

Leju Holdings Ltd
Form 20-F
April 22, 2016
Table of Contents

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, 2015.
- 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 001-36396

Leju Holdings Limited
(Exact name of Registrant as specified in its charter)

Edgar Filing: Leju Holdings Ltd - Form 20-F

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

15/F Floor, Shoudong International Plaza, No. 5 Building, Guangqu Home

Dongcheng District, Beijing 100022

People's Republic of China

(Address of principal executive offices)

Min Chen, Chief Financial Officer

Leju Holdings Limited

15/F Floor, Shoudong International Plaza, No. 5 Building, Guangqu Home

Dongcheng District, Beijing 100022

People's Republic of China

Telephone: +86 10 5895 1180

Facsimile: +86 10 8722 4920

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class
American Depositary Shares, each
representing one ordinary share, par
value \$0.001 per share

Name of exchange on which registered
New York Stock Exchange

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.

139,229,418 ordinary shares, par value \$0.001 per share,
as of December 31, 2015.

Edgar Filing: Leju Holdings Ltd - Form 20-F

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 and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

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

US 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

Table of Contents

TABLE OF CONTENTS

<u>INTRODUCTION</u>	1
<u>FORWARD-LOOKING STATEMENTS</u>	1
<u>PART I</u>	2
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	2
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	2
<u>ITEM 3. KEY INFORMATION</u>	2
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	39
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	58
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	58
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	77
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	86
<u>ITEM 8. FINANCIAL INFORMATION</u>	93
<u>ITEM 9. THE OFFER AND LISTING</u>	94
<u>ITEM 10. ADDITIONAL INFORMATION</u>	95
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	105
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	105
<u>PART II</u>	107
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	107
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	107
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	108
<u>ITEM 16.</u>	108
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	108
<u>ITEM 16B. CODE OF ETHICS</u>	108
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	109
<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	109
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	109
<u>ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	109
<u>ITEM 16G. CORPORATE GOVERNANCE</u>	109
<u>ITEM 16H. MINE SAFETY DISCLOSURE</u>	109
<u>PART III</u>	110
<u>ITEM 17. FINANCIAL STATEMENTS</u>	110
<u>ITEM 18. FINANCIAL STATEMENTS</u>	110
<u>ITEM 19. EXHIBITS</u>	110
<u>SIGNATURES</u>	114

Table of Contents

INTRODUCTION

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

- Leju, we, us, our company and our are to Leju Holdings Limited, its subsidiaries and its consolidated variable interest entities;
- ADSs are to our American depositary shares, each of which represents one ordinary share;
- Beijing Leju are to Beijing Yisheng Leju Information Services Co., Ltd.;
- Beijing Jiajujiu are to Beijing Jiajujiu E-Commerce Co., Ltd.;
- Beijing Maiteng are to Beijing Maiteng Fengshun Science and Technology Co., Ltd.;
- China or the PRC are to the People's Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- China Online Housing are to China Online Housing Technology Corporation;
- consolidated variable interest entity are to each of our consolidated variable interest entities, namely each of Beijing Leju, Shanghai Yi Xin and Beijing Jiajujiu;
- CITIC are to CITIC Bank Corporation Limited;
- E-House are to E-House (China) Holdings Limited, a Cayman Islands exempted company with limited

liability, and its predecessor entities;

- O2O services are to online to offline services, including in connection with the marketing of new residential properties by developers;
- ordinary shares to our ordinary shares, par value \$0.001 per share;
- RMB and Renminbi are to the legal currency of China;
- Shanghai SINA Leju are to Shanghai SINA Leju Information Technology Co., Ltd.;
- Shanghai Yi Xin are to Shanghai Yi Xin E-Commerce Co., Ltd.;
- Shanghai Yi Yue are to Shanghai Yi Yue Information Technology Co., Ltd.;
- Tencent are to Tencent Holdings Limited or certain of its affiliates which have entered into agreements with us as described under Item 7. Major Shareholders and Related Party Transactions Related Party Transactions and Agreements with Tencent, as applicable; and
- U.S. dollars, \$, and dollars are to the legal currency of the United States.

FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

Table of Contents

You can identify these forward-looking statements by words or phrases such as

may, will, expect, anticipate, aim, estimate, intend, plan, believe, likely to or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include:

- our anticipated growth strategies;
- our future business development, results of operations and financial condition;
- expected changes in our revenues and certain cost or expense items;
- our ability to attract clients and further enhance our brand recognition; and
- trends and competition in the real estate services industry.

