

Autohome Inc.
Form 424B4
November 20, 2014
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Filed Pursuant to 424(b)(4)
Registration No. 333-199862

PROSPECTUS

8,500,000 American Depositary Shares

Autohome Inc.

Representing 8,500,000 Class A Ordinary Shares

Autohome Inc. is offering 1,650,000 American Depositary Shares, or ADSs, and the selling shareholders named in this prospectus are offering an aggregate of 6,850,000 ADSs. Each ADS represents one Class A ordinary share, par value US\$0.01 per share. We will not receive any proceeds from the ADSs sold by the selling shareholders.

Our ADSs are listed on the New York Stock Exchange, or the NYSE, under the symbol ATHM. On November 19, 2014, the closing trading price for our ADSs, as reported on the NYSE, was US\$43.26 per ADS.

We are an emerging growth company under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements.

Investing in our ADSs involves risks. See Risk Factors beginning on page 15.

PRICE US\$42.50 PER ADS

Price to	Underwriting Discounts and	Proceeds to the Company	Proceeds to the Selling Shareholders
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	Public	Commissions ⁽¹⁾		
Per ADS	US\$42.50	US\$1.70	US\$40.80	US\$40.80
Total	US\$361,250,000	US\$14,450,000	US\$67,320,000	US\$279,480,000

(1) See Underwriting for a description of the compensation payable to the underwriters.

We and the selling shareholders have granted the underwriters the right to purchase up to an aggregate of 1,256,852 additional ADSs to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on November 25, 2014.

Deutsche Bank Securities

Goldman Sachs (Asia) L.L.C.

(in alphabetical order)

November 19, 2014

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You should rely only on the information contained in this prospectus or in any related free writing prospectus that we have filed with the Securities and Exchange Commission, or the SEC. We have not authorized anyone to provide you with different information. We and the selling shareholders are offering to sell, and seeking offers to buy, the ADSs only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is current only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the ADSs.

We have not taken any action to permit a public offering of the ADSs outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the ADSs and the distribution of the prospectus outside the United States.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in our ADSs discussed under Risk Factors, before deciding whether to buy our ADSs. This prospectus contains information based on data published by iResearch Consulting Group, or iResearch. We refer to this data as the iResearch Public Data. This prospectus also contains information from a report commissioned by us and conducted by iResearch, or the iResearch Commissioned Report.

Our Business

We are the leading online destination for automobile consumers in China. Through our two websites, *autohome.com.cn* and *che168.com*, and our mobile applications, we deliver comprehensive, independent and interactive content to automobile buyers and owners. *Autohome.com.cn* ranked first among China's automotive websites and automotive channels of internet portals in terms of average daily unique visitors, average daily time spent per user and average daily page views in the nine months ended September 30, 2014, based on the iResearch Public Data. In the same period, *autohome.com.cn* accounted for approximately 46% of the total time that China's internet users spent viewing online automotive information, more than three times that of our closest competitor, according to the iResearch Public Data. The number of average daily unique users who access our websites via mobile devices and the number of average daily unique users of our mobile applications amounted to approximately 4.0 million and 2.9 million, respectively, in September 2014. We have developed a strong and well-recognized brand. Our (Autohome) brand has been the most searched automotive-related keyword during substantially the entire period since July 2011 on *Baidu.com*, the leading Chinese language internet search engine.

Our ability to reach a large and engaged user base of automobile consumers has made us a preferred platform for automakers and dealers to conduct their advertising campaigns. We generate substantially all of our revenues from online advertising services and dealer subscription services. We have a high penetration rate in the automaker market, with approximately 80% of over 80 automakers operating in China having advertised on our websites in each of 2011, 2012, 2013 and the nine months ended September 30, 2014. In addition, a large and rapidly growing number of dealers are purchasing our advertising services and subscription services, through which they showcase and market their inventories on our websites.

We believe our focus on user experience, innovation and high-quality content distinguishes us from our competitors and is the foundation for our long-term success. Content we provide to our users includes:

Professionally produced content. We have a dedicated editorial team focused on serving consumers throughout the automobile ownership life cycle. We conduct independent and professional evaluations of vehicle models from our users' perspective, rather than relying only on information provided by automakers. In the nine months ended September 30, 2014, we published a daily average of over 500 articles, 1,500 photos and 18 video clips.

User generated content. We have the largest and most active online community of automotive consumers in China, with over 11.1 million registered users and over 1,700 user forums as of September 30, 2014, and an average of over 3.5 million daily unique visitors to our user forums in the nine months ended September 30, 2014.

Automobile library. We have one of the most comprehensive online automobile libraries in China with over 18,000 vehicle model configurations and over 2.6 million photos as of September 30, 2014. We believe our automobile library covers all passenger car models released in China since 2005.

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Automobile listing information. We feature extensive and up-to-date listings of both new and used automobiles on our websites. As of September 30, 2014, we had over 3.3 million new automobile listings and approximately 1.8 million used automobile listings in our database.

Our professionally produced and user generated content, comprehensive automobile library and extensive automobile listing information have attracted a large and engaged user base. This, in turn, represents a highly relevant audience that is receptive to automotive advertising. We believe that this user base, together with our nationwide advertising platform, targeted advertising solutions and value-added services, has led to our rapid growth and has laid the foundation for our continuing success.

We develop our business model and technology platforms to provide services for the complete consumer automobile ownership life cycle. We have built a successful online automotive media and transaction platform that captures critical stages of the sales funnel, starting from product awareness, to purchase desire initiation and sales leads generation. We are further developing our business model to include the generation of actual sales. For instance, in June 2014 we launched Autohome Mall, an online transaction platform that we believe will allow us to be a long-term transaction facilitator as we develop our transaction business. We have also been leveraging our comprehensive platform to capture additional revenue opportunities in used car sales and aftermarket services, such as automobile maintenance and replacement.

We have experienced significant revenue growth while maintaining profitability. Our net revenues increased from RMB433.2 million in 2011 to RMB732.5 million in 2012 and RMB1,216.5 million (US\$201.0 million) in 2013, representing a CAGR of 67.6%. Our net revenues increased by 67.8% from RMB830.6 million for the nine months ended September 30, 2013 to RMB1,393.8 million (US\$227.1 million) for the nine months ended September 30, 2014. Our income from continuing operations increased from RMB135.4 million in 2011 to RMB212.9 million in 2012 and RMB456.2 million (US\$75.4 million) in 2013, representing a CAGR of 83.5%. Our net income increased by 49.7% from RMB333.5 million for the nine months ended September 30, 2013 to RMB499.1 million (US\$81.3 million) for the nine months ended September 30, 2014.

Our Industry

The online automotive advertising market in China has achieved rapid growth as a result of the concurrent development of China's automotive and internet industries. China is the world's largest passenger car market as measured by sales volume of new cars in 2013, according to LMC Automotive, a third-party industry research firm. The number of new passenger cars sold in China is expected to grow from 16.6 million units in 2013 to 21.1 million units by 2015, representing a CAGR of 12.7%, according to LMC Automotive. At the same time, China has the largest internet population in the world, which increased from 298.0 million in 2008 to 632.0 million as of June 2014, according to the China Internet Network Information Center, or the CNNIC. China's growing population of automobile consumers increasingly relies on the internet as a source of automotive information. As a result, China's automotive websites and automotive channels of internet portals have experienced rapid user growth. According to the iResearch Public Data, average daily unique visitors to automotive websites and automotive channels of internet portals increased from 5.8 million in December 2008 to 24.8 million in December 2013. The aggregate time spent by internet users in China visiting automotive websites and automotive channels of internet portals increased from 20.9 million hours in December 2008 to 94.9 million hours in December 2013, according to the iResearch Public Data. The number of monthly page views of automotive websites and automobile channels of internet portals in China increased from 1.5 billion in December 2008 to 8.6 billion in December 2013, according to the iResearch Public Data.

