to the WFOEs. In addition, through the Contractual Agreements the Company demonstrates its ability and intention to continue to exercise the ability to absorb substantially all of the expected losses and majority of the profits of the VIEs through the WFOEs.

Thus, the Company is also considered the primary beneficiary of the VIEs through the WFOEs. As a result of the above, the Company consolidates the VIEs in accordance with SEC Regulation SX-3A-02 and Accounting Standards Codification ("ASC") 810-10 ("ASC 810-10") *Consolidation: Overall*.

The following is a summary of the Contractual Agreements:

Exclusive technical consulting and service agreements

Pursuant to the exclusive technical consulting and service agreements that have been entered into by the WFOEs and the VIEs, the VIEs have engaged the WFOEs as their exclusive provider of technical support and management consulting services. In addition, the WFOEs shall provide the necessary financial support to the VIEs whether or not the VIEs incur any losses, and not request for repayment if the VIEs are unable to do so. The VIEs shall pay to the WFOEs service fees calculated based on such VIE's revenues reduced by its value-added taxes and surcharges, operating expenses and an appropriate amount of retained profit that is determined pursuant to the Group's tax planning strategies and relevant tax laws. The service fees can be adjusted by the WFOEs unilaterally. The WFOEs shall exclusively own any intellectual property arising from the performance of this agreement. This agreement has a 30 year term that can be automatically extended for another 10 years at the option of the WFOEs. The agreement can only be terminated mutually by the parties in writing. During the term of the agreement, the VIEs may not enter into any agreement with third parties for the provision of any technical or management consulting services without prior consent of the WFOEs.

Loan agreement

Pursuant to the loan agreements between the Nominee Shareholders of the VIEs and the WFOEs, the WFOEs granted interest-free loans for the Nominee Shareholders' contributions to the VIEs. The term of the loan is indefinite until the WFOEs requests repayment. The manner and timing of the repayment shall be at the sole discretion of the WFOEs and at the WFOEs' option may be in the form of transferring the VIEs' equity interest to the WFOEs or their designated persons.

1. ORGANIZATION (CONTINUED)

Exclusive equity option agreements

Pursuant to the exclusive equity option agreements entered into among the Nominee Shareholders of the VIEs, VIEs and the WFOEs, the Nominee Shareholders jointly and severally granted to the WFOEs an option to purchase their equity interests in the VIEs. The purchase price will be offset against the loan repayments under the loan agreements. If the transfer price of the equity interest is greater than the loan amount, the Nominee Shareholders are required to immediately return the received transfer price in excess of the loan amount to the WFOEs or any person designated by the WFOEs. The WFOEs may exercise such option at any time until it has acquired all equity interests of the VIEs or freely transfer the option to any third party and such third party may assume the right and obligations of the option agreement. In addition, dividends and distributions are not permitted without the prior consent of the WFOEs, to the extent there is a dividend or distribution, the Nominee Shareholders will remit the amounts in full to the WFOEs immediately. In the event of liquidation or dissolution of the VIEs, all assets shall be sold to the WFOEs at the lowest selling price permitted by applicable PRC law, and any proceeds from the transfer and any residual interests in the VIEs shall be remitted to the WFOEs immediately. The exclusive equity option agreements have an indefinite term and will terminate at the earlier of i) the date on which all of the equity interests have been transferred to the WFOEs or any person designated by the WFOEs; or ii) the unilateral termination by the WFOEs.

Equity interest pledge agreements

Pursuant to the equity interest pledge agreements entered into between the Nominee Shareholders of the VIEs and the WFOEs, the Nominee Shareholders pledged all of their equity interests in the VIEs to the WFOEs as collateral for all of their payments due to the WFOEs and to secure their obligations under the above agreements. The Nominee Shareholders may not transfer or assign the shares, the rights and obligations in the share pledge agreement or create or permit to create any pledges which may have an adverse effect on the rights or benefits of the VIEs without the WFOE's preapproval. The WFOE is entitled to transfer or assign in full or in part the shares pledged. In the event of default, the WFOE as the pledgee will be entitled to request immediate repayment of the loan or to dispose of the pledged equity interests through transfer or assignment. There have been no dividends or distributions from inception to date. The equity interest pledge agreements have an indefinite term and will terminate after all the obligations under these agreements have been satisfied in full or the pledged equity interests have been transferred to the WFOEs or their designees.

Power of attorney agreements

Pursuant to the power of attorney agreements, shareholders of the VIEs have given the WFOEs an irrevocable proxy to act on their behalf on all matters pertaining to the VIEs and to exercise all of their rights as shareholders of the VIEs, including the right to attend shareholders' meetings, to exercise voting rights and to transfer all or a part of his equity interests in the VIEs.

Risk in relation to the VIE Structure

Internet content related businesses are subject to significant restrictions under current PRC laws and regulations. Specifically, foreign investors are not allowed to own more than 50% equity interest in any Internet Content Provider ("ICP") business.

The Group conducts its operations in China through Contractual Agreements entered into between the WFOEs and VIEs. In 2014, the Group began gradually migrating the advertising service business from the VIEs to the subsidiaries of Autohome Media, a transition that was completed to a substantial extent. If the Company or any of its current or future VIEs or subsidiaries are found in violation of any existing or future laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including levying fines, confiscating the income of Autohome WFOE, Chezhiying WFOE and VIEs, revoking their business licenses or operating licenses, shutting down the Group's servers or blocking the Group's websites and mobile applications, discontinuing or placing restrictions or onerous conditions on the Group's operations, requiring the Group to undergo a costly and disruptive restructuring, restricting the Group's rights to use the proceeds from the offering to finance the Group's business and operations in China, or enforcement actions that could be harmful to the Group's business. Any of these actions could cause significant disruption to the Group's business operations and severely damage the Group's reputation, which would in turn materially and adversely affect the Group's business and results of operations. In addition, if the imposition of any of these penalties causes the Company to lose the rights to direct the activities of VIEs or the Company's right to receive their economic benefits, the Company would no longer be able to consolidate the VIEs.

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1. ORGANIZATION (CONTINUED)

In addition, if Shanghai Advertising, Autohome Information and its subsidiaries, Shengtuo Hongyuan and its subsidiaries or their shareholders fail to perform their obligations under the Contractual Agreements, the Company may have to incur substantial costs and expend resources to enforce the Company's rights under the contracts. The Company 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. All of these Contractual Agreements 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 PRC is not as developed as in other jurisdictions, such as United States. As a result, uncertainties in the PRC legal system could limit the Company's ability to enforce these Contractual Agreements. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and 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 the Company is unable to enforce these Contractual Agreements, the Company may not be able to exert effective control over its VIEs, and the Company's ability to conduct its business may be negatively affected.

Based on the advice of the Company's PRC legal counsel, the corporate structure and Contractual Agreements of the Company's VIEs and WFOEs in China are in compliance with all existing PRC laws and regulations. Therefore, in the opinion of management, (i) the ownership structure of the Company and the VIEs are in compliance with existing PRC laws and regulations; (ii) the Contractual Agreements with VIEs and their nominee shareholders are valid and binding, and will not result in any violation of PRC laws or regulations currently in effect; and (iii) the Group's business operations are in compliance with existing PRC law and regulations in all material respects.

VIEs contributed an aggregate of 4.4%, 9.3% and 8.3% of the consolidated net revenues for the years ended December 31, 2017, 2018 and 2019, respectively, after elimination of inter-company transactions. As of December 31, 2018 and 2019, the VIEs accounted for an aggregate of 14.8% and 9.6%, respectively, of the consolidated total assets, and 6.5% and 4.7%, respectively, of the consolidated total liabilities after elimination of inter-company balances.

Relevant PRC laws and regulations restrict the VIE from transferring a portion of its net assets to the Company in the form of loans and advances or cash dividends. Please refer to Note 16 for disclosure of restricted net assets.

The following table sets forth the assets, liabilities, results of operations and cash flows of the VIEs included in the Company's consolidated balance sheets, consolidated statements of comprehensive income and consolidated statements of cash flows:

	December 31,	
	2018	2019
	RMB	US\$
Current assets	855,789	53,996
Non-current assets	1,641,154	230,965
Total assets	2,496,943	284,961
Accrued expenses and other payables	182,885	15,791
Advance from customers	55,268	9,189
Deferred revenue	36,847	2,722
Amounts due to related parties	1,569	65
Inter-company payables	509,899	12,392
Total current liabilities	786,468	40,159
Other liabilities	14,880	1,778
Deferred tax liabilities	12,135	1,023
Total non-current liabilities	27,015	2,801
Total liabilities	813,483	42,960
Net assets	1,683,460	242,001

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1. ORGANIZATION (CONTINUED)

	Year ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
Net revenues	274,774	673,188	702,040	100,842
Net income/(loss)	20,380	29,099	(848)	(122)

	Year ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
Net cash generated from/(used in) operating activities	851,872	(224,531)	(446,358)	(64,115)
Net cash (used in)/generated from investing activities	(802,710)	131,087	478,513	68,734
Net cash generated from financing activities	—	—	—	—

The revenue-producing assets that are held by the VIEs comprise of customer relationships, trademarks, websites, domain names, operating license and servers.

The current assets of the VIEs included amounts due from PRC subsidiaries of RMB169,546 and RMB149,925 (US\$21,535), as of December 31, 2018 and 2019, respectively, which were eliminated upon consolidation by the Company. The current liabilities of the VIEs included amounts due to PRC subsidiaries of RMB509,899 and RMB86,275 (US\$12,392), as of December 31, 2018 and 2019, respectively, which were eliminated upon consolidation by the Company. There was no pledge or collateralization of the VIEs' assets and the WFOEs have not provided any financial support that they were not previously contractually required to provide to the VIEs. There were no assets of the VIEs that can only be used to settle their own obligations. Creditors of the VIEs have no recourse to the general credit of the WFOEs, which are the primary beneficiaries of the VIEs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The accompanying consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP").

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the VIEs for which the Company or subsidiaries of the Company are the primary beneficiaries. All significant inter-company transactions and balances between the Company, its subsidiaries, and the VIEs are eliminated upon consolidation. Results of acquired subsidiaries and VIEs are consolidated from the date on which control is transferred to the Company.

(c) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Areas where management uses subjective judgment include, but are not limited to, estimating the useful lives of long-lived assets and intangible assets, identification of performance obligations, standalone selling price for each performance obligation and estimation of variable consideration represented by sales rebates, related to revenue transactions, assessing the initial valuation of the assets acquired and liabilities assumed in a business combination and the subsequent impairment assessment of financial assets, long-lived assets, intangible assets, goodwill, other non-current assets and long-term investments, determining the provision for accounts receivable, accounting for deferred income taxes and accounting for the share-based compensation. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign Currency

The functional currency of the Company, its Cayman subsidiaries and Cheerbright, is the United States dollar (“US\$”), whereas the Company’s subsidiaries and VIEs with operations in the PRC, Hong Kong, and other jurisdictions generally use their respective local currencies as their functional currencies as determined based on the criteria of ASC 830, *Foreign Currency Matters*. The Company uses the RMB as its reporting currency. Transactions denominated in foreign currencies are re-measured into the functional currency at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are re-measured at the balance sheet date exchange rate. Exchange gains and losses are included in other income, net in the consolidated statements of comprehensive income.