You should read thoroughly this annual report and the documents that we refer to in this annual report with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements. Other sections of this annual report include additional factors which 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 not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

Selected Consolidated Financial Data

The following selected consolidated statements of operations data for the years ended December 31, 2013, 2014 and 2015 and selected consolidated balance sheet data as of December 31, 2014 and 2015 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The selected consolidated financial data should be read in conjunction with our audited consolidated financial statements and related notes and Item 5. Operating and Financial Review and Prospects in this annual report. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

Our selected consolidated statement of operations data for the fiscal years ended December 31, 2011 and 2012 and our consolidated balance sheet data as of December 31, 2012 and 2013 have been derived from our audited consolidated financial statements not included in this annual report.

Our selected consolidated financial data also includes certain non-GAAP measures, which are not required by, or presented in accordance with U.S. GAAP, but are included because we believe they are indicative of our operating performance and are used by investors and analysts to evaluate companies in our industry.

Edgar Filing: Leju Holdings Ltd - Form 20-F

Table of Contents

Our historical results do not necessarily indicate results expected for any future periods.

	2011	2012	Year Ended December 31,		2015
		2013	2014		
(in thousands of \$, except share and per share data)					
Consolidated Statement of Operations Data					
Revenues					
E-commerce		26,996	170,205	326,680	420,552
Online advertising	132,076	138,767	145,445	155,050	134,229
Listing	5,015	5,533	19,772	14,293	21,023
Total revenues	137,091	171,296	335,422	496,023	575,804
Cost of revenues	(37,583)	(54,118)	(63,991)	(51,130)	(60,314)
Selling, general and administrative expenses	(121,610)	(163,535)	(226,143)	(366,342)	(475,445)
Goodwill impairment charge	(417,822)				
Other operating income	14	153	600	2,526	3,568
Income (loss) from operations	(439,911)	(46,203)	45,888	81,077	43,613
Income (loss) before taxes and equity in affiliates	(440,261)	(47,926)	45,785	82,429	45,341
Net income (loss)	(438,252)	(43,849)	42,650	66,659	34,806
Net income (loss) attributable to Leju shareholders	(438,831)	(44,759)	42,525	66,521	35,330
Earnings (loss) per share:					
Basic	(3.66)	(0.37)	0.35	0.51	0.26
Diluted	(3.66)	(0.37)	0.35	0.50	0.26
Weighted average numbers of shares used in computation:					
Basic	120,000,000	120,000,000	120,000,000	129,320,666	134,528,971
Diluted	120,000,000	120,000,000	120,000,000	132,502,100	136,223,974

	2012	2013	As of December 31, 2014	2015
			(in thousands of \$)	
Consolidated Balance Sheet Data				
Cash and cash equivalents	71,090	98,730	317,811	260,296
Accounts receivable, net of allowance for doubtful accounts	86,652	87,316	119,742	113,991
Total current assets	178,968	222,788	480,766	485,084
Intangible assets, net	163,204	128,530	105,419	90,737
Total assets	393,867	402,938	638,266	626,838
Amounts due to related parties	83,143	4,501	5,289	10,214
Total current liabilities	159,661	123,584	197,301	179,607
Total liabilities	200,588	151,148	223,342	202,605
Total Leju equity	190,173	248,706	414,845	424,712

Non-GAAP Financial Measures

Edgar Filing: Leju Holdings Ltd - Form 20-F

The following table sets forth, for the periods specified, our adjusted income (loss) from operations, our adjusted net income (loss), and our adjusted net income (loss) attributable to Leju shareholders. We present these non-GAAP financial measures because they are used by our management to evaluate our operating performance, formulate business plans, and make strategic decisions on capital allocation. These non-GAAP financial measures enable our management to assess our operating results without considering the impact of non-cash charges, including share-based compensation expense, amortization of intangible assets resulting from business combinations and goodwill impairment charge. We also believe they are indicative of our operating performance and are used by investors and analysts to evaluate companies in our industry. These non-GAAP measures of our performance are not required by, or presented in accordance with, U.S. GAAP. Such measures are not a measurement of financial performance or liquidity under U.S. GAAP and should not be considered as an alternative to income from operations, net income or any other performance measures derived in accordance with U.S. GAAP or an alternative to cash flows from operating activities as a measure of liquidity. Our presentation of such measures may not be comparable to similarly titled measures presented by other companies. You should not compare such measures as presented by us with the presentation of such measures by other companies because not all companies use the same definition.