Automakers and dealers have therefore increasingly used the internet for brand advertising and product promotions. According to the iResearch Commissioned Report, automakers and their franchise dealers spent

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RMB3,410 million in 2010 on online advertising in China, which increased to RMB7,039 million in 2013, representing a CAGR of 27.3%. This growth outpaced their spending on traditional media, including television, print and radio, which increased at a CAGR of 6.8% during the same period, according to the iResearch Commissioned Report. We expect that spending on online advertising will continue to grow at a more rapid pace than spending on traditional media in the future.

Automotive websites have increased their share of total online automotive advertising spending. Online advertising spending on automotive websites accounted for 39.9% of total online advertising expenditures by automaker and dealer advertisers in 2013, increasing from 32.3% in 2010, according to the iResearch Commissioned Report. We expect that revenue growth of automotive websites will continue to be driven by growth in new and used car sales as well as growth in sales of related products and services.

Our Strengths

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

the leading online destination for automobile consumers in China with strong brand recognition;

user-centric and innovative culture driving a superior user experience;

comprehensive and high-quality content creating strong network effects;

highly effective online automotive media platform; and

professional and proven management team backed by a strong strategic shareholder.

Our Strategies

Our goal is to become China's leading online automotive media and transaction platform. We intend to achieve this goal by implementing the following strategies:

continue to attract and retain automobile consumers;

enhance user engagement;

increase our share of wallet from automakers;

further monetize our dealer network; and

leverage our leading position to support our mobile internet business, develop our transaction business and other opportunities and explore used car services.

Our Challenges

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The successful execution of our strategies is subject to risks and uncertainties related to our business and industry, including those relating to our ability to:

adapt to changes in the rapidly evolving automotive and online advertising industries in China;

respond effectively to competitive pressures;

anticipate user preferences and develop new products and services to attract and retain users and automaker and dealer advertisers;

manage our expansion and new business initiatives and monetize our mobile internet business effectively; and

conduct our marketing activities cost-effectively.

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In addition, we are subject to risks and uncertainties related to our corporate structure and doing business in China, including risks associated with:

our control of our variable interest entities, which is based upon contractual arrangements rather than equity ownership and may be subject to regulatory uncertainties; and

our ability to maintain various operating licenses and permits and to make registrations and filings necessary for us to operate our business, including those associated with providing internet content.

See Risk Factors and other information included in this prospectus for a discussion of these and other risks and uncertainties associated with our business and investing in our ADSs.

Corporate History and Structure

Autohome Inc., or Autohome, was incorporated 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 its inception, in June 2008, Autohome 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.

Our largest shareholder is Telstra Holdings Pty Limited, or Telstra Holdings, a wholly-owned subsidiary of Telstra Corporation Limited, the leading diversified telecommunications company in Australia and a Fortune Global 500 company.

To sharpen our business focus on the automotive industry, we completed a corporate reorganization in 2011 by spinning off subsidiaries that were not involved in our core business. In March 2011, we completed the transfer of the *che168.com* business from Norstar to Cheerbright. In June 2011, we contributed our entire equity interests in Norstar and China Topside to Sequel Media Inc., or Sequel Media, our Cayman Islands subsidiary. We then immediately distributed shares of Sequel Media to our shareholders.

PRC laws and regulations currently limit foreign ownership of companies that engage in internet and advertising services. We therefore conduct our operations in China primarily through contractual agreements between our wholly-owned PRC subsidiary, Beijing Cheerbright Technologies Co., Ltd., or Autohome WFOE, and each of the three groups of entities and individuals (i) Beijing Autohome Information Technology Co., Ltd., or Autohome Information, shareholders of Autohome Information and three subsidiaries of Autohome Information: Beijing Shengtuo Hongyuan Information Technology Co., Ltd., or Hongyuan Information, Beijing Shengtuo Chengshi Advertising Co., Ltd., or Chengshi Advertising, and Beijing Shengtuo Autohome Advertising Co., Ltd., or Autohome Advertising, (ii) Shanghai You Che You Jia Advertising Co., Ltd., or Shanghai Advertising, and shareholders of Shanghai Advertising, and (iii) Guangzhou You Che You Jia Advertising Co., Ltd, or Guangzhou Advertising, and shareholders of Guangzhou Advertising.

These contractual arrangements enable us, through Autohome WFOE, to:

exercise effective control over these entities;

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receive substantially all of the economic benefits of these entities; and

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have exclusive options to purchase all of the equity interests in these entities when and to the extent permitted under PRC law. As a result of these contractual arrangements, we, through Autohome WFOE, are the primary beneficiary of these three groups of entities and treat them as our variable interest entities, or VIEs, under the generally accepted accounting principles in the United States, or U.S. GAAP. We have consolidated the financial results of the VIEs in our consolidated financial statements in accordance with U.S. GAAP.

There are certain risks associated with conducting our operations through contractual arrangements. For example, if the PRC government determines 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 and advertising 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. Our contractual arrangements with our VIEs may not be as effective in providing operational control as direct ownership. 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. For a detailed description of the risks associated with our corporate structure and the contractual arrangements underlying our corporate structure, see Risk Factors Risks Related to Our Corporate Structure.

In October 2013, our wholly-owned subsidiary in Hong Kong, Autohome (Hong Kong) Limited, or Autohome HK, acquired Prbrownies Marketing Limited, a Hong Kong advertising and marketing company which we renamed Autohome Media Limited, or Autohome Media, in March 2014. Autohome Media has engaged in advertising business outside the PRC for more than three years, and is therefore qualified to directly invest in a PRC company providing advertising services in accordance with PRC laws. Autohome Media has established subsidiaries in Beijing, Shanghai, Guangzhou and Tianjin. We are gradually migrating our advertising business from our VIEs to Autohome Media and its subsidiaries, a transition we expect to complete in the next two to three years.

In December 2013, we completed our initial public offering of 8,993,000 ADSs, representing 8,993,000 Class A ordinary shares, and our ADSs were listed on the NYSE under the symbol ATHM.

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The following diagram illustrates our corporate structure as of the date of this prospectus:

- (1) The three individuals are James Zhi Qin, our director and chief executive officer, Xiang Li, our director and president, and Zheng Fan, our vice president. Each of these three individuals is also a beneficial owner of our company and a PRC citizen. James Zhi Qin, Xiang Li and Zheng Fan hold 8%, 68% and 24%, respectively, of the equity in each of Autohome Information, Shanghai Advertising and Guangzhou Advertising.

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Corporate Information

Our principal executive offices are located at 10th Floor Tower B, CEC Plaza, 3 Dan Ling Street, Haidian District, Beijing, 100080, China. Our telephone number at this address is (+86) 10-5985-7001. Our registered office in the Cayman Islands is located at the office of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Investors should submit any inquiries to the address and telephone number of our principal executive offices. Our corporate website is www.autohome.com.cn. The information contained on this website is not a part of this prospectus. Our agent for service of process in the United States is Law Debenture Corporate Services Inc. located at 400 Madison Avenue, 4th Floor, New York, New York 10017.