Assets and liabilities of the Company and Company’s subsidiaries, other than the subsidiaries with the functional currency of RMB, are translated into RMB at fiscal year-end exchange rates. Income and expense items are translated at average exchange rates prevailing during the fiscal year.

(e) Convenience Translation

Amounts in United States dollars (“US\$”) are presented for the convenience of the reader and are translated at the noon buying rate of US\$1.00 to RMB6.9618 on December 31, 2019 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at such rate.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, time deposits and money market funds placed with banks or other financial institutions which are unrestricted as to withdrawal and use and have original maturities of three months or less.

(g) Short-term Investments

Short-term investments represent bank deposits, adjustable-rate financial products with original maturities of greater than 3 months but less than 1 year and money market funds that are measured at fair value. In accordance with ASC 825, *Financial Instruments*, for adjustable-rate financial products with the interest rate indexed to performance of underlying assets and money market funds, the Group elected the fair value method at the date of initial recognition and carried these investments at fair value. Changes in the fair value are reflected in the consolidated statements of comprehensive income as interest income.

(h) Restricted Cash

Restricted cash primarily represents cash deposits in a regulatory escrow account related to insurance brokerage services.

The following table provides a reconciliation of the amount of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets to the total of the same such amounts shown in the consolidated statements of cash flows:

	December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Amounts shown in Consolidated Balance Sheets:			
Cash and cash equivalents	911,588	211,970	1,988,298
Restricted cash	—	5,000	5,200
Total cash, cash equivalents and restricted cash as shown in Consolidated Statements of Cash Flows	<u>911,588</u>	<u>216,970</u>	<u>1,993,498</u>

(i) Fair Value Measurements of Financial Instruments

Financial instruments of the Group primarily comprise of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, amounts due from related parties, other non-current assets excluding operating lease right-of-use assets, accrued expenses and other payables, and amounts due to related parties. The carrying values of these financial instruments excluding other non-current assets approximated their fair values due to the short-term maturity of these instruments.

ASC topic 820 (“ASC 820”), *Fair Value Measurements and Disclosures*, establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace

Level 3 – Unobservable inputs which are supported by little or no market activity

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

(j) Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

<u>Category</u>	<u>Estimated useful life</u>
Electronic equipment	3 – 5 years
Office equipment	3 – 5 years
Motor vehicles	4 – 5 years
Software	3 – 5 years
Leasehold improvements	Shorter of lease term or the estimated useful lives of the assets

Repair and maintenance costs are charged to expense as incurred, whereas the costs of betterments that extend the useful life of property and equipment are capitalized as additions to the related assets. Retirements, sale and disposals of assets are recorded by removing the cost and accumulated depreciation with any resulting gain or loss reflected in the consolidated statements of comprehensive income.

(k) Intangible Assets

Intangible assets are carried at cost less accumulated amortization and any recorded impairment. Intangible assets acquired in a business combination were recognized initially at fair value at the date of acquisition. Intangible assets acquired in asset acquisitions are measured based on the cost to the acquiring entity, which generally includes transaction costs. Intangible assets with finite useful lives are amortized using a straight-line method of amortization that reflects the estimated pattern in which the economic benefits of the intangible asset are to be consumed. The estimated useful life for the intangible assets is as follows:

<u>Category</u>	<u>Estimated useful life</u>
Trademarks	3-15 years
Customer relationship	5 years
Websites	4 years
Domain names	4-10 years
Licensing agreements	1.75 years
Insurance brokerage license	4 years

(l) Long-term Investments

The Company's long-term investments consist of equity method investments. Investments in entities in which the Company can exercise significant influence and holds an investment in voting common stock or in-substance common stock (or both) of the investee but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC topic 323 ("ASC 323"), *Investments-Equity Method and Joint Ventures*. Under the equity method, the Company initially records its investments at cost. The Company subsequently adjusts the carrying amount of the investments to recognize the Company's proportionate share of each equity investee's net income or loss into earnings after the date of investments. The Company evaluates the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Goodwill

Goodwill represents the excess of the purchase price over the amounts assigned to the fair value of the assets acquired and the liabilities assumed of an acquired business. The Group's goodwill at December 31, 2018 and 2019 were related to its acquisition of Cheerbright, China Topside and Norstar. In accordance with ASC 350, *Goodwill and Other Intangible Assets*, recorded goodwill amounts are not amortized, but rather are tested for impairment annually or more frequently if there are indicators of impairment present.

Goodwill is tested for impairment at the reporting unit level on an annual basis (December 31 for the Company) and between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value. These events or circumstances include a significant change in stock prices, business environment, legal factors, financial performances, competition, or events affecting the reporting unit. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The estimation of fair value of reporting unit using a discounted cash flow methodology also requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the Company's business, estimation of the useful life over which cash flows will occur, and determination of the Company's weighted average cost of capital. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for the reporting unit.

Management has determined that the Group represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Management evaluated the recoverability of goodwill by performing a qualitative assessment before using a two-step impairment test approach at the reporting unit level. Based on an assessment of the qualitative factors, management determined that it is more-likely-than-not that the fair value of the reporting unit is in excess of its carrying amount. Therefore, management concluded that it was not necessary to proceed to the two-step goodwill impairment test. At December 31, 2018 and 2019, goodwill was RMB1,504,278 and RMB1,504,278 (US\$216,076), respectively. No impairment loss was recorded for any of the years presented.

If the Group reorganizes its reporting structure in a manner that changes the composition of one or more of its reporting units, goodwill is reassigned based on the relative fair value of each of the affected reporting units.

(n) Other non-current assets

Other non-current assets are primarily comprised of an investment in TTP Car Inc. ("TTP") in the form of a three year convertible bond with an annual 8% compound interest rate, in an aggregate principal amount of US\$100,000. Concurrently with the issuance of the convertible bond, the Group was granted the right (not the obligation) to purchase an additional 8.0% convertible bond in an aggregate principal amount of US\$65,000, to be issued by TTP upon its request from time to time, within three years after the consummation of transaction in June 2018. On or prior to the maturity date, which is June 11, 2021 unless extended otherwise, any or all of the outstanding principal under the bond is automatically convertible into preferred shares of TTP subject to certain conditions, or optionally convertible into preferred shares of TTP at the Company's discretion.

A convertible bond that is not within the scope of ASC 320 "*Investments - debt and equity securities*" is accounted for under ASC 310 "*Receivables*". The initial investment amount of US\$100,000 was first allocated, based on fair value, to any freestanding instrument that was purchased together with the convertible loan, and to any embedded features requiring separate recognition under ASC 815 "*Derivatives and Hedging*". The US\$65,000 warrant was recognized as a freestanding financial derivative and recorded at its fair value; any subsequent changes in fair value will be recognized in earnings. There were no embedded features that required separate recognition. After allocation, the remaining investment amount was recognized as the convertible bond. The difference between the carrying value and face value of the convertible bond, after allocation, was treated as a discount on convertible bond and is amortized and recognized as interest income using the effective interest method. The convertible bond is carried at its amortized cost, net of the discount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

According to ASC 310-10-35, a loan receivable should be evaluated for impairment at each reporting period. A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. All amounts due according to the contractual terms means that both the contractual interest payments and the contractual principal payments of a loan will be collected as scheduled in the loan agreement.

(o) Impairment of Long-Lived Assets and Intangibles

The Group evaluates its long-lived assets or asset group, including intangible assets with finite lives, for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of an asset or a group of long-lived assets may not be recoverable. When these events occur, the Group evaluates impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value. No impairment charge was recorded for any of the years presented.

(p) Revenue Recognition

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”), which amends the existing accounting standards for revenue recognition. Subsequently, the FASB issued several amendments and updates to the new revenue guidance. The Company adopted the new revenue guidance beginning January 1, 2018 by applying the modified retrospective method to those contracts that are not completed as of January 1, 2018, with the comparative information not being adjusted and continues to be reported under ASC 605. The most significant impact for the Company is the change from presentation of value-added tax (“VAT”) on gross basis to net basis. This change reduces revenues and costs of revenues for the gross amount of VAT collected and paid, respectively, and presents VAT refunds as a component of other income, net. This change has no impact on the determination of the amount or timing of services and other revenue to be recognized and is only a change in classification. There were no adjustments to the opening balance of retained earnings upon initially applying the new guidance. Adoption of the new revenue recognition standards had no impact to the Group’s consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in shareholders’ equity for the year ended December 31, 2018.

The following table illustrates the effect of the adoption of ASC 606 by presenting a comparison of selected line items from the Group’s consolidated statement of comprehensive income for the year ended December 31, 2018:

	For the year ended December 31, 2018		
	Under Previous revenue guidance	Effects of new revenue guidance	Under New revenue guidance
Net revenues			
Media services	3,718,748	(210,494)	3,508,254
Leads generation services	3,274,619	(403,623)	2,870,996
Online marketplace and others	919,368	(65,467)	853,901
Total net revenues	7,912,735	(679,584)	7,233,151
Cost of revenues	(1,210,545)	390,257	(820,288)
Gross profit	6,702,190	(289,327)	6,412,863
Other income, net	52,064	289,327	341,391
Operating profit	2,868,925	—	2,868,925
Net income attributable to Autohome Inc.	2,871,015	—	2,871,015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group's revenues are derived from media services, leads generation services and online marketplace and others. Under Topic 606, revenues are recognized when control of the promised goods or services is transferred to the Group's customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. The recognition of revenue involves certain management judgments including identification of performance obligations, standalone selling price for each performance obligation, estimation of variable consideration represented by sales rebates, etc. The Group provides rebates to agency companies based on their cumulative annual advertising and service volume, and the timeliness of their payments, which are accounted for as variable consideration. The Group estimates its obligations under such agreements by applying the most likely amount method, based on an evaluation of the likelihood of the agency companies' achievement of the advertising and service volume targets, and the timeliness of their payments, after taking into account the agency companies' purchase trends and history. A refund liability (included in accrued expenses and other payables) is recognized for expected sales rebates payable to agency companies in relation to advertising services provided. The Group recognizes revenue for the amount of fees it receives from its clients, after deducting these sales rebates, and net of VAT collected from customers. The Group believes that there will not be significant changes to its estimates of variable consideration and updates the estimate at each reporting period as actual utilization becomes available.

The Group determines revenue recognition through the following steps

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the Group satisfies a performance obligation

Media services

Media services revenues mainly include revenues from automaker advertising services and regional marketing campaigns conducted by certain automobile brands' regional offices. The majority of online advertising service contracts involve multiple deliverables or performance obligations presented on PC and mobile platforms and under different formats such as banner advertisements, links and logos, other media insertions and promotional activities that are delivered over different periods of time. Revenue is allocated among these different deliverables based on their relative standalone selling prices. The Group generally determines the standalone selling price as the observable price of a product or service charged to customers when sold on a standalone basis. Advertising services are primarily delivered based on cost per day ("CPD") pricing model. For CPD advertising arrangements, revenue is recognized when the corresponding advertisements are published over the stated display period. For cost per thousand impressions ("CPM") model, revenue is recognized when the advertisements are displayed and based on the number of times that the advertisement has been displayed. For cost-per-click ("CPC") model, revenue is recognized when the user clicks on the customer-sponsored links and based on the number of clicks. For certain marketing campaigns and promotional activities services, revenue is recognized when the corresponding services have been rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leads generation services

Leads generation services primarily include revenues from (i) dealer subscription services, (ii) advertising services sold to individual dealer advertisers, and (iii) used car listing services. Under the dealer subscription services, the Group makes available throughout the subscription period a webpage linked to its websites and mobile applications where the dealers can publish information such as the pricing of their products, locations and addresses and other related information. Usually, advanced payment is made for the dealer subscription services and revenue is recognized over time on a straight line basis as services are constantly provided over the subscription period. For the advertising services sold to individual dealers, revenue is recognized when the advertising is published over the stated display period. The used car listing services primarily include listing and display of used vehicles, generation of sales leads, etc, through the Group's platform. The used car platform acts as a user interface that allows potential used car buyers to identify listings that meet their specific requirements and contact the seller. The service fee is charged per the number of displayed days, or quantity of sales leads delivered. Revenue is recognized respectively at a point in time upon the display of vehicles or the delivery of sales leads.