Table of Contents

We define adjusted income (loss) from operations as income (loss) from operations before share-based compensation expense, amortization of intangible assets resulting from business combinations and goodwill impairment charge.

We define adjusted net income (loss) as net income (loss) before share-based compensation expense (net of tax), amortization of intangible assets resulting from business combinations (net of tax) and goodwill impairment charge (net of tax)

We define adjusted net income (loss) attributable to Leju shareholders as net income (loss) before share-based compensation expense (net of tax and non-controlling interests), amortization of intangible assets resulting from business combinations (net of tax and non-controlling interests) and goodwill impairment charge (net of tax and non-controlling interests).

The use of the above non-GAAP financial measures has material limitations as an analytical tool, as they do not include all items that impact our income (loss) from operations, net income (loss), and net income (loss) attributable to Leju shareholders for the period. We compensate for these limitations by providing the relevant disclosure of our share-based compensation expense, amortization of intangible assets results from business acquisitions, and goodwill impairment charge both in our reconciliations to the financial measures under U.S. GAAP, and in our consolidated financial statements, all of which should be considered when evaluating our performance.

The following table reconciles our adjusted income (loss) from operations, adjusted net income (loss) and adjusted net income (loss) attributable to Leju shareholders in the periods presented to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP:

	2011	2012	Year Ended December 31, 2013 (in thousands of \$)	2014	2015
Income (loss) from operations	(439,911)	(46,203)	45,888	81,077	43,613
Share-based compensation expense(1)	13,542	15,134	6,311	11,311	12,585
Amortization of intangible assets resulting from business acquisitions	21,321	22,079	22,017	14,569	12,653
Goodwill impairment charge	417,822				
Adjusted income (loss) from operations	12,774	(8,990)	74,216	106,957	68,851
Net income (loss)	(438,252)	(43,849)	42,650	66,659	34,806
Share-based compensation expense (net of tax)(1)	13,542	15,134	6,311	11,311	12,585
Amortization of intangible assets resulting from business acquisitions (net of tax)	18,535	19,082	14,482	12,957	9,490
Goodwill impairment charge (net of tax)	417,822				
Adjusted net income (loss)	11,647	(9,633)	63,443	90,927	56,881
Net income (loss) attributable to Leju shareholders	(438,831)	(44,759)	42,525	66,521	35,330
Share-based compensation expense (net of tax and non-controlling interests)(1)	13,542	15,134	6,311	11,311	12,576
Amortization of intangible assets resulting from business acquisitions (net of tax and non-controlling interests)	18,342	18,719	14,197	12,842	9,490

Edgar Filing: Leju Holdings Ltd - Form 20-F

Goodwill impairment charge (net of tax and non-controlling interests)

417,822

Adjusted net income (loss) attributable to Leju shareholders

10,875

(10,906)

63,033

90,674

57,396

Table of Contents

Note:

(1) Share-based compensation expense includes share-based compensation expenses recorded by us as well as share-based compensation expenses allocated from E-House to us.

Exchange Rate Information

Our reporting and financial statements are expressed in the U.S. dollar, which is our reporting and functional currency. However, our business is conducted in China and substantially all of our revenues are denominated in Renminbi. This annual report contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. The conversion of RMB into U.S. dollars in this annual report, for the amounts not otherwise recorded in our consolidated financial statements included elsewhere in this annual report, is based on the certified exchange rate published by the Board of Governors of the Federal Reserve Bank. 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 RMB6.4778 to \$1.00, the certified exchange rate in effect on December 31, 2015. 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, at the rates stated below, 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 currencies and through restrictions on foreign trade. On April 15, 2016, the certified exchange rate was RMB6.4730 to \$1.00.

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this annual report or will use in the preparation of our periodic reports or any other information to be provided to you. The source of these rates is the Federal Reserve Statistical Release.

Period	Period End	Noon Buying Rate		
		Average (1)	Low	High
		(RMB per US\$1.00)		
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2290	6.3879	6.2221
2013				