Our Dual-class Shareholding Structure

Our authorized share capital consists of (i) 99,931,211,060 Class A ordinary shares with a par value of US\$0.01 each and (ii) 68,788,940 Class B ordinary shares with a par value of US\$0.01 each. As of October 24, 2014, we had 39,335,859 Class A ordinary shares and 68,788,940 Class B ordinary shares issued and outstanding. 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. When the total number of ordinary shares held by Telstra Holdings and/or its affiliates, or Telstra, constitutes no less than 51% of all of our issued and outstanding ordinary shares, each Class B ordinary share is entitled to one vote; when the total number of ordinary shares held by Telstra drops below 51% but is no less than 39.3% of all of our issued and outstanding ordinary shares, each Class B ordinary share will carry such number of votes that would result in the total number of ordinary shares held by Telstra carrying, in the aggregate, 51% of the voting rights represented by all of our issued and outstanding ordinary shares; when the total number of ordinary shares held by Telstra drops below 39.3% of all of our issued and outstanding ordinary shares, all Class B ordinary shares will be automatically converted into the same number of Class A ordinary shares.

Telstra Holdings will convert 6,600,000 of its Class B ordinary shares into an equal number of Class A ordinary shares and will sell such Class A ordinary shares represented by ADSs in this offering, assuming that the underwriters do not exercise their option to purchase additional ADSs. Telstra is and is expected to continue to be our controlling shareholder immediately after the completion of this offering and will hold 62,188,940 Class B ordinary shares, which will represent 56.7% of our aggregate voting rights, assuming the underwriters do not exercise their option to purchase additional ADSs. We are, and expect to continue to be immediately after the completion of this offering, a controlled company as defined under the NYSE Listed Company Manual.

Conventions that Apply to This Prospectus

Unless otherwise indicated or the context otherwise requires, references in this prospectus to:

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

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

ordinary shares refer to the Class A and Class B ordinary shares of Autohome Inc., par value US\$0.01 per share;

RMB and Renminbi are to the legal currency of China;

US\$ or U.S. dollars refer to the legal currency of the United States;

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we, us, our company and our are to Autohome Inc., its predecessors, subsidiaries and VIEs;

average daily unique visitors refers to the number of different IP addresses from which a website is visited during each day in a given period, averaged over the days in the period;

average daily unique visitors on mobile applications refers to different IDs visiting any of our mobile applications during each day in a given period, averaged over the days in the period;

average daily time spent per user refers to the aggregate time spent on a website by a user in a period divided by the number of days the user visited that website, and such calculation result is further averaged for all the users that have visited that website in that period. A web page opened for less than three seconds is excluded; time spent on a web page after two hours is treated as inactive time and is excluded from the calculation; and

average daily page views refers to the aggregate number of web pages on a website viewed by all users during a period, divided by the number of days in that period. A web page opened for less than three seconds is excluded from the number of page views.

Unless the context indicates otherwise, all information in this prospectus assumes no exercise by the underwriters of their option to purchase additional ADSs.

Implications of Being an Emerging Growth Company

As a company with less than US\$1.0 billion in revenues for our last fiscal year, we qualify as an emerging growth company pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company's internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to opt out of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We will remain an emerging growth company until the earliest of (a) the last day of our fiscal year during which we have total annual gross revenues of at least US\$1.0 billion; (b) December 31, 2018; (c) the date on which we have, during the previous three-year period, issued more than US\$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a large accelerated filer under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US\$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

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The Offering

Offering price	US\$42.50 per ADS.
ADSs offered by us	1,650,000 ADSs (or 2,500,000 ADSs if the underwriters exercise their option to purchase additional ADSs in full).
ADSs offered by the selling shareholders	6,850,000 ADSs (or 7,256,852 ADSs if the underwriters exercise their option to purchase additional ADSs in full).
Total ADSs offered	8,500,000 ADSs (or 9,756,852 ADSs if the underwriters exercise their option to purchase additional ADSs in full).
ADSs outstanding immediately after this offering	37,177,952 ADSs (or 38,427,952 ADSs if the underwriters exercise their option to purchase additional ADSs in full).
Ordinary shares outstanding immediately after this offering	109,774,799 shares (or 110,624,799 shares if the underwriters exercise their option to purchase additional ADSs in full), par value US\$0.01 per share, comprised of (i) 47,585,859 Class A ordinary shares (or 48,835,859 Class A ordinary shares in total if the underwriters exercise their option to purchase additional ADSs in full) and (ii) 62,188,940 Class B ordinary shares (or 61,788,940 Class B ordinary shares in total if the underwriters exercise their option to purchase additional ADSs in full).
The ADSs	Each ADS represents one Class A ordinary share, par value US\$0.01 per share.

The depositary will hold the Class A ordinary shares underlying your ADSs. You will have the rights provided in the deposit agreement.

We do not expect to pay dividends in the foreseeable future. If, however, we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our Class A ordinary shares, after deducting its fees and expenses in accordance with the terms set forth in the deposit agreement.

You may turn in your ADSs to the depositary in exchange for Class A ordinary shares. The depositary will charge you fees for any exchange.

We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended.

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To better understand the terms of the ADSs, you should carefully read the Description of American Depositary Shares section of this

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prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.

Option to purchase additional ADSs

We and the selling shareholders have granted to the underwriters an option, exercisable within 30 days from the date of this prospectus, to purchase up to an aggregate of 1,256,852 additional ADSs.

Use of proceeds

We plan to use the net proceeds of this offering primarily for general corporate purposes, which may include investment in our product development including new content and business initiatives, further enhancing our mobile technologies, sales and marketing activities, including efforts to promote our brand, working capital, capital expenditure, and other general and administrative matters. We may also use a portion of these proceeds for the acquisition of, or investment in, businesses, technologies or strategic alliances that complement our business, although we have no present commitments or agreements to enter into any acquisitions or investments.

We will not receive any proceeds from the sale of ADSs by the selling shareholders.

Lock-up

We, our directors, executive officers and the selling shareholders have agreed with the underwriters not to sell, transfer or dispose of any ADSs, ordinary shares or similar securities for a period of 90 days after the date of this prospectus. See [Shares Eligible for Future Sale](#) and [Underwriting](#).

NYSE symbol

ATHM.

Payment and settlement

The underwriters expect to deliver the ADSs against payment therefor through the facilities of the Depositary Trust Company on November 25, 2014.

Depositary

Deutsche Bank Trust Company Americas.

Risk Factors

See [Risk Factors](#) and other information included in this prospectus for a discussion of risks that you should consider before investing in our ADSs.

The number of ordinary shares that will be outstanding immediately after this offering:

is based on 39,335,859 Class A ordinary shares and 68,788,940 Class B ordinary shares issued and outstanding as of October 24, 2014;

excludes 4,907,237 Class A ordinary shares issuable upon the exercise of options outstanding as of October 24, 2014, at a weighted average exercise price of US\$2.20 per share; and

excludes 806,000 Class A ordinary shares issuable upon the vesting of restricted shares outstanding as of October 24, 2014.