Online marketplace and others

Online marketplace and others revenue primarily consist of revenues related to new car and used car marketplace, auto-financing business, data products and others. For the new car and used car marketplace, and auto-financing business, the Group provides platform-based services including facilitation of transactions, transaction-oriented marketing solutions, generation of sales leads and facilitation of transactions as an insurance brokerage service provider. For the new car marketplace, the Group also acts as the platform for users to review automotive-related information, purchase coupons offered by automakers for discounts and make purchases to complete the transaction. For the used car platform, the Group acts as a used car consumer-to-business-to-consumer, or C2B2C, transaction system that facilitates the used car transaction between the sellers and buyers and charge the service fee per each sale. For the auto-financing business, the Group provides a platform which serves as a bridge to match users and automobile sellers that have auto financing needs with the Group's cooperative financial institutions that offer a variety of products covering merchant loans, consumer loans, leases and insurance services. The auto-financing service fee is charged on a per sale or lead basis. The service fee is recognized at a point in time when the relevant information is displayed, marketing solution package is delivered, when the sales leads are delivered or upon the successful facilitation of transaction. For the data products, the Group provides data analysis reports and data-driven intelligent sales and marketing tools for the automakers and dealers and recognizes revenue at a point in time upon the delivery of reports or over the period of the consumption or utilization of marketing tools by the automakers and dealers.

Contract Balances

Payment terms and conditions vary by contract and service types. However, generally speaking, excluding dealer subscription and used car listing, the rest of service contracts usually require payment within several months of service delivery. The term between billings and when payment is due is not significant and the Group generally does not provide significant financing terms. Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represent amounts invoiced and revenue recognized prior to invoicing, when the Group has satisfied its performance obligations and has the unconditional right to payment. Non-refundable payments in advance of revenue recognition are recorded as deferred revenue and recognized as revenue along with the fulfillment of performance obligations. Deferred revenue is primarily related to the advanced payment related to dealer subscription services and used car listings under leads generation services. The beginning balance of deferred revenue of RMB1,510,726 (US\$217,002) was fully recognized as revenue for the year ended December 31, 2019. There is no significant change in contract liability balance for the year ended December 31, 2019.

Accounts receivable are carried at net realizable value. An allowance for doubtful accounts is recorded in the period when a loss is probable based on an assessment of specific evidence indicating troubled collection, historical experience, accounts aging and other factors. An accounts receivable balance is written off after all collection effort has ceased.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Practical Expedients and Exemptions

The Company has elected to use the practical expedient to not disclose the remaining performance obligations for contracts that have durations of one year or less. The Company does not have significant remaining performance obligations in excess of one year. For the remaining performance obligations as of December 31, 2019, most of them are to be recognized within a year.

The revenue standard requires the Group to recognize an asset for the incremental costs of obtaining a contract with a customer if the benefit of those costs is expected to be longer than one year. The Group has determined that sales commission for sales personnel meet the requirements of capitalization. However, the Group applies a practical expedient to expense these costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less.

(q) Cost of Revenues

Cost of revenues primarily consist of bandwidth and internet data center fees, depreciation of the Group's long-lived assets, amortization of acquired intangible assets, tax surcharges, content-related costs, cost of sales and write-downs of inventories and prepayment for vehicle purchase cost. Content-related costs primarily comprise of salaries and benefits for employees directly involved in revenue generation activities, cost related to content generation and acquisition and execution cost and other overhead expenses directly attributable to the provision of the media services, leads generation services and online marketplace and others. Cost of sales include vehicle purchase cost and other directly attributable costs. Rebates relating to new vehicles purchased and sold during the reporting period are recorded as a reduction to cost of revenues.

(r) Advertising Expenditures

Advertising expenditures which amounted to RMB767,528, RMB1,047,160 and RMB1,649,660 (US\$236,959) for the years ended December 31, 2017, 2018 and 2019, respectively, are expensed as incurred and are included in sales and marketing expenses.

(s) Product Development Expenses

Product development expenses consist primarily of employee costs related to personnel involved in the development and enhancement of the Group's service offerings on its websites and mobile applications, and expenditure for research and development activities. The Group recognizes these costs as expenses when incurred, unless they qualify for capitalization as software development costs.

(t) Leases

Adoption of the New Lease Accounting Standard

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-02, *Leases* ("ASU 2016-02"). Further, as a clarification of the new guidance, the FASB issued several amendments and updates. The Group adopted the new lease guidance beginning January 1, 2019 by applying the modified retrospective method to those contracts that are not completed as of January 1, 2019, with the comparative information not being adjusted and continues to be reported under historic accounting standards. There is no impact to retained earnings at adoption.

The Group has elected to utilize the package of practical expedients at the time of adoption, which allows the Group to (1) not reassess whether any expired or existing contracts are or contain leases, (2) not reassess the lease classification of any expired or existing leases, and (3) not reassess initial direct costs for any existing leases. The Company also has elected to utilize the short-term lease recognition exemption and, for those leases that qualified, the Group did not recognize operating lease right-of-use ("ROU") assets or operating lease liabilities.

Upon the adoption of the new guidance on January 1, 2019, the Group recognized operating lease ROU assets of RMB184,849 and operating lease liabilities of RMB176,376 (including current portion of RMB121,780 and non-current portion of RMB54,596).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Lease Accounting Policies

The Group determines if an arrangement is a lease and determines the classification of the lease, as either operating or finance, at commencement. The Group has operating leases for office buildings and data centers and has no finance leases as of December 31, 2019. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the lease payments over the lease term at commencement date.

As the Group's leases do not provide an implicit rate, an incremental borrowing rate is used based on the information available at the commencement date, to determine the present value of lease payments. The incremental borrowing rate approximates the rate the Group would pay to borrow in the currency of the lease payments for the weighted-average life of the lease.

The operating lease ROU assets also include any lease payments made prior to lease commencement and exclude lease incentives and initial direct costs incurred if any. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Group's lease agreements contain both lease and non-lease components, which are accounted for separately based on their relative standalone price.

As of December 31, 2019, the Group recognized the following items related to operating lease in its consolidated balance sheet.

	Classification in Consolidated Balance Sheet	As of December 31, 2019	
		RMB	US\$
Operating lease ROU assets	Other non-current assets	81,055	11,643
Operating lease liabilities, current portion	Accrued expenses and other payables	52,781	7,582
Operating lease liabilities, non-current portion	Other liabilities	23,067	3,313

Lease cost recognized in the Group's consolidated statements of comprehensive income is summarized as follows:

	Classification in Consolidated Statements of Comprehensive Income	For the Year ended December 31, 2019	
		RMB	US\$
Operating lease cost	Cost of revenues and operating expenses	128,507	18,459
Cost of other leases with terms less than one year	Cost of revenues and operating expenses	38,229	5,491

Maturities of operating lease liabilities are as follows:

	For the year ended December 31,	
	RMB	US\$
2020	54,091	7,770
2021	19,963	2,867
2022	4,719	678
Total lease payments	78,773	11,315
Less imputed interest	(2,925)	(420)
Total	75,848	10,895

As of December 31, 2019, the Group's weighted-average remaining lease term was 0.67 years, and weighted-average discount rate was 4.63%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of December 31, 2019, the Group does not have any significant operating or finance leases that have not yet commenced. The Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Group leased office space and data centers from its related party, Ping An Group for a total amount of RMB72,185 (US\$10,369) for the year ended December 31, 2019.

Supplemental cash flow information related to operating leases is as follows:

	For the year ended December 31, 2019	
	RMB	US\$
Cash paid for amounts included in the measurement of operating lease liabilities	132,096	18,974
Operating lease ROU assets obtained in exchange for operating lease liabilities	54,315	7,802

(u) Income Taxes

The Group accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

The Group applies ASC 740, *Accounting for Income Taxes*, to account for uncertainty in income taxes. ASC 740 prescribes a recognition threshold a tax position is required to meet before being recognized in the financial statements. The Group has recorded unrecognized tax benefits in the other liabilities line item in the accompanying consolidated balance sheets. The Group has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of "income tax expense", in the consolidated statements of comprehensive income.

The Group's estimated liability for unrecognized tax benefits and the related interest and penalties are periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The actual benefits ultimately realized may differ from the Group's estimates. As each audit is concluded, adjustments, if any, are recorded in the Company's consolidated financial statements. Additionally, in future periods, changes in facts and circumstances, and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which they occur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) *Earnings Per Share*

Earnings per share are calculated in accordance with ASC 260-10, *Earnings per Share: Overall*. Basic earnings per share are computed by dividing net income attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year using the two-class method.

Diluted earnings per ordinary share reflects the potential dilution that could occur if securities to issue ordinary shares were exercised. The dilutive effect of outstanding share-based awards is reflected in the diluted earnings per share by application of the treasury stock method.

(w) *Comprehensive Income*

Comprehensive income is defined to include all changes in shareholders' equity except those resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220-10, *Comprehensive Income: Overall* requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. For each of the periods presented, the Company's comprehensive income includes foreign currency translation adjustments and is presented in the consolidated statement of comprehensive income. There have been no reclassifications out of accumulated other comprehensive income to net income for the years presented.

(x) *Noncontrolling interests*

Noncontrolling interests are recognized to reflect the portion of the equity of majority-owned subsidiary which is not attributable, directly or indirectly, to the controlling shareholder. Noncontrolling interests are classified as a separate line item in the equity section of the Group's consolidated balance sheets and have been separately disclosed in the Group's consolidated statements of comprehensive income to distinguish the interests from that of the Company.

(y) *Segment Reporting*

In accordance with ASC 280-10, *Segment Reporting: Overall*, the Group's chief operating decision maker has been identified as the Chief Executive Officer who reviews the consolidated results of operations when making decisions about allocating resources and assessing performance of the Group as a whole; hence, the Group has only one operating segment. The Group does not distinguish between markets or segments for the purpose of internal reporting. As the Group's long-lived assets and revenue are substantially located in and derived from the PRC, no geographical segments are presented.

(z) *Employee Benefits*

The full-time employees of the Company's PRC subsidiaries and VIEs are entitled to staff welfare benefits including medical care, housing fund, pension benefits and unemployment insurance, which are governmental mandated defined contribution plans. These entities are required to accrue for these benefits based on certain percentages of the employees' respective salaries, subject to certain ceilings, in accordance with the relevant PRC regulations, and make cash contributions to the state-sponsored plans out of the amounts accrued. The total expenses for the employee benefits plans were RMB270,794, RMB319,491 and RMB344,829 (US\$49,532) for the years ended December 31, 2017, 2018 and 2019, respectively.