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The following table presents the summary consolidated financial information for our company. Our summary consolidated statements of comprehensive income data presented below for 2011, 2012 and 2013 and our summary consolidated balance sheet data as of December 31, 2012 and 2013 have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. Our summary consolidated balance sheet data as of December 31, 2009, 2010 and 2011 and the summary consolidated statement of comprehensive income data for 2009 and 2010 presented below have been derived from our audited consolidated financial statements not included in this prospectus. Our summary consolidated statements of comprehensive income data presented below for the nine months ended September 30, 2013 and 2014 and our balance sheet data as of September 30, 2014 have been derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. Our historical results for any period are not necessarily indicative of results to be expected for any future period. You should read the following summary financial information in conjunction with the consolidated financial statements and related notes and the information under Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. Our audited consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

	For the Year Ended December 31,					For the Nine Months Ended September 30,			
	2009	2010	2011	2012	2013	2013	2013	2014	2014
	RMB	RMB	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(in thousands, except for number of shares and per share data)								
							(unaudited)	(unaudited)	(unaudited)
Summary Consolidated Statement of Comprehensive Income Data:									
Net revenues									
Advertising services	138,988	235,415	379,666	592,622	894,937	147,833	617,963	977,805	159,304
Dealer subscription services	9,221	17,519	53,523	139,898	321,611	53,126	212,589	416,030	67,779
Total net revenues	148,209	252,934	433,189	732,520	1,216,548	200,959	830,552	1,393,835	227,083
Cost of revenues ⁽¹⁾	(61,084)	(83,897)	(130,565)	(178,240)	(252,236)	(41,666)	(164,418)	(258,563)	(42,125)
Gross profit	87,125	169,037	302,624	554,280	964,312	159,293	666,134	1,135,272	184,958
Operating expenses									
Sales and marketing expenses ⁽¹⁾	(31,204)	(48,712)	(67,500)	(129,796)	(245,228)	(40,509)	(148,997)	(338,743)	(55,188)
General and administrative expenses ⁽¹⁾	(9,059)	(17,951)	(46,547)	(83,153)	(82,529)	(13,633)	(53,788)	(86,825)	(14,145)
Product development expenses ⁽¹⁾	(3,678)	(6,205)	(16,459)	(42,865)	(81,651)	(13,488)	(57,944)	(106,523)	(17,355)
Operating profit	43,184	96,169	172,118	298,466	554,904	91,663	405,405	603,181	98,270
Interest income	44	159	1,167	5,093	11,082	1,831	8,556	24,221	3,946
Interest expense					(414)	(68)	(12)		
Other income (expense)	10	(49)	509	310	2,884	476	2,476	871	142
Income from continuing operations before income taxes	43,238	96,279	173,794	303,869	568,456	93,902	416,425	628,273	102,358
Income tax expense	(7,803)	(15,853)	(38,348)	(90,988)	(112,294)	(18,550)	(82,940)	(129,150)	(21,041)
Income from continuing operations	35,435	80,426	135,446	212,881	456,162	75,352	333,485	499,123	81,317
Income/(loss) from discontinued operations	(2,204)	7,612	(4,182)						
Net income	33,231	88,038	131,264	212,881	456,162	75,352	333,485	499,123	81,317
Other comprehensive income, net of tax of nil									

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Foreign currency translation adjustments				583	1,403	232	581	6,306	1,027
Comprehensive income									
	33,231	88,038	131,264	213,464	457,565	75,584	334,066	505,429	82,344
Earnings per share for ordinary shares Basic									
Net income from continuing operations	0.35	0.80	1.35	2.13	4.57	0.75	3.33	4.71	0.77
Income/(loss) from discontinued operations	(0.02)	0.08	(0.04)						
Net income	0.33	0.88	1.31	2.13	4.57	0.75	3.33	4.71	0.77

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	2009 RMB	2010 RMB	For the Year Ended December 31,				For the Nine Months Ended September 30,		
			2011 RMB	2012 RMB	2013 RMB	2013 US\$	2013 RMB	2014 RMB	2014 US\$
(in thousands, except for number of shares and per share data)									
(unaudited) (unaudited) (unaudited)									
Earnings per share for ordinary shares Diluted									
Net income from continuing operations			1.35	2.12	4.37	0.72	3.29	4.44	0.72
Loss from discontinued operations			(0.04)						
Net income			1.31	2.12	4.37	0.72	3.29	4.44	0.72
Shares used in earnings per share computation⁽²⁾									
Ordinary shares:									
Basic	100,000,000	100,000,000	100,000,000	100,000,000			100,000,000		
Diluted			100,189,928	100,650,652			101,322,763		
Class A Ordinary shares:									
Basic					31,109,214	31,109,214		37,147,194	37,147,194
Diluted					104,329,226	104,329,226		112,509,229	112,509,229
Class B Ordinary shares:									
Basic					68,788,940	68,788,940		68,788,940	68,788,940
Diluted					68,788,940	68,788,940		68,788,940	68,788,940
Dividend per share ⁽³⁾									

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

	For the Year Ended December 31,					For the Nine Months Ended September 30,			
	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB US\$ (in thousands)	2013 RMB (unaudited)	2014 RMB (unaudited)	2014 US\$ (unaudited)	
Allocation of Share-based Compensation Expenses									
Cost of revenues			3,247	6,553	6,534	1,079	4,887	5,752	937
Sales and marketing expenses			1,138	4,177	4,375	723	3,236	8,212	1,338
General and administrative expenses			8,049	15,734	11,738	1,939	6,795	15,437	2,515
Product development expenses			541	2,678	2,961	489	2,166	8,455	1,377
Total share-based compensation expenses			12,975	29,142	25,608	4,230	17,084	37,856	6,167

(2) Earnings per share for Class A and Class B ordinary shares (Diluted) for each period were computed after taking into account the dilutive effect of the shares underlying our employees' share-based awards.

(3) Dividends distributed to our shareholders in 2012 and 2013 were one-time distributions due to special circumstances.

Summary Consolidated Balance Sheet Data

	As of December 31,					As of September 30,		
	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB US\$ (in thousands)	2013 RMB (unaudited)	2014 RMB (unaudited)	2014 US\$ (unaudited)
Summary Consolidated Balance Sheet Data:								
Cash and cash equivalents	84,434	174,342	213,705	420,576	1,138,613	188,085	798,155	130,035
Restricted cash					245,000	40,471		
Term deposits							911,989	148,581
Accounts receivable, net	147,936	212,349	203,102	326,071	465,712	76,930	610,542	99,469
Total current assets	272,188	487,405	451,823	786,192	1,899,265	313,736	2,375,796	387,064
Total assets	2,184,531	2,357,368	2,043,005	2,379,673	3,512,950	580,298	4,001,261	651,884
Deferred revenue	19,215	31,650	41,461	94,392	215,580	35,611	260,747	42,481
Total current liabilities	145,962	238,710	203,805	336,292	789,818	130,469	678,466	110,536
Total liabilities	731,764	816,563	682,726	821,698	1,300,586	214,842	1,206,517	196,565
Total shareholders' equity	1,452,767	1,540,805	1,360,279	1,557,975	2,212,364	365,456	2,794,744	455,319

Non-GAAP Financial Measures

To supplement net income from continuing operations presented in accordance with U.S. GAAP, we present adjusted net income and adjusted EBITDA, which are non-GAAP financial measures. We define adjusted net income as income from continuing operations excluding share-based compensation expenses and amortization expenses of intangible assets related to acquisitions. We define adjusted EBITDA as income from continuing operations before income tax expense (benefit), depreciation expenses of property and equipment and amortization expenses of intangible assets and interest expense, excluding share-based compensation expenses. We present these non-GAAP financial measures because they are used by our management to evaluate our operating performance, in addition to net income from continuing operations prepared in accordance with U.S. GAAP.

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Adjusted net income and adjusted EBITDA have material limitations as analytical tools. One of the limitations of using these non-GAAP financial measures is that they do not include share-based compensation expenses, which are and will continue to be a recurring expense in our business. Furthermore, because adjusted EBITDA and adjusted net income are not calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies. In light of the foregoing limitations, you should not consider adjusted net income or adjusted EBITDA as a substitute for or superior to income from continuing operations prepared in accordance with U.S. GAAP. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

We compensate for these limitations by relying primarily on our U.S. GAAP results and using adjusted net income and adjusted EBITDA only as supplemental measures. Our adjusted net income and adjusted EBITDA are calculated as follows for the periods presented:

	For the Year Ended December 31,						For the Nine Months Ended September 30,		
	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2013 US\$	2013 RMB	2014 RMB	2014 US\$
	(in thousands)						(unaudited)	(unaudited)	(unaudited)
Income from continuing operations	35,435	80,426	135,446	212,881	456,162	75,352	333,485	499,123	81,317
Plus: amortization of acquired intangible assets of Cheerbright, China Topside and Norstar	17,114	15,113	13,114	9,739	5,459	902	4,320	3,415	556
Plus: share-based compensation expenses			12,975	29,142	25,608	4,230	17,084	37,856	6,167
Adjusted net income	52,549	95,539	161,535	251,762	487,229	80,484	354,889	540,394	88,040
Income from continuing operations	35,435	80,426	135,446	212,881	456,162	75,352	333,485	499,123	81,317
Plus: income tax expense	7,803	15,853	38,348	90,988	112,294	18,550	82,940	129,150	21,041
Plus: depreciation of property and equipment	783	1,875	6,347	14,301	25,548	4,220	17,647	25,350	4,130
Plus: amortization of intangible assets	17,114	15,238	13,768	10,203	6,250	1,032	4,670	4,576	746
Plus: interest expense					414	68	12		
EBITDA	61,135	113,392	193,909	328,373	600,668	99,222	438,754	658,199	107,234
Plus: share-based compensation expenses			12,975	29,142	25,608	4,230	17,084	37,856	6,167
Adjusted EBITDA	61,135	113,392	206,884	357,515	626,276	103,452	455,838	696,055	113,401

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RISK FACTORS

An investment in our ADSs involves significant risks. You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our ADSs. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our ADSs could decline, and you may lose all or part of your investment.

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 rapid growth of China's automotive industry during the past few years. However, the prospects of China's automotive industry are subject to many uncertainties, including those relating to general economic conditions in China, the urbanization rate of China's population and the cost of new automobiles. In addition, governmental policies may have a considerable impact on the growth of the automotive industry in China. For example, in an effort to alleviate traffic congestion and improve air quality, the Beijing municipal government issued a regulation in December 2010 to limit the number of new passenger car plates issued in Beijing each year to 240,000 commencing in 2011. There are similar policies that restrict the issuance of new passenger car plates in Shanghai, Guangzhou, Tianjin and Hangzhou. In September 2013, the PRC government released a plan for the prevention and remediation of air pollution, which requires large cities such as Beijing, Shanghai and Guangzhou to further restrict the ownership of motor vehicles. In October 2013, the Beijing municipal government issued an additional regulation to limit the total number of vehicles in Beijing to no more than six million by the end of 2017, compared to approximately 5.2 million vehicles in operation by the end of 2013. Beginning from late 2011, the National Development and Reform Commission, one of China's antitrust regulatory authorities, initiated a series of investigations into the pricing practices of foreign automobile companies in China in connection with allegations of the lack of fair competition. These investigations may lead to price reductions due to enhanced competition. Such regulatory developments, as well as other uncertainties, may adversely affect the growth prospects of China's automotive industry, and in turn reduce demand for automobiles. If automakers and 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. We face competition from China's automotive websites, such as *pcauto.com.cn* and *bitauto.com*, and from the automotive channels of major internet portals, such as Sina and Sohu. In addition, we also face competition from other used-automobile websites, such as *51auto.com*, *taoche.com* and *youxinpai.com*. We may also face competition from other websites engaged in the online automobile transaction business, such as *bitauto.com* and *tmall.com*, as we develop our transaction platform. Competition with these and other websites is primarily centered on increasing user reach, user engagement and brand recognition, and attracting and retaining advertisers, among other factors.

Some of our competitors or potential competitors have longer operating histories and may have greater financial, management, technological, development, sales, marketing and other resources than we do. They may use their experience and resources to compete with us in a variety of ways, including by competing more heavily for users, advertisers and dealers, investing more heavily in research and development and making 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 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.

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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.

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

In order to maintain and strengthen our leading market position, we must continue to attract and retain users to our websites, which requires us to continue to provide quality content throughout the automobile-ownership cycle. 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 content, offer a superior user experience or maintain and enhance our brand, we may not be able to attract and retain users. If our user base decreases, our websites may be rendered less attractive to advertisers and our advertising services and dealer subscription services revenues may decline, which may have a material and adverse impact on our business, financial condition and results of operations.

We may not be able to successfully expand and monetize 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 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 number of our average daily unique users who access our websites via mobile devices and the number of our average daily unique users of our mobile applications amounted to approximately 4.0 million and 2.9 million, respectively, in September 2014. However, if we are unable to attract and retain a substantial number of mobile device users, or if we do not keep up with our competitors in developing attractive services that are adapted for such mobile devices, we may fail to capture a significant share of an increasingly important portion of the mobile internet market for our services or lose existing users.

Furthermore, we are still in the midst of experimenting with early monetization strategies for our mobile internet services. Advertisers currently spend significantly less on advertising on mobile devices as compared to advertising on PCs, and may not increase their advertising spending on mobile devices in the future. If our users continue to allocate more time on our mobile services instead of our traditional PC services, mobile monetization may become increasingly important to our results of operations. Accordingly, if we are unable to successfully implement monetization strategies for our mobile internet users, our results of operations may be negatively affected.

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

A limited number of automaker advertisers have accounted for, and are expected to continue to account for, a significant portion of our revenues. Our top five advertisers, all of whom were automakers, contributed 19.5%, 20.0%, 15.0% and 11.4% of our net revenues in 2011, 2012, 2013 and the nine months ended September 30, 2014, respectively. In each of 2011, 2012, 2013 and the nine months ended September 30, 2014, approximately 80% of over 80 automakers operating in China used our advertising services. These automakers include independent Chinese automobile manufacturers, joint ventures between Chinese and international automobile manufacturers and international automobile manufacturers that sell cars made outside of China. We believe that our future revenue growth will be focused on deepening our existing commercial relationships with automakers to increase our share of each automaker's advertising budget. If we fail to do so, our growth prospects could be harmed.

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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 advertisers and our failure to identify and acquire additional or replacement advertisers;

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

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

We may not be able to successfully expand and monetize our dealer network.