(aa) *Share-based Compensation*

Share-based awards granted to employees are accounted for under ASC 718, *Compensation—Stock Compensation*, which requires that share-based awards granted to employees be measured based on the grant date fair value and recognized as compensation expense over the requisite service period (which is generally the vesting period) in the consolidated statements of comprehensive income. The Company has elected to recognize compensation expense using the straight-line method for all share-based awards granted with service conditions that have a graded vesting schedule. For awards with performance condition and multiple service dates, if the performance conditions are all set at inception and independent for each year, each tranche is accounted for as a separate award with its own requisite service period. Compensation cost is recognized over the respective requisite service period separately for each separately-vesting tranche as though each tranche of the award is, in substance, a separate award.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under ASC 718, an entity can make an accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. The Company has elected to estimate the forfeiture rate at the time of grant and revise, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. The Company recognizes compensation cost for awards with performance conditions if and when the Company concludes that it is probable that the performance condition will be achieved. The Company reassesses the probability of vesting at each reporting period for awards with performance conditions and adjusts compensation cost based on its probability assessment.

Forfeiture rates are estimated based on historical and future expectations of employee turnover rates and are adjusted to reflect future changes in circumstances and facts, if any. Share-based compensation expense is recorded net of estimated forfeitures such that expense is recorded only for those share-based awards that are expected to vest. To the extent the Company revises these estimates in the future, the share-based payments could be materially impacted in the period of revision, as well as in following periods. The Company, with the assistance of an independent third-party valuation firm, determined the fair value of the stock options granted to employees. The binomial option pricing model was applied in determining the estimated fair value of the options granted to employees. Subsequent to the IPO, fair value of the ordinary shares is the price of the Company's publicly traded shares.

The Company accounts for a change in any of the terms or conditions of share-based awards as a modification in accordance with ASC subtopic 718-20, *Compensation-Stock Compensation: Awards Classified as Equity*, whereby the incremental fair value, if any, of a modified award, is recorded as compensation cost on the date of modification for vested awards or over the remaining vesting period for unvested awards. The incremental compensation cost is the excess of the fair value of the modified award on the date of modification over the fair value of the original award immediately before the modification.

(bb) Other income, net

Commencing in 2018 with the adoption of the new revenue accounting standard, VAT refunds are presented as a component of other income, net. For Beijing Prbrownies Software Co., Ltd. and Chengdu Prbrownies Software Co., Ltd., they are subject to 13% VAT (or 16% VAT before April 1, 2019 and 17% before May 1, 2018) for the dealer subscription services and other services, which were sold in the form of software products. Since November 2014 and December 2016, respectively, Beijing Prbrownies Software Co., Ltd. and Chengdu Prbrownies Software Co., Ltd. are entitled to an immediate 10% VAT (or 13% before April 1, 2019 and 14% before May 1, 2018) refund, which is a refund in excess of 3% VAT on the total VAT payable, after their registration of software products with relevant authorities and obtaining a refund approval from the local tax bureau.

Other income, net also includes government grants, which primarily represent subsidies and tax refunds for operating a business in certain jurisdictions and fulfillment of specified tax payment obligations. These grants are not subject to any specific requirements and are recorded when received. For the years ended December 31, 2017, 2018 and 2019, RMB25,657, RMB45,190 and RMB147,694 (US\$21,215) of government grants were recorded as other income, net.

(cc) Commitment and contingencies

From time to time, the Group is subject to legal proceedings and claims in the ordinary course of business. Liabilities for such contingencies are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated.

(dd) Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13 *Financial Instruments—Credit Losses* (“ASU 2016-13”). Further, as a clarification of the new guidance, the FASB issued several subsequent amendments and updates to ASU 2016-13. The new ASU replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company will adopt ASU 2016-13 beginning January 1, 2020 by applying the modified retrospective method with the cumulative effect of initially applying the guidance recognized at the date of initial application. The Company has finalized its analysis and the impact to the opening balance of retained earnings at January 1, 2020 will be immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”). The amendments in ASU 2017-04 remove Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The amendments in ASU 2017-04 are effective for annual or any interim goodwill impairment tests beginning after December 15, 2019 and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has finalized its analysis of the new goodwill impairment model, and there was no significant impact on the Company’s consolidated financial statements.

(ee) Concentration of Risk

Credit risk

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investments and accounts receivable. As of December 31, 2018 and 2019, cash and cash equivalents, restricted cash and short-term investments altogether amounting to RMB10,066,458 and RMB12,800,310 (US\$1,838,649), respectively, were deposited with various major reputable financial institutions located in the PRC and international financial institutions outside of the PRC. Management believes that these financial institutions are of high credit quality and continually monitors the creditworthiness of these financial institutions. Historically, deposits in Chinese banks are secure due to the state policy on protecting depositors’ interests. However, China promulgated a new Bankruptcy Law in August 2006 that came into effect on June 1, 2007, which contains a separate article expressly stating that the State Council may promulgate implementation measures for the bankruptcy of Chinese banks based on the Bankruptcy Law. Under the new Bankruptcy Law, a Chinese bank may go into bankruptcy. In the event of bankruptcy of one of the banks which holds the Group’s deposits, it is unlikely to claim its deposits back in full since it is unlikely to be classified as a secured creditor based on PRC laws. The Group continues to monitor the financial strength of these financial institutions.

Accounts receivable are typically unsecured and derived from revenue earned from customers, which are exposed to credit risk. The risk is mitigated by the Group’s assessment of its customers’ creditworthiness and its ongoing monitoring process of outstanding balances. The Group maintains reserves for allowance of doubtful accounts and these allowances have generally been within expectations. There were three customers and no customer that individually represented greater than 10% of the total accounts receivable as of December 31, 2018 and 2019.

Business, customer, political, social and economic risks

The Group participates in a dynamic high technology industry and believes that changes in any of the following areas could have a material adverse effect on the Group’s future financial position, results of operations or cash flows; changes in the overall demand for services and products; changes in business offerings; epidemic outbreak that may cause disruption to business operation of the Group, its customers and suppliers; competitive pressures due to new entrants; acceptance of the Internet as an effective marketing platform by China’s automotive industry; changes in certain strategic relationships or customer relationships; growth in China’s automotive industry, regulatory considerations; and risks associated with the Group’s ability to attract and retain employees necessary to support its growth.

There were no customers that individually represented greater than 10% of the total net revenues for the years ended December 31, 2017, 2018 and 2019, respectively.

Currency convertibility risk

The Group transacts majority of its business in RMB, which is not freely convertible into foreign currencies. According to the relevant regulations in the PRC, all foreign exchange transactions are required to take place either through the People’s Bank of China (“PBOC”) or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers’ invoices, shipping documents and signed contracts.

Most of the cash and cash equivalents and short-term investments held by PRC subsidiaries and the VIEs are denominated in RMB, while a portion of cash and cash equivalents and short-term investments held by PRC subsidiaries and the VIEs are denominated in US\$. Cash distributed outside of the PRC by PRC subsidiaries and the VIEs are subject to PRC dividend withholding tax.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency exchange rate risk

Since July 21, 2005, the RMB was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. There was appreciation of 6.7%, depreciation of 5.4%, and depreciation of 1.2% for the years ended December 31, 2017, 2018 and 2019, respectively. Any significant appreciation or depreciation of the RMB may materially and adversely affect the Group's earnings and financial position, and the value of, and any dividends payable on, the Company's ADSs in U.S. dollars. For example, to the extent that the Group need to convert U.S. dollars it received from its initial public offering into RMB to pay its operating expenses, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount it would receive from the conversion. Conversely, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of the Group's earnings, which in turn could adversely affect the price of ADSs.

3. FAIR VALUE MEASUREMENT

Assets measured at fair value on a recurring basis

	Fair Value Measurement at December 31, 2019 Using			Fair Value at December 31, 2019	
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)	RMB	US\$
	RMB	RMB	RMB		
Cash equivalents					
Time deposits	—	738,112	—	738,112	106,023
Short-term investments					
Term deposits	—	2,577,905	—	2,577,905	370,292
Adjustable-rate financial products	—	8,228,907	—	8,228,907	1,182,009
Restricted cash	—	5,200	—	5,200	747
Other non-current assets					
Warrant	—	—	31,393	31,393	4,509
	<u>—</u>	<u>11,550,124</u>	<u>31,393</u>	<u>11,581,517</u>	<u>1,663,580</u>

	Fair Value Measurement at December 31, 2018 Using			Fair Value at December 31, 2018	
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)	RMB	
	RMB	RMB	RMB		
Cash equivalents					
Money market fund	7,295	—	—		7,295
Short-term investments					
Term deposits	—	1,732,110	—		1,732,110
Money market fund	—	24,394	—		24,394
Adjustable-rate financial products	—	8,092,984	—		8,092,984
Restricted cash	—	5,000	—		5,000
Other non-current assets					
Warrant	—	—	36,375		36,375
	<u>7,295</u>	<u>9,854,488</u>	<u>36,375</u>		<u>9,898,158</u>

3. FAIR VALUE MEASUREMENT (CONTINUED)

Other financial instruments

The followings are other financial instruments not measured at fair value in the consolidated balance sheets, but for which the fair value is estimated for disclosure purposes.

Financial assets including accounts receivable and amounts due from related parties are not measured at fair value in the consolidated balance sheets, and the carrying values approximated fair value due to their short-term maturity. Financial liabilities including accrued expense and other payables, and amounts due to related parties are also not measured at fair value in the consolidated balance sheets, and the carrying values approximated fair value due to their short-term maturity.

Assets and liabilities measured at fair value on a non-recurring basis

The Group measures certain assets, including long-term investments, goodwill and intangible assets, at fair value on a non-recurring basis when they are deemed to be impaired (Level 3). The fair values of these assets are determined based on valuation techniques using the best information available, and may include management judgments, future performance projections, etc. An impairment charge to these investments is recorded when the cost of the investment exceeds its fair value and this condition is determined to be other-than-temporary.

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable and allowance for doubtful accounts consist of the following:

	December 31,		
	2018	2019	
	RMB	RMB	US\$
Accounts receivable	2,799,424	3,265,475	469,057
Allowance for doubtful accounts	(3,589)	(33,989)	(4,883)
Total	<u>2,795,835</u>	<u>3,231,486</u>	<u>464,174</u>

As of December 31, 2018 and 2019, all accounts receivable were due from third party customers.

An analysis of the allowance for doubtful accounts is as follows:

	December 31,		
	2018	2019	
	RMB	RMB	US\$
Beginning balance	1,408	3,589	516
Additions charged to bad debt expense	3,789	37,141	5,335
Reversal	(1,574)	(465)	(67)
Write off	(34)	(6,276)	(901)
Ending balance	<u>3,589</u>	<u>33,989</u>	<u>4,883</u>

The Group recognized additions to allowance for doubtful accounts amounting to RMB1,110, RMB2,215 and RMB36,676 (US\$5,268) within general and administrative expenses, for the years ended December 31, 2017, 2018 and 2019, respectively.