We had local sales and service representatives covering 149 cities across China as of September 30, 2014. We intend to increase our penetration in existing dealer advertising and subscription services markets and expand into new geographic markets. China is a large and diverse country and business practices and demands may vary significantly by region. Our experience in the markets in which we currently operate may not be applicable in other parts of China. We may not be able to leverage our experience to expand into new geographic markets in China. As a result, our expansion and monetization strategies, including sales and marketing efforts designed to attract dealer advertisers and maximize the conversion of registered dealers using our free basic listing service into dealer subscribers, may be unsuccessful. Furthermore, expanding into new geographical markets will require us to hire additional employees to cover these markets. We will incur additional compensation and benefit costs, office rental expenses and other costs, as well as additional strain on our managerial resources. In addition, we intend to further monetize our existing dealer network by converting dealers that currently use our free listing service into dealer subscribers. If we are unable to successfully expand and monetize our dealer network and to generate sufficient revenues to cover our increased costs and expenses, our business and results of operations may be materially and adversely affected.

Our business depends on strong brand recognition, and failing 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, negative publicity involving our business and the failure of our sales and marketing activities. If we fail to maintain and enhance our brands, or if we incur excessive expenses in this effort, our business, operating results 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 different marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products. Our marketing and promotional activities may not be well received by customers and may not result in the levels of product sales that we anticipate. We incurred RMB67.5 million, RMB129.8 million, RMB245.2 million (US\$40.5 million) and RMB338.7 million (US\$55.2 million) in sales and marketing expenses in 2011, 2012, 2013 and the nine months ended September 30, 2014, respectively, representing 15.6%, 17.7%, 20.2% and 24.3%, respectively, of total net revenues in the corresponding periods. 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 customer preferences, which may not be as

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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 search engines, mobile platforms and navigation sites. For example, we have entered into an arrangement with Baidu for a 12-month period starting from July 1, 2014, for enhanced automotive-related content search results on PCs powered by Aladdin, Baidu's open platform initiative. 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.

Inaccuracy in pricing and listing information provided by our dealer customers may adversely affect our business and financial performance.

Our automobile listings and promotional information are provided and continuously updated by our dealer customers. Users interested in particular automobile models can conveniently search for up-to-date information on such models without having to visit the local showrooms of relevant dealers. If such listings and promotional information provided by our dealer customers is frequently inaccurate or not reliable, our users may lose faith in our websites, resulting in reduced user traffic to our websites and diminished value to advertisers, which could adversely affect our business and financial performance.

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. The number of our employees has grown rapidly from 547 as of December 31, 2011, 912 as of December 31, 2012, 1,191 as of December 31, 2013 and 1,654 as of September 30, 2014. Our net revenues increased from RMB433.2 million in 2011 to RMB732.5 million in 2012 and RMB1,216.5 million (US\$201.0 million) in 2013, representing a CAGR of 67.6%. Our total net revenue increased by 67.8% from RMB830.6 million for the nine months ended September 30, 2013 to RMB1,393.8 million (US\$227.1 million) for the nine months ended September 30, 2014. We expect to continue to grow our user base and our business operations.

Our rapid expansion and new business initiatives may expose us to new challenges and risks. To manage the further expansion of our business, we need to continuously expand and enhance our infrastructure and technology, and improve our operational and financial systems, procedures and internal controls. We also need to train, manage and motivate our growing employee base. In addition, we need to maintain and expand our relationships with automaker and dealer advertisers, advertising agencies and other third parties. We cannot assure you that our current and planned personnel, infrastructure, systems, procedures and controls will be adequate to support our expanding operations. We may be required to spend more on sales and marketing in order to support any such expansion and our efforts may not be effective. 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.

For example, in June 2014, we launched Autohome Mall, an online transaction platform that we believe will allow us to be a long-term transaction facilitator as we develop our transaction business. The success of our transaction business depends, in part, on third parties and factors over which we have limited control. We will need to react quickly to changing consumer preferences and buying trends relating to our transaction business. We will also face competition from other websites engaged in the online automobile transaction business. In addition, we must keep up to date with competitive technology trends, including the use of new or improved technology, creative user interfaces and other transaction marketing tools such as paid search and mobile applications, among others, which may increase our costs and which may not succeed in increasing sales or attracting customers. Developing the transaction business may require significant investment in product development, sales and marketing and working capital, and we may not be able to get the expected return on our investment. Furthermore, developing the transaction business may take up our management's time and allow them less time to focus on our existing core business. Our failure to successfully mitigate these risks and

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uncertainties might adversely affect the sales or margins in our transaction business, as well as damage our reputation and brand.

We have a limited operating history, which makes it difficult to evaluate our business.

We have a limited operating history. *Autohome.com.cn* and *che168.com* were launched in 2005 and 2004, respectively. Our company was incorporated in June 2008 and acquired the entities that operated these two websites soon thereafter. Although we have achieved profitability in recent periods, our limited operating history makes the prediction of future results of operations difficult. Past results of operations achieved by us should not be taken as indicative of the rate of growth, if any, that can be expected in the future. You should consider our future prospects in light of the risks and uncertainties fast-growing companies with limited operating histories may encounter.

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 dealers to be our end-customers, we sell our advertising services and solutions primarily to third-party advertising agencies that represent the automakers and dealers, as is customary in China. Our top ten advertising agencies accounted for 55.4%, 51.7%, 44.0% and 35.0% of our total net revenues in 2011, 2012, 2013 and the nine months ended September 30, 2014, respectively. In 2011, 2012, 2013 and the nine months ended September 30, 2014, our largest agency accounted for 10.0%, 9.0%, 6.7% and 6.0% of our total net revenues, respectively. 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, 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 price terms. Such most favored price terms may hinder our ability to acquire new customers using special price terms.

In addition, we rely on third-party advertising agencies for the collection of payment from our advertisers. As a result, the financial soundness of our advertising agencies may affect our collection of accounts receivables. We make a credit assessment of the advertising agency to evaluate the collectibility 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.

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

The use of the internet as a marketing medium is still developing in China. As of December 2013, the internet penetration rate in China was only 45.8% according to the CNNIC, compared to 85.4% in the United States as of the same date, according to the World Bank forecast. The expansion of China's internet population may be limited by a number of factors, including limitations on network infrastructure and social and political uncertainties, among others.

Many of our current and potential advertisers and dealer subscribers have limited experience with the internet as a marketing medium, and historically have not devoted a significant portion of their marketing budgets to online marketing and promotion. As a result, they may not consider the internet an effective medium to promote or sell automobiles as compared 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;

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increased competition and potential downward pressure on online advertising prices;

difficulties in acquiring and retaining advertisers or dealer subscribers;

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 a media platform for advertising and marketing, our business, financial position and results of operations could be materially and adversely affected.

If we are unable to grow our used automobile-related business through our repositioned che168.com website, we may not be able to achieve our expected business growth and our results of operations may be adversely affected.

Historically, we have delivered content related to new and used automobiles through both *autohome.com.cn* and *che168.com* websites whose user bases overlap to some extent. We redesigned our *che168.com* website in October 2011 to focus on used automobile information and content. Through this website, we offer used automobile listing services to 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 dealer or individual selling the selected car. Revenue from *che168.com* currently contributes an immaterial portion of our total revenues.

We may not be able to successfully grow our used automobile-related business through our repositioned *che168.com* website. 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 *che168.com* business may benefit from such growth. We may not be able to attract a broad user base to the *che168.com* website. Even if we are able to grow our user base, we may not be able to establish a business model that allows us to successfully monetize the user traffic. In such a case, we may not be able to achieve our expected business growth and our results of operations may be adversely affected.

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. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. For instance, our advertising services revenues typically increase in the second quarter as automakers increase marketing activities in connection with China's major auto shows, and in the fourth quarter as advertisers seek to complete year-end marketing campaigns. Demand for our advertising services is generally lowest in the first quarter of each year, primarily due to a general slowdown in business activities and a reduced number of working days during the Chinese New Year holiday period.

In addition, because a significant portion of our advertising services revenues 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

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

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

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

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 names could be materially damaged and use of our services may decrease.

Failure to protect confidential information of our customers and network against security breaches could damage our reputation and brand and substantially harm our business and results of operations.

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 e-commerce continues to evolve, we believe that increased regulation by the PRC government of data privacy on the internet is likely. We may become subject to new laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information that could affect how we store, process and share data with our customers. We generally comply with industry standards and are subject to the terms of our own privacy policies. Compliance with any additional laws could be expensive and may place restrictions on the

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conduct of our business and the manner in which we interact with our customers. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us.

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

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

Our success depends on the continuous effort and services of our senior management team and other key personnel. In particular, we rely on the expertise and experience of our executive officers named in this prospectus. 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 may not be able to replace them within a short period of time or at all. Our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain personnel. If any of our executive officers joins a competitor or forms a competing company, we may lose advertisers, know-how and key professionals and staff members. Each of our executive officers has entered into an employment agreement with Autohome WFOE, 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 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 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.

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 professionally produced content available on our websites 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

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business. If we are unable to adequately protect our intellectual property rights in the future, our 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 never 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. 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 or accessible from our websites through links to other websites or information on our websites 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. 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 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.

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 to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. See Regulation Regulations on Advertisements. Under the internet information regulations, 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. See Regulation Regulations on Internet Content Services.

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

If PRC regulatory authorities determine that any advertisements or content displayed on our websites 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 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 license, 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 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.

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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 be contained 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. There have recently been signs that the rate of China's economic growth is declining. 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, which are still considered luxury items in China, and our advertisers may also defer, reduce or cancel purchasing our services. To the extent any fluctuations in the Chinese economy significantly affect automakers' and dealers' demand for our services or change their spending habits, our results of operations may be materially and adversely affected.

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.

Immediately after completion of this offering, Telstra will own 56.7% of the total voting rights in our company, assuming the underwriters do not exercise their option to purchase additional ADSs, and we are, and expect to continue to be immediately after the completion of this offering, a controlled company under Section 303A of the NYSE 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 Telstra will own 56.7% of the voting rights in our company immediately after completion of this offering, assuming the underwriters do not exercise their option to purchase additional ADSs, it has, and is expected to continue to have immediately after completion of this offering, 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 Telstra, we may be prevented from entering into transactions that could be beneficial to us. The interests of Telstra may differ from the interests of our other shareholders.

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.

We are not currently required to comply with Section 404 and applicable rules and regulations thereunder, and are therefore not required to make a formal assessment of the effectiveness of our internal controls over

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financial reporting for purposes of identifying and reporting material weaknesses and other deficiencies in our internal control over financial reporting. In connection with the audit of our consolidated financial statements for the year ended and as of December 31, 2011, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting, as defined in the standards established by the United States Public Company Accounting Oversight Board, or PCAOB. Pursuant to PCAOB standards, a material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented on a timely basis. The material weakness identified was that our company did not have sufficient U.S. GAAP and SEC financial reporting expertise nor sufficient oversight and review of the financial statement closing process. Since the second half of 2011, we have implemented several measures to remediate the above-mentioned material weakness.

In 2012 and 2013, we performed a limited review of our internal control over financial reporting as part of our annual risk management assessment process, and no material weakness was noted. It is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional internal control deficiencies may have been identified. We are a public company in the United States and are subject to Section 404 and applicable rules and regulations thereunder. Section 404 requires that we include a report of management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the year ending December 31, 2014. In addition, once we cease to be an emerging growth company, as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective when they are required to include such a report. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may conclude that our internal controls are not effective if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operating or reviewed, or if it interprets the relevant requirements differently from us. If we fail to timely achieve and maintain the adequacy of our internal controls, we may not be able to conclude that we have effective internal control over financial reporting. As a result, our failure to achieve and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the market price of our ADSs.

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.

Our business could be adversely affected by the effects of H1N1 flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, or another epidemic. China reported a number of cases of SARS in 2003, which resulted in the closure of many businesses by the PRC government to prevent the transmission of SARS. In recent years, there have been reports of occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. In 2009, the global spread of H1N1 flu resulted in several confirmed infections and deaths in China. Restrictions on travel resulting from any prolonged outbreak of H1N1 flu, avian flu, SARS or another epidemic could adversely affect our ability to market our services to users, automakers and dealers throughout

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China. Our business operations could be disrupted if one of our employees is suspected of having H1N1 flu, avian flu, SARS or another epidemic, which could require that a certain number of our employees be quarantined and/or our offices be disinfected. In addition, our results of operations could be adversely affected to the extent that H1N1 flu, avian flu, SARS or another outbreak harms the Chinese economy in general.

We are also vulnerable to natural disasters and other calamities. Although our servers are hosted in an offsite location, our backup system does not capture data on a real-time basis and we may be unable to recover certain data in the event of a server failure. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services. In addition, a severe disaster could affect the operations or financial condition of our customers and suppliers, which could harm our results of operations. For example, certain Japanese automakers or their joint ventures in China delayed or cancelled advertising campaigns following the earthquake and tsunami in Japan in March 2011.

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 and the Ministry of Commerce in June 2005, foreign investors are prohibited from investing in or operating internet cultural activities. Furthermore, PRC laws and regulations do not allow foreign entities with less than two years of direct experience operating an advertising business outside of China to invest in an advertising business in China. Before we acquired Autohome Media Limited, or Autohome Media, which was previously known as Prbrownies Marketing Limited in October 2013, we had no direct experience operating an advertising business outside of China and were not allowed to invest directly in a PRC entity that provides advertising services in China. 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 through contractual arrangements in China. In particular, we operate our internet content business through Autohome Information and Hongyuan Information, a wholly-owned subsidiary of Autohome Information. We operate our internet advertising business through two wholly-owned subsidiaries of Autohome Information: Chengshi Advertising and Autohome Advertising. These entities hold licenses and permits required to operate our internet content business and internet advertising business. Autohome Information is currently owned by individual shareholders who are PRC citizens and hold the requisite licenses or permits to provide internet content and advertising services in China. We mainly do not have an equity interest in Autohome Information or its subsidiaries but substantially control their operations and receive the economic benefits through a series of contractual arrangements. We have been and are expected to continue to be dependent upon Autohome Information and its subsidiaries to operate our businesses in the near future. In December 2011 and May 2012, we established two new VIEs, Shanghai Advertising and Guangzhou Advertising, respectively. Autohome WFOE entered into a series of contractual arrangements with Shanghai

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Advertising and its shareholders and Guangzhou Advertising and its shareholders with terms and conditions substantially similar to the contractual arrangements among Autohome WFOE, Autohome Information and its shareholders. We provide advertising services through Shanghai Advertising and Guangzhou Advertising to automotive industry customers around the Shanghai and Guangzhou areas, respectively. In October 2013, Autohome HK acquired Autohome Media, a Hong Kong advertising and marketing company. Autohome Media has engaged in advertising business outside the PRC for more than three years, and is therefore qualified to directly invest in a PRC company providing advertising services in accordance with PRC laws. We are gradually migrating our advertising business from our VIEs to Autohome Media and its subsidiaries, a transition we expect to complete in the next two to three years. For more information regarding these contractual arrangements, see Corporate History and Structure Contractual Arrangements.