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5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31,		
	2018	2019	
	RMB	RMB	US\$
Prepayments	188,481	216,809	31,143
Rental and other deposits	6,646	19,329	2,776
Interest receivable	8,030	18,269	2,624
Staff advances	5,444	4,040	580
Receivables from third-party payment platform	5,793	10,348	1,486
Other receivables	35,583	33,490	4,812
	<u>249,977</u>	<u>302,285</u>	<u>43,421</u>

Prepayments primarily include prepaid VAT and surcharges, prepaid promotional expenses and service fee.

6. TAXATION

Enterprise income tax

Cayman Islands

The Company is incorporated in the Cayman Islands and conducts substantially all of its business through its PRC subsidiaries and VIEs. Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by these entities to their shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands

Cheerbright is incorporated in the British Virgin Islands and conducts substantially all of its businesses through its PRC subsidiary and VIEs. Under the current laws of the British Virgin Islands, Cheerbright is not subject to tax on income or capital gains. In addition, upon payments of dividends by these entities to their shareholders, no British Virgin Islands withholding tax will be imposed.

Hong Kong

Autohome HK was incorporated in Hong Kong on March 16, 2012. In October 2013, Autohome HK acquired Autohome Media, a Hong Kong advertising and marketing company. Also in 2015, three new entities were established in Hong Kong. Companies registered in Hong Kong are subject to Hong Kong Profits Tax on the taxable income as reported in their respective statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. The applicable tax rate is 16.5% in Hong Kong. For the years ended December 31, 2017, 2018 and 2019, except for the tax payment made by Autohome Financing Hong Kong Limited in relation to its disposal of Shanghai Youcheyoujia Financing Co., Ltd. as its 25% shareholder, the Company did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong during this period. Under the Hong Kong tax law, subsidiaries in Hong Kong are exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

The PRC

Autohome WFOE, Chezhiying WFOE, Beijing Autohome Technologies Co., Ltd., or Beijing Autohome Technologies, Beijing Pbrownies and Beijing Kemoshijie Technology Co., Ltd. are recognized as “High-New Technology Enterprise” (“HNTE”) and are eligible for a 15% preferential tax rate effective through 2021, 2020, 2020, 2020 and 2020, respectively, upon the completion of their filings with the relevant tax authorities. The qualification as an HNTE is subject to annual evaluation and a three-year review by the relevant authorities in China. Three HNTEs, Autohome WFOE, Beijing Autohome Technologies and Beijing Pbrownies, further enjoy a more preferential enterprise tax rate of 10% as they are accredited as key software enterprises under the relevant PRC laws and regulations as well, which tax rate will continue to apply for so long as each of them maintains their respective key software enterprise status during each relevant tax year. In the meanwhile, Chengdu Pbrownies Software Co., Ltd., or Chengdu Pbrownies, is recognized as a software enterprise and enjoys a 50% reduction in the statutory income tax rate of 25% for the tax years of 2019, 2020 and 2021 provided that it maintains its status as a software enterprise during each relevant tax year.

6. TAXATION (CONTINUED)

Pursuant to the Circular on Income Tax Policies for Further Encouraging the Development of Software Industry and Integrated Circuit Industry jointly issued by the State Administration of Taxation and the MOF on April 20, 2012, and the Circular on Issues concerning Preferential Enterprise Income Tax Policies for Software and Integrated Circuit Industries jointly issued by the Ministry Of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology on May 4, 2016, eligible software enterprises which pass annual review and filing by the relevant tax authorities can enjoy exemption of enterprise income tax for the first and second year as calculated from the profit making year or no later than December 31, 2017 if no profit is made prior to that date, and thereafter enjoy half of the statutory rate of 25% for the third through fifth year thereafter until the expiration of the preferential period. Beijing Prbrownies started to make profit since 2015, and it passed the review and filing as an eligible software enterprise by the relevant tax authorities in 2016 and 2017, which qualified it for the exemption of enterprise income tax for the tax years of 2015 and 2016. As each of Beijing Prbrownies, Autohome WFOE and Beijing Autohome Technologies, has further registered as a key software enterprise in 2018 and 2019, it enjoyed a reduced enterprise income tax of 10% for tax year of 2017 and 2018. Going forward, if any of Autohome WFOE, Beijing Autohome Technologies and Beijing Prbrownies fails to complete the filing and registration with the relevant tax authorities, it will no longer enjoy the preferential tax rate, and the applicable enterprise income tax rate may increase to up to 15% as an HNTE 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 automatically forfeit the respective preferential tax treatment described above.

Except for the above-mentioned entities, our remaining PRC subsidiaries and all the VIEs were subject to enterprise income tax at a rate of 25% for 2017, 2018 and 2019.

The management subsequently assessed and concluded that the aforementioned uncertainty was eliminated in the fourth quarter of 2019 and a reversal of RMB150,714 (US\$21,649) was recorded in 2019, composed of current income tax expense of RMB151,645 (US\$21,783) and deferred income tax benefit of RMB931 (US\$134). A reversal of RMB158,995 and RMB117,470 was also recorded in the fourth quarter of 2017 and 2018, each composed of current income tax expense of RMB163,651 and deferred income tax expense of RMB4,656, current income tax expense of RMB118,996 and deferred income tax expense of RMB1,526.

The basic earnings per share effects related to the preferential tax rate were RMB3.29, RMB3.18 and RMB2.73 (US\$0.39) for the years ended December 31, 2017, 2018 and 2019, respectively.

The Company's remaining PRC subsidiaries and all the VIEs were subject to Enterprise Income Tax ("EIT") at a rate of 25% for the years ended December 31, 2017, 2018 and 2019.

Under the New EIT Law, dividends paid by PRC enterprises out of profits earned post-2007 to non-PRC tax resident investors are subject to PRC withholding tax of 10%. A lower withholding tax rate may be applied based on applicable tax treaty with certain countries and jurisdictions.

The New EIT Law also provides that enterprises established under the laws of foreign countries or regions and whose "place of effective management" is located within the PRC are considered PRC tax resident enterprises and subject to PRC income tax at the rate of 25% on worldwide income. The definition of "place of effective management" refers to an establishment that exercises, in substance, overall management and control over the production and business, personnel, accounting, properties, and other aspects of an enterprise. If the Company is deemed as a PRC tax resident, it would be subject to PRC tax under the New EIT Law. The Company has analyzed the applicability of this law and believes that the chance of being recognized as a tax resident enterprise is remote for PRC tax purposes.

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6. TAXATION (CONTINUED)

The Company's subsidiaries incorporated in other jurisdictions were subject to income tax charges calculated according to the tax laws enacted or substantially enacted in the countries where they operate and generate income.

The Group had minimal operations in jurisdictions other than the PRC. Income/(loss) before income tax expense consists of:

	Year ended December 31,			
	2017 RMB	2018 RMB	2019 RMB	US\$
PRC	2,266,075	3,197,471	3,647,316	523,904
Non PRC	(4,534)	43,950	53,690	7,712
	<u>2,261,541</u>	<u>3,241,421</u>	<u>3,701,006</u>	<u>531,616</u>

The income tax expense is comprised of:

	Year ended December 31,			
	2017 RMB	2018 RMB	2019 RMB	US\$
Current	254,803	275,779	355,398	51,049
Deferred	12,279	102,111	144,963	20,823
	<u>267,082</u>	<u>377,890</u>	<u>500,361</u>	<u>71,872</u>

The reconciliation of income tax expense for the years ended December 31, 2017, 2018 and 2019 is as follows:

	Year ended December 31,			
	2017 RMB	2018 RMB	2019 RMB	US\$
Income before income tax expense	2,261,541	3,241,421	3,701,006	531,616
Income tax expense computed at PRC statutory tax rates (25%)	565,385	810,355	925,253	132,904
Non-deductible expenses	63,223	49,117	27,333	3,925
Research and development expenses super-deduction	(30,806)	(89,796)	(194,000)	(27,866)
Change in valuation allowances	(15,510)	(15,285)	16,420	2,359
Outside basis difference	7,360	8,481	(7,727)	(1,110)
Effect of international tax rate difference	1,133	(10,988)	(14,440)	(2,074)
Effect of preferential tax rate	(383,039)	(373,994)	(323,534)	(46,473)
Effect of withholding tax on dividend	59,336	—	71,056	10,207
Income tax expense	<u>267,082</u>	<u>377,890</u>	<u>500,361</u>	<u>71,872</u>

6. TAXATION (CONTINUED)**Deferred tax**

The significant components of deferred taxes are as follows:

	December 31,		
	2018	2019	
	RMB	RMB	US\$
Deferred tax assets			
Allowance for doubtful accounts	756	7,592	1,090
Accrued staff cost	1,268	1,119	161
Accrued expenses	26,061	11,550	1,660
Revenue recognition	5,941	11,051	1,588
Tax losses	96,025	52,411	7,528
VAT refund	—	351	50
Less: Valuation allowances	(39,872)	(56,292)	(8,086)
Total deferred tax assets	<u>90,179</u>	<u>27,782</u>	<u>3,991</u>
Deferred tax liabilities			
Intangible assets and internally-developed software	10,540	15,691	2,253
Outside basis difference and others	445,381	451,740	64,889
Withholding income tax	—	71,056	10,207
Total deferred tax liabilities	<u>455,921</u>	<u>538,487</u>	<u>77,349</u>

In assessing the realizability of deferred tax assets, the Group has considered whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Group records a valuation allowance to reduce deferred tax assets to a net amount that management believes is more-likely-than-not of being realizable based on the weight of all available evidence. The Company recorded valuation allowances against the deferred tax assets of eleven and eight PRC subsidiaries and VIEs as of December 31, 2018 and 2019, respectively, due to the cumulative tax loss positions and insufficient forecasted future taxable income.

As of December 31, 2019, the Group had net operating losses of approximately RMB209,642 (US\$30,113), which can be carried forward to offset taxable income. The net operating loss will start to expire in 2020 if not utilized.

Deferred tax liabilities arising from undistributed earnings

The Enterprise Income Tax Law also imposes a withholding income tax of 10% on dividends distributed by a Foreign Invested Enterprises (“FIEs”) to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the FIE’s immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with China.

On November 6, 2017, the board of directors of the Company declared a special cash dividend of approximately RMB5.08 per ordinary share. In 2017, the Company accrued RMB59,336 of deferred income tax expenses associated with the cash dividend payment.

On November 4, 2019, the Company’s board of directors approved an annual cash dividend policy. Under the policy, starting from 2020, the Company will declare and distribute a recurring cash dividend at an amount equivalent to approximately 20% of the Company’s net income in the previous fiscal year. In 2019, the Company accrued RMB71,056 (US\$10,207) of deferred income tax expenses associated with the expected cash dividend payment.

As of December 31, 2018 and 2019, the total amount of undistributed earnings from the Company’s PRC subsidiaries and VIEs that are considered to be permanently reinvested was RMB8,274,556 and RMB11,061,788 (US\$1,588,926), respectively. As of December 31, 2018 and 2019, determination of the amount of unrecognized deferred tax liability related to the earnings that are indefinitely reinvested is not practical.

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As of December 31, 2018 and 2019, the Company recorded an unrecognized tax benefit of RMB24,068 and RMB22,467 (US\$3,228), respectively, of which nil and nil, respectively, are presented on a net basis against the deferred tax assets related to tax loss carry forwards on the consolidated balance sheets. This represents the difference between the amount of benefit recognized in the statement of financial position and the amount taken or expected to be taken in a tax return. It is possible that the amount of uncertain tax position will change in the next twelve months, however, an estimate of the range of the possible outcomes cannot be made at this time. As of December 31, 2018 and 2019, unrecognized tax benefits of RMB11,659 and RMB8,436 (US\$1,212), respectively, if ultimately recognized, will impact the effective tax rate.

A roll-forward of unrecognized tax benefits is as follows:

	December 31,		
	2018	2019	
	RMB	RMB	US\$
Beginning balance	19,047	11,659	1,675
Additions based on tax positions related to current year	—	—	—
Decreases based on tax positions related to prior years	(7,388)	(3,223)	(463)
Ending balance	<u>11,659</u>	<u>8,436</u>	<u>1,212</u>

During the years ended December 31, 2017, 2018 and 2019, the Company recorded late payment interest expense of nil, nil and nil, and penalties of nil, nil and nil, respectively, as part of income tax expense. As of December 31, 2018 and 2019, the Company recorded RMB12,409 and RMB14,031 (US\$2,016) for late payment interest expense, and nil and nil for penalties.

The tax years ended December 31, 2015 through 2019 for the Company's PRC subsidiaries and VIEs remain subject to examination by the PRC tax authorities.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	December 31,		
	2018	2019	
	RMB	RMB	US\$
At cost:			
Electronic equipment	418,381	525,545	75,491
Office equipment	1,534	2,057	295
Motor vehicles	3,645	4,583	658
Software	40,255	134,393	19,304
Leasehold improvements	41,225	46,053	6,615
	<u>505,040</u>	<u>712,631</u>	<u>102,363</u>
Less: Accumulated depreciation	<u>(334,842)</u>	<u>(430,858)</u>	<u>(61,889)</u>
	<u>170,198</u>	<u>281,773</u>	<u>40,474</u>

Depreciation expense was RMB81,915, RMB90,270 and RMB106,941 (US\$15,361) for the years ended December 31, 2017, 2018 and 2019, respectively.

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8. INTANGIBLE ASSETS, NET

The following tables present the Group's intangible assets with definite lives as of the respective balance sheet dates:

	December 31, 2019			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	
	RMB	RMB	RMB	US\$
Trademarks	68,380	(52,439)	15,941	2,289
Customer relationship	9,050	(9,050)	—	—
Websites	27,000	(27,000)	—	—
Domain names	2,023	(1,940)	83	12
Licensing agreements	2,670	(2,670)	—	—
Insurance brokerage license	28,133	(16,411)	11,722	1,684
	<u>137,256</u>	<u>(109,510)</u>	<u>27,746</u>	<u>3,985</u>

	December 31, 2018		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
	RMB	RMB	RMB
Trademarks	68,380	(47,868)	20,512
Customer relationship	9,050	(9,050)	—
Websites	27,000	(27,000)	—
Domain names	2,021	(1,884)	137
Licensing agreements	2,612	(2,612)	—
Insurance brokerage license	28,133	(9,378)	18,755
	<u>137,196</u>	<u>(97,792)</u>	<u>39,404</u>

The Group obtained insurance brokerage license in 2017 through acquisition of Shanghai Tianhe Insurance Brokerage Co., Ltd., which was accounted for as asset acquisition. The intangible assets are amortized using the straight-line method, which is the Group's best estimate of how these assets will be economically consumed over their respective estimated useful lives ranging from approximately 1.75 to 15 years. Amortization expense was RMB6,923, RMB11,623 and RMB11,662 (US\$1,675) for the years ended December 31, 2017, 2018 and 2019, respectively.

The annual estimated amortization expenses for the acquired intangible assets for each of the next five years are as follows:

	2020	2021	2022	2023	2024
	RMB	RMB	RMB	RMB	RMB
Amortization expenses	11,635	9,248	4,559	2,282	5

9. LONG-TERM INVESTMENTS

As of December 31, 2018 and 2019, the Company holds several equity investments through its subsidiaries or VIEs, all of which were accounted for under the equity method since the Company can exercise significant influence but does not own a majority equity interest in or control them.

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9. LONG-TERM INVESTMENTS (CONTINUED)

Hunan Mango Autohome Automobile Sales Co., Ltd. (“Mango JV”)

In May 2015, the Group entered into a shareholder agreement with HappiGo Home Shopping Co. (“HappiGo”) to establish a strategic joint venture, Mango JV, with total capital contribution of RMB100,000, of which the Company subscribed for RMB49,000 or 49% of the ordinary shares.

Shanghai Youcheyoujia Financing Co., Ltd. (“Financing JV”)

In September 2015, the Group signed a memorandum of understanding to establish a joint venture with three parties. In 2015, the Group made a full payment of RMB75,000, for a 25% equity interest of the Financing JV. In September 2017, the Group entered into a definitive agreement to transfer all its equity interests in Financing JV to an unaffiliated party. As of December 31, 2018, the equity transfer was completed. The difference between the selling price and carrying amount upon the completion of sales was recognized as disposal gain and recorded under “earnings from equity method investments”.

Visionstar Information Technology (Shanghai) Co., Ltd. (“Shanghai Visionstar”)

In July 2017, the Group acquired a 10% interest in Shanghai Visionstar, which primarily engages in augmented reality technology and related operations in the PRC, with a total cash consideration of RMB30,000. The investment was accounted for using equity method as the Group determined that it can exercise significant influence over Shanghai Visionstar.

Other investments

The company also holds several other investments in equity investees.

The carrying amount of all of the equity method investments was RMB70,979 and RMB71,664 (US\$10,294) as of December 31, 2018 and 2019, respectively. The Company excluded the summarized information for these equity method investees as they were insignificant either individually or on an aggregated basis for all the years presented.

No impairment charges associated with the equity method investments were recognized during any of the years presented.

10. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	December 31,		
	2018	2019	
	RMB	RMB	US\$
Convertible bond	675,334	757,864	108,860
Warrant	36,375	31,393	4,509
Operating lease right-of-use assets	—	81,055	11,643
Others	21,096	4,219	606
	<u>732,805</u>	<u>874,531</u>	<u>125,618</u>

Fair value change of the warrant was nil, RMB11,017 and RMB5,442 (US\$782) for the years ended December 31, 2017, 2018 and 2019, respectively.

In June 2018, the Company entered into a definitive agreement with TTP Car Inc., or TTP, a company operating an online auction platform for used automobiles, pursuant to which the Company made an investment in TTP in the form of a three year convertible bond, with an annual 8% compound interest rate, in an aggregate principal amount of US\$100,000 in cash. The transaction was successfully consummated in June 2018. The Company was granted the right (“warrant”), not the obligation to purchase an additional 8.0% convertible bond in an aggregate principal amount of US\$65 million to be issued by TTP upon the Company’s request from time to time within three years after the consummation of transaction in June 2018. The conversion feature does not meet the definition of derivative and the put option (redemption right) was considered as embedded derivatives that does not meet the criteria to be bifurcated and accounted for together with the convertible bond itself. The warrant for the subscription of additional convertible bond was considered as a freestanding financial instrument and was accounted for at fair value with the change in fair value recognized in earnings.

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10. OTHER NON-CURRENT ASSETS (CONTINUED)

To estimate the fair value of the warrant, Black-Scholes Option Pricing Model was used in the valuation, with the following assumptions:

	<u>December 31, 2018</u>	<u>December 31, 2019</u>
Risk-free interest rate	2.5%	1.6%
Exercise price	US\$65,000	US\$65,000
Dividend yield	0.00%	0.00%
Expected time to exercise (years)	2.4	1.4
Asset volatility	25.0%	28.0%

11. ACCRUED EXPENSES AND OTHER PAYABLES

The components of accrued expenses and other payables are as follows:

	<u>December 31,</u>		
	<u>2018</u>	<u>2019</u>	
	<u>RMB</u>	<u>RMB</u>	<u>US\$</u>
VAT and surcharges payable	156,045	107,770	15,480
Payroll and welfare payable	574,389	495,711	71,204
Accrued rebates	880,624	683,915	98,238
Deposit from customers	80,385	43,283	6,217
Accrued expenses	571,625	915,978	131,572
Payable for purchase of fixed assets	27,132	23,847	3,425
Professional service fees	9,206	1,969	283
Payable for exercise of share-based awards	39,500	15,977	2,295
Operating lease liabilities - current portion	—	52,781	7,582
Others	101,042	76,207	10,947
	<u>2,439,948</u>	<u>2,417,438</u>	<u>347,243</u>

12. RELATED PARTY TRANSACTIONS

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Ping An and its subsidiaries (“Ping An Group”)	The Company’s controlling shareholder and its subsidiaries
Mango JV	An equity-method investee of the Company’s subsidiary
Shanghai Visionstar	An equity-method investee of the Company’s subsidiary

Ping An became the Company’s controlling shareholder in June 2016 and therefore Ping An Group became the Company’s related party since then.

During the years ended December 31, 2017, 2018 and 2019, related party transactions were as follows:

	<u>Year ended December 31,</u>			
	<u>2017</u>	<u>2018</u>	<u>2019</u>	
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>US\$</u>
Services provided to Ping An Group (a)	21,171	473,466	447,010	64,209
Services provided to other related parties	1,768	124	340	49
Net revenues from related parties	<u>22,939</u>	<u>473,590</u>	<u>447,350</u>	<u>64,258</u>
Services provided by and assets purchased from Ping An Group (b)	55,220	88,658	107,706	15,471
Services provided by and assets purchased from other related parties	<u>2,644</u>	<u>10,415</u>	<u>15,717</u>	<u>2,258</u>
Interest income from Ping An Group	35,049	50,968	47,459	6,817

12. RELATED PARTY TRANSACTIONS (CONTINUED)

As of December 31, 2018 and December 31, 2019, balances with related parties were as follows:

	December 31, 2018	December 31, 2019	
	RMB	RMB	US\$
Amounts due from related parties, current			
Ping An Group (c)	34,018	29,489	4,236
Mango JV	29	12	2
	<u>34,047</u>	<u>29,501</u>	<u>4,238</u>
Amounts due from related parties, non-current			
Ping An Group (c)	2,041	4,509	648
	<u>2,041</u>	<u>4,509</u>	<u>648</u>
Amounts due to related parties			
Ping An Group (d)	19,463	26,155	3,757
Mango JV	208	507	73
Shanghai Visionstar	—	9,725	1,397
Other related parties	197	—	—
	<u>19,868</u>	<u>36,387</u>	<u>5,227</u>

- (a) The amount represents the commission fee for transaction facilitation service on financial product including loan and insurance products and advertising services provided to Ping An Group.
- (b) The amount represents rental and property management services, technical services, other miscellaneous services and assets provided by Ping An Group.
- (c) Receivable from Ping An Group primarily consists of deposit in relation to the operating lease and other agreements, service fee receivable, and interest receivable from cash and cash equivalents and short-term investments held at Ping An Group. As of December 31, 2018 and 2019, the Group had cash and cash equivalents and short-term investments of RMB1,117,132 and RMB1,907,217 (US\$273,955) at Ping An Group, respectively.
- (d) The outstanding payable to Ping An Group primarily consists of payable for provision of services related to business operation, IDC service fee and other miscellaneous services.

13. COMMITMENTS AND CONTINGENCIES

Legal proceedings

From time to time, the Group is subject to legal proceedings and claims in the ordinary course of business. The Group does not believe that any currently pending legal proceeding to which the Group is a party will have a material effect on its business, balance sheets, or results of operations or cash flows.

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14. COST OF REVENUES

	Year ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
Content-related costs	390,885	441,459	633,042	90,931
Depreciation and amortization	41,579	41,600	31,169	4,477
Bandwidth and internet data center	89,889	105,313	106,146	15,247
VAT and surcharges ⁽¹⁾	484,811	231,916	189,935	27,282
Cost of sales ⁽²⁾	351,521	—	—	—
	<u>1,358,685</u>	<u>820,288</u>	<u>960,292</u>	<u>137,937</u>

(1) Due to adoption of the new revenue standard, the operating results for the years ended December 31, 2018 and 2019 were presented on a net basis, with the net revenues and cost of revenues excluding VAT, while those for the year ended December 31, 2017 have not been restated and were presented on a gross basis with the net revenues and cost of revenues including VAT.

(2) Write-down of inventories and prepayment for vehicle purchase cost of RMB1,483, nil and nil was included in cost of sales for the years ended December 31, 2017, 2018 and 2019, respectively.

15. ORDINARY SHARES

Upon the effectiveness of the IPO registration statement, the Company's ordinary shares were redeemed and cancelled in consideration for the issuance of an equivalent number of Class A ordinary shares and Class B ordinary shares to the holders of former ordinary shares, respectively. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for conversion and voting rights. Each Class B ordinary share is convertible into one Class A ordinary share at any time, while Class A ordinary shares cannot be converted into Class B ordinary shares under any circumstances. Each Class A ordinary share is entitled to one vote.

Immediately prior to the completion of the IPO in December 2013, the Company had 27,354,496 Class A ordinary shares and 68,788,940 Class B ordinary shares outstanding. During the IPO, the Company issued 8,993,000 Class A ordinary shares. As of December 31, 2013, the Company had ordinary shares outstanding comprised of 36,347,496 Class A ordinary shares and 68,788,940 Class B ordinary shares.

Upon the completion of follow-on offering in November, 2014, 2,424,801 ADSs were issued by the Company and 6,964,612 Class B ordinary shares were converted into Class A ordinary shares, and the net proceeds from the follow-on offering amounted to US\$97,344, net of issuance costs. Each ADS represents one ordinary share. In June 2016, Telstra completed the sale of approximately 47.4% of the then Company's total issued and outstanding shares to Yun Chen Capital Cayman, a wholly owned subsidiary of Ping An. Upon the completion of sale, all of the Company's remaining Class B ordinary shares were converted into Class A ordinary shares. On February 22, 2017, Ping An further acquired from Telstra approximately 6.5% of the then total issued shares in the Company. As of December 31, 2019, the Company had ordinary shares outstanding, all comprised of 118,926,687 Class A ordinary shares.

16. RESTRICTED NET ASSETS

The Company's ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Company's PRC subsidiaries only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the consolidated financial statements prepared in accordance with U.S.GAAP differ from those reflected in the statutory financial statements of the Company's PRC subsidiaries.

Under PRC law, the Company's PRC subsidiaries are required to provide for certain statutory reserves, namely a general reserve, an enterprise expansion fund and a staff welfare and bonus fund. The subsidiary is required to allocate at least 10% of their after tax profits on an individual company basis as determined under PRC accounting standards to the general reserve and has the right to discontinue allocations to the general reserve if such reserve has reached 50% of registered capital on an individual company basis.

16. RESTRICTED NET ASSETS (CONTINUED)

Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the Board of Directors of the subsidiary. The Company's VIEs in the PRC are also subject to similar statutory reserve requirements. These reserves can only be used for specific purposes and are not transferable to the Group in the form of loans, advances or cash dividends. As of December 31, 2017, 2018 and 2019, the Company's PRC subsidiaries and VIEs had appropriated RMB51,847, RMB75,929 and RMB84,537 (US\$12,143), respectively, of retained earnings for its statutory reserves.

As a result of these PRC laws and regulations subject to the limit discussed above that require annual appropriations of 10% of after-tax income to be set aside, prior to payment of dividends as general reserve fund, the Company's PRC subsidiaries and VIEs are restricted in their ability to transfer a portion of their net assets to the Company. Foreign exchange and other regulations in the PRC may further restrict the Company's PRC subsidiaries and VIEs from transferring funds to the Company in the form of dividends, loans and advances. As of December 31, 2018 and 2019, amounts restricted are the net assets of the Company's PRC subsidiaries and VIEs, which amounted to RMB9,747,124 and RMB13,311,536 (US\$1,912,083), respectively.

The Company performed a test on the restricted net assets of its consolidated subsidiaries and VIEs in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e)(3), "General Notes to the Financial Statements" and concluded that it was applicable for the Company to disclose the condensed financial information for the parent company (Note 19) for the years ended December 31, 2017, 2018 and 2019. For the purposes of presenting parent only financial information, the Company records its investments in its subsidiaries and VIEs under the equity method of accounting. Such investments are presented on the separate condensed balance sheets of the Company as "Investments in subsidiaries and VIEs" and the profit of the subsidiaries and VIEs is included in "Share of income of subsidiaries and VIEs" in the condensed statements of comprehensive income.

17. EARNINGS PER SHARE

Basic and diluted earnings per share for each of the years presented are calculated as follows:

	Year ended December 31,			
	2017 Ordinary shares RMB	2018 Ordinary shares RMB	2019 Ordinary shares RMB	2019 Ordinary shares US\$
Basic earnings per share:				
<i>Numerator:</i>				
Net income attributable to Autohome Inc.	2,001,619	2,871,015	3,199,966	459,646
<i>Denominator:</i>				
Weighted average ordinary shares outstanding	116,379,846	117,671,971	118,582,096	118,582,096
Basic earnings per share	17.20	24.40	26.99	3.88
Diluted earnings per share:				
<i>Numerator:</i>				
Net income attributable to Autohome Inc.	2,001,619	2,871,015	3,199,966	459,646
<i>Denominator:</i>				
Weighted average ordinary shares outstanding	116,379,846	117,671,971	118,582,096	118,582,096
Dilutive effect of share-based awards	1,679,010	1,563,408	933,151	933,151
Weighted average number of shares outstanding-diluted	118,058,856	119,235,379	119,515,247	119,515,247
Diluted earnings per share	16.95	24.08	26.77	3.85

The effects of 272,421,159,033 and 97,360 stock options were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive during the years ended December 31, 2017, 2018 and 2019, respectively. The effects of 201,432, 254,829 and 178,675 restricted shares were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive during the years ended December 31, 2017, 2018 and 2019, respectively.

18. SHARE-BASED COMPENSATION

In order to provide additional incentives to employees and to promote the success of the Company’s business, the Company adopted a share incentive plan in 2011 (the “2011 Plan”), a share incentive plan in 2013 (the “2013 Plan”), Amended and Restated 2016 Share Incentive Plan (the “2016 Plan”) and 2016 Share Incentive Plan II (the “2016 Plan II”) in 2016, collectively “the Plans”. The Company may grant share-based awards to its employees, directors and consultants to purchase an aggregate of no more than 7,843,100, 3,350,000, 4,890,000 and 3,000,000 ordinary shares of the Company under the 2011 Plan, 2013 Plan, 2016 Plan and 2016 Plan II, respectively. 2011 Plan, 2013 Plan, 2016 Plan and 2016 Plan II were approved by the Board of Directors in May 2011, November 2013, March 2017 and December 2016, respectively. The Plans are administered by the Board of Directors or any of its committees as set forth in the Plans. For share options and restricted shares with service condition or performance condition granted under the Plans, majority are subject to vesting schedules of approximately four years with 25% of the awards vesting each year and have a contractual term of ten years.

Share options

The following table summarizes the Company’s employee share option activity under the share option plans:

	Number of options	Weighted average exercise price US\$	Weighted average grant date fair value US\$	Weighted average remaining contractual term Years	Aggregate intrinsic value US\$
Outstanding, January 1, 2019	1,422,651	38.87	29.66	8.26	56,505
Granted	14,976	85.31	45.26		
Exercised	(388,984)	26.13			
Forfeited	(171,250)	38.89			
Outstanding, December 31, 2019	<u>877,393</u>	45.30	34.14	7.61	30,729
Vested and expected to vest at December 31, 2019	<u>835,033</u>	45.85	34.64	7.63	28,768
Exercisable as of December 31, 2019	<u>310,571</u>	38.31	31.11	7.35	13,000

The aggregate intrinsic value in the table above is calculated as the difference between the exercise price of the underlying awards and US\$80.01, the closing stock price of the Company’s ordinary shares on December 31, 2019. The weighted-average grant-date fair value of options granted during the years ended December 31, 2017, 2018 and 2019 was US\$30.23, US\$52.60 and US\$45.26, respectively. The total grant date fair value of options vested during the years ended December 31, 2017, 2018 and 2019 was RMB64,334, RMB63,708 and RMB79,197 (US\$11,376), respectively. Total intrinsic value of options exercised during the years ended December 31, 2017, 2018 and 2019 was RMB257,025, RMB189,564 and RMB178,577 (US\$25,651), respectively.

The aggregate fair value of the outstanding options at the grant dates were determined to be RMB208,561 (US\$29,958) and such amount shall be recognized as compensation expenses using the straight-line method for all employee share options granted with graded vesting. As of December 31, 2019, there was RMB100,173 (US\$14,389) of total unrecognized share-based compensation expenses, net of estimated forfeitures, related to unvested share-based awards which are expected to be recognized over a weighted-average period of 2.05 years. Total unrecognized compensation expenses may be adjusted for future changes in estimated forfeitures.

18. SHARE-BASED COMPENSATION (CONTINUED)

Restricted shares

Restricted shares activity for the year ended December 31, 2019 was as follows:

	<u>Number of shares</u>	<u>Weighted average grant date fair value US\$</u>
Outstanding, January 1, 2019	1,330,062	50.27
Granted	384,074	85.30
Vested	(481,358)	42.14
Forfeited	(227,488)	58.29
Outstanding, December 31, 2019	<u>1,005,290</u>	<u>65.73</u>
Expected to vest, December 31, 2019	<u>817,600</u>	<u>65.41</u>

The weighted average grant-date fair value of restricted shares granted during the years ended December 31, 2017, 2018 and 2019 was US\$34.63, US\$91.00 and US\$85.30, respectively, which was derived from the fair value of the underlying ordinary shares. The total grant date fair value of restricted shares vested during the years ended December 31, 2017, 2018 and 2019 was RMB140,887, RMB106,563 and RMB141,227 (US\$20,286). The aggregate fair value of the outstanding restricted shares at the grant dates were determined to be RMB460,022 (US\$66,078) and such amount shall be recognized as compensation expense using the straight-line method for all restricted shares granted with graded vesting. As of December 31, 2019, there was RMB289,423 (US\$41,573) of total unrecognized share-based compensation expenses, net of estimated forfeitures, related to unvested restricted shares which are expected to be recognized over a weighted-average period of 2.71 years. Total unrecognized compensation expenses may be adjusted for future changes in estimated forfeitures.

The binomial option pricing model was applied in determining the estimated fair value of the options granted to employees. The model requires the input of highly subjective assumptions including the estimated expected stock price volatility and the exercise multiple for which employees are likely to exercise share options. For expected volatilities, the Company has made reference to the historical price volatilities of ordinary shares of several comparable companies in the same industry as the Company. The exercise multiple is estimated as the ratio of fair value of underlying shares over the exercise price as at the time the option is exercised and is based on a consideration of research study regarding exercise pattern based on historical statistical data. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury Bills yield curve in effect at the time of grant. The Company's management is ultimately responsible for the determination of the estimated fair value of its ordinary shares. Subsequent to the IPO, fair value of the ordinary shares was the price of the Company's publicly traded shares.

The Company calculated the estimated fair value of the share-based awards on the respective grant dates using the binomial option pricing model with the following assumptions:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Fair value of ordinary share	US\$45.36-US\$54.84	US\$63.91-US\$98.31	US\$87.39
Risk-free interest rates	2.30%-2.44%	2.42%-3.09%	1.96%
Expected exercise multiple	2.2-2.8	2.2-2.8	2.2
Expected volatility	57%-60%	52%-60%	53%
Expected dividend yield	0.00%	0.00%	0.00%
Weighted average fair value per option granted	US\$27.05-US\$33.73	US\$40.71-US\$78.09	US\$45.26

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18. SHARE-BASED COMPENSATION (CONTINUED)

Share-based compensation expenses relating to options and restricted shares granted to employees recognized for the years ended December 31, 2017, 2018 and 2019 is as follows:

	Year ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
Cost of revenues	15,166	16,112	15,508	2,228
Sales and marketing expenses	53,064	61,599	46,081	6,619
General and administrative expenses	59,954	55,992	62,884	9,033
Product development expenses	49,602	68,622	79,535	11,424
	<u>177,786</u>	<u>202,325</u>	<u>204,008</u>	<u>29,304</u>

19. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

CONDENSED BALANCE SHEETS

	December 31,		
	2018	2019	
	RMB	RMB	US\$
ASSETS			
Current assets:			
Cash and cash equivalents	18,168	308,354	44,292
Short-term investments	272,332	—	—
Prepaid expenses and other current assets	13,752	33,723	4,844
Total current assets	304,252	342,077	49,136
Non-current assets:			
Other non-current assets	713,854	789,542	113,411
Investment in subsidiaries and VIEs	10,167,881	13,522,962	1,942,452
Total non-current assets	10,881,735	14,312,504	2,055,863
Total assets	11,185,987	14,654,581	2,104,999
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accrued expenses and other payables	50,709	25,484	3,661
Total current liabilities	50,709	25,484	3,661
Total liabilities	50,709	25,484	3,661
Commitments and Contingencies			
Shareholders' equity:			
Ordinary shares (par value of US\$0.01 per share; 100,000,000,000 (including 99,931,211,060 Class A and 68,788,940 Class B) shares authorized; 118,056,345 and 118,926,687 shares issued and outstanding, all comprised of Class A, as of December 31, 2018 and 2019, respectively)	7,969	8,029	1,153
Additional paid-in capital	3,500,620	3,774,373	542,155
Accumulated other comprehensive income	128,375	148,415	21,318
Retained earnings	7,498,314	10,698,280	1,536,712
Total shareholders' equity	11,135,278	14,629,097	2,101,338
Total liabilities and shareholders' equity	11,185,987	14,654,581	2,104,999

19. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
Operating expenses:				
General and administrative expenses	(13,334)	(14,797)	(14,757)	(2,119)
Operating losses	(13,334)	(14,797)	(14,757)	(2,119)
Interest income	13,441	45,023	79,628	11,438
Fair value change of other non-current assets	—	(11,017)	(5,442)	(782)
Share of income of subsidiaries and VIEs	2,001,512	2,851,806	3,140,537	451,109
Income before income taxes	2,001,619	2,871,015	3,199,966	459,646
Income tax expense	—	—	—	—
Net income	2,001,619	2,871,015	3,199,966	459,646
Other comprehensive (loss)/income, net of tax of nil				
Foreign currency translation adjustments	(55,055)	58,421	20,040	2,879
Comprehensive income	1,946,564	2,929,436	3,220,006	462,525

CONDENSED STATEMENTS OF CASH FLOWS

	Year ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
Net cash (used in)/generated from operating activities	(8,303)	14,214	(498)	(72)
Net cash (used in)/generated from investing activities	(77,005)	515,101	218,406	31,372
Net cash generated from/(used in) financing activities	61,070	(543,968)	68,676	9,865
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1,486)	1,040	3,602	517
Net (decrease)/increase in cash and cash equivalents and restricted cash	(25,724)	(13,613)	290,186	41,682
Cash and cash equivalents and restricted cash at beginning of year	57,505	31,781	18,168	2,610
Cash and cash equivalents and restricted cash at end of year	31,781	18,168	308,354	44,292

(a) Basis of accounting

For the Company only condensed financial information, the Company records its investment in its subsidiaries and VIEs under the equity method of accounting as prescribed in ASC 323-10, *Investments-Equity Method and Joint Ventures: Overall*. Such investment is presented on the condensed balance sheets as “Investment in subsidiaries and VIEs” and share of their income as “Share of income of subsidiaries and VIEs” on the condensed statements of comprehensive income. The parent company’s condensed financial statements should be read in conjunction with the Company’s consolidated financial statements.

(b) Commitments

The Company does not have any significant commitments or long-term obligations as of any of the years presented.

20. SUBSEQUENT EVENTS

On February 19, 2020, the board of directors approved a dividend of US\$0.77 per ordinary share (or per ADS) for fiscal year 2019, which is expected to be paid on April 22, 2020 to shareholders of record as of the close of business on April 15, 2020.

Around the beginning of 2020, there was outbreak of coronavirus disease (COVID-19), a highly contagious form of pneumonia, which was found to be spreading from person to person. Government-imposed measures such as travel restriction, extended holidays and delay of business resumption have interrupted normal operation of businesses in various areas, including the automakers and dealers in China, further negatively influencing their automobile production and sales activities. This, in turn, may cause pressure on the Company’s business as a result of the delayed marketing demand from automakers, dealers and advertising agencies that represent them, and further might impact their ability to pay for the services and the corresponding schedule of payment. In addition, the Company prioritizes the health and safety of its employees, and have taken various preventative and quarantine measures across the Company soon after the outbreak. These together might also cause disruption in the Company’s supply chain and off-line activities, for example, being unable to visit the customers in different locations. Consequently, the COVID-19 outbreak will likely adversely affect the Company’s business operations and its financial condition and operation results for the first quarter of 2020, including but not limited to material negative impact to the Company’s total revenues and results of operations, as well as slower collection of accounts receivable. However, given the uncertainty around the extent and timing of the potential future spread or mitigation of the COVID-19 and around the imposition or relaxation of protective measures, the Company cannot reasonably estimate the impact to its future results of operations, cash flows, or financial condition for the remainder of fiscal year 2020.

Principal Subsidiaries and VIEs of Autohome Inc.

Subsidiaries:

Cheerbright International Holdings Limited, a British Virgin Islands company
 Autohome E-commerce Inc., a Cayman Islands company
 Autohome Link Inc., a Cayman Islands company
 Autohome Financing Limited, a Cayman Islands company
 Autohome (Hong Kong) Limited, a Hong Kong company
 Autohome Media Limited, a Hong Kong company
 Autohome E-commerce Hong Kong Limited, a Hong Kong company
 Autohome Link Hong Kong Limited, a Hong Kong company
 Autohome Financing Hong Kong Limited, a Hong Kong company
 Fetchauto Limited, an Irish company
 FetchAuto GmbH, a German company
 Fetchauto Limited, a UK company
 Beijing Cheerbright Technologies Co., Ltd., a PRC company
 Autohome Shanghai Advertising Co., Ltd., a PRC company
 Beijing Prbrownies Software Co., Ltd., a PRC company
 Beijing Autohome Technologies Co., Ltd., a PRC company
 Beijing Autohome Advertising Co., Ltd., a PRC company
 Guangzhou Chezhihuitong Advertising Co., Ltd., a PRC company
 Guangzhou Autohome Advertising Co., Ltd., a PRC company
 Huai'an Prbrownies Software Co., Ltd., a PRC company
 Chengdu Prbrownies Software Co., Ltd., a PRC company
 Hainan Chezhiyitong Information Technology Co., Ltd., a PRC company
 Tianjin Autohome Data Information Technology Co., Ltd., a PRC company
 Autohome Zhejiang Advertising Co., Ltd., a PRC company
 Beijing Kemoshijie Technology Co., Ltd., a PRC company
 Beijing Chezhiying Software Co., Ltd., a PRC company
 Beijing Chezhiying Technology Co., Ltd., a PRC company
 Beijing Haochezhijia E-Commerce Co., Ltd., a PRC company
 Autohome (Tianjin) Automobile Sales Co., Ltd., a PRC company

Variable Interest Entities:

Beijing Autohome Information Technology Co., Ltd., a PRC company
 Beijing Shengtuo Autohome Advertising Co., Ltd., a PRC company
 Beijing Shengtuo Chengshi Advertising Co., Ltd., a PRC company
 Shanghai Tianhe Insurance Brokerage Co., Ltd., a PRC company
 Shanghai Leyulv Travel Agency Co., Ltd., a PRC company
 Shanghai You Che You Jia Advertising Co., Ltd., a PRC company
 Beijing Shengtuo Hongyuan Information Technology Co., Ltd., a PRC company
 Beijing Autohome Used Car Appraisal Co., Ltd., a PRC company
 Beijing Autohome Used Car Brokerage Co., Ltd., a PRC company

Certification by the Principal Executive Officer**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Min Lu, certify that:

1. I have reviewed this annual report on Form 20-F of Autohome Inc. (the “Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent function):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 3, 2020

By: /s/ Min Lu

Name: Min Lu

Title: Chairman of the Board and Chief Executive Officer

Certification by the Principal Financial Officer**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jun Zou, certify that:

1. I have reviewed this annual report on Form 20-F of Autohome Inc. (the “Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent function):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 3, 2020

By: /s/ Jun Zou

Name: Jun Zou

Title: Chief Financial Officer

Certification by the Principal Executive Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Autohome Inc. (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Min Lu, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 3, 2020

By: /s/ Min Lu
Name: Min Lu
Title: Chairman of the Board and Chief Executive Officer

Certification by the Principal Financial Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Autohome Inc. (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jun Zou, chief financial officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 3, 2020

By: /s/ Jun Zou
Name: Jun Zou
Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-196006 and No. 333-219032) of Autohome Inc. of our report dated April 3, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP

PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People's Republic of China
April 3, 2020

通商律師事務所
COMMERCE & FINANCE LAW OFFICES

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□□ Email: beijing@tongshang.com □□ Web: www.tongshang.com

April 3, 2020

Autohome Inc.
18th Floor Tower B, CEC Plaza
3 Dan Ling Street
Haidian District, Beijing
The People's Republic of China

Dear Sir/Madam:

We consent to the reference to our firm under the captions of "Item 3.D—Risk Factors" in Autohome Inc.'s annual report on Form 20-F for the year ended December 31, 2019, which will be filed with the Securities and Exchange Commission in the month of April 2020, and further consent to the incorporation by reference of the summaries of our opinions under these captions into Autohome Inc.'s registration statements on Form S-8 (File No. 333-196006 and 333-219032) that was filed on May 16, 2014 and June 29, 2017, respectively.

Yours faithfully,

/s/ Commerce & Finance Law Offices

Commerce & Finance Law Offices