Based on the advice of TransAsia Lawyers, our PRC legal counsel, 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 MIIT, which regulates internet information services companies, the State Administration for Industry and Commerce, or SAIC, which regulates advertising companies, 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 and the VIEs, revoking the business licenses or operating licenses of Autohome WFOE and the VIEs, shutting down our servers or blocking our websites, 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. The VIEs contributed substantially all of our consolidated net revenues since 2009.

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 contractual arrangements with Autohome Information and its subsidiaries, Shanghai Advertising, Guangzhou Advertising and their shareholders to operate our business. For a description of these contractual arrangements, see Corporate History and Structure Contractual Arrangements. 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 our China operations as direct ownership would be.

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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.

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, Guangzhou Advertising and Shanghai Advertising 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.

Contractual arrangements our subsidiary has entered into with 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, our VIEs and the shareholders of our VIEs do not represent arm's-length prices and consequently adjust Autohome 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 or our VIEs for any unpaid taxes. Our consolidated net income may be materially and adversely affected if Autohome WFOE or our VIEs' tax liabilities increase or if they are subject to late payment fees or other penalties.

The shareholders of our VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business.

The shareholders of our VIEs are James Zhi Qin, our director and chief executive officer, Xiang Li, our director and president, and Zheng Fan, our vice president. Each of these three individuals is also a beneficial owner of our company and a PRC citizen. They hold 8%, 68% and 24%, respectively, of the equity interests in each of our VIEs. Conflicts of interest may arise between their roles as directors, officers and/or beneficial owners of our holding company and as shareholders of our VIEs. In addition, the controlling shareholders of our company are substantially different from that of the VIEs, which may heighten any conflicts of interest that could arise between the two groups of shareholders. We cannot assure you that when conflicts of interest arise, any or

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all of these equity holders will act in the best interests of our company or such conflicts will be resolved in our favor. Currently, we do not have any arrangements to address potential conflicts of interest between these equity holders and our company. We rely on these three 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 the laws of Cayman Islands, which provide that directors owe a duty of care and a duty of loyalty 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 conflict of interest 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 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 we may rely 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, 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 reaches 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 this offering 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 Autohome WFOE to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of the State Administration of Foreign Exchange, or SAFE. We may also decide to finance Autohome WFOE by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce 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 and online advertising businesses.

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On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular 142 provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of a foreign-invested company. The use of such RMB capital may not be altered without SAFE approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 could result in severe monetary or other penalties. Furthermore, SAFE promulgated a circular on November 19, 2010, or Circular No. 59, which tightens the examination on the authenticity of settlement of net proceeds from an offering and requires that the settlement of net proceeds shall be in accordance with the description in its prospectus. On July 15, 2014, SAFE issued SAFE Circular 36 that launched the pilot reform of administration regarding conversion of foreign currency registered capitals of foreign-invested enterprises in 16 pilot areas. According to SAFE Circular 36, an ordinary foreign-invested enterprise in the pilot areas is permitted to use Renminbi converted from its foreign-currency registered capital to make equity investments in the PRC, subject to certain registration and settlement procedure as set forth in SAFE Circular 36. As this circular is relatively new, there remains uncertainty as to its interpretation and application and any other future foreign exchange related rules.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, including SAFE Circular 142, 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 VIEs 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 from this offering 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 substantially all of our assets, which could reduce the size of our operations and materially and adversely affect our business, ability to generate revenues and the market price of our ADSs.

As part of the contractual arrangements with Autohome Information, its shareholders and its subsidiaries, Autohome Information and its subsidiaries hold operating permits and licenses and substantially all of the assets that are important to the operation of our business. We expect to continue to be dependent on Autohome Information and its subsidiaries to operate our business in China. We also rely on Shanghai Advertising and Guangzhou Advertising to operate a certain portion of our business. If our 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 our 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.

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.

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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 is 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, growth has been uneven, both geographically and among various sectors of the economy. 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.

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 uncertainty. 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 PRC government regulation of the internet industry include, but are not limited to, the following:

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

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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 companies 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. Both Autohome Information and Hongyuan Information may be required to obtain additional licenses, including internet publishing licenses and internet news information service licenses, if the release of articles and information or the broadcast of videos on the websites *autohome.com.cn* and *che168.com* is deemed by the PRC regulatory authorities as the provision of internet publishing service, internet news information service, or internet culture operating service. See Regulations Regulations on Online Cultural Services, Regulations Regulations on Internet Publishing and Regulations 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, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office. The primary role of this new agency is to facilitate policy-making and legislative development in the internet industry, to direct and coordinate with relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry.

New laws and regulations may be promulgated to regulate internet activities, including online advertising 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. 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 Hongyuan Information, 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 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.

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 Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and

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July 2008. Between July 2008 and June 2010, this appreciation was halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. As a consequence, the RMB fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. From June 2010 until the start of 2014, and since mid-2014, the PRC government again allowed the Renminbi to appreciate slowly against the U.S. dollar. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

There remains significant international pressure on the Chinese government to substantially liberalize its currency policy, which could result in further appreciation in the value of the RMB against the U.S. dollar. 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, Autohome WFOE is 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.

The approval of the China Securities Regulatory Commission may be required in connection with this offering under a regulation adopted in August 2006, and, if required, we cannot assure you that we will be able to obtain such approval.

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. This regulation, among other things, requires offshore special purpose vehicles, or SPVs, formed for the purpose of an overseas listing and controlled by PRC companies or individuals, to obtain CSRC approval prior to listing their securities on an overseas stock exchange. The application of this regulation remains unclear. Our PRC counsel, TransAsia Lawyers, has advised us that,

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based on their understanding of the current PRC laws, rules and regulations, we are not required to submit an application to the CSRC for its approval of the listing and trading of our ADSs on the NYSE on the grounds that:

the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this regulation;

Autohome WFOE and Autohome Information were established before September 8, 2006, the effective date of this regulation; and

no provision in this regulation clearly classifies contractual arrangements as a type of transaction subject to its regulation. However, because there has been no official interpretation or clarification of this regulation since its adoption, there is uncertainty as to how this regulation will be interpreted or implemented. If it is determined that the CSRC approval was required for our initial public offering or this offering, we may face sanctions by the CSRC or other PRC regulatory agencies for failure to seek the CSRC approval for our initial public offering or this offering. These sanctions may include fines and penalties on our operations in the PRC, delays or restrictions on the repatriation of the proceeds from our initial public offering or this offering into the PRC, restrictions on or prohibition of the payments or remittance of dividends by our PRC subsidiaries, or other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this offering before the settlement and delivery of the ADSs that we are offering. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the ADSs we are offering, you would be doing so at the risk that the settlement and delivery may not occur.

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 Ministry of Commerce 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, are triggered. According to the Implementing Rules Concerning Security Review on Mergers and Acquisitions by Foreign Investors of Domestic Enterprises issued by the Ministry of Commerce in August 2011, mergers and acquisitions by foreign investors involved in an industry related to national security are subject to strict review by the Ministry of Commerce. 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 Ministry of Commerce or other government agencies may publish interpretations contrary to our understanding or broaden the scope of such security review in the future. Although we have no current plans to make any acquisitions, we may elect to grow our business in the future in part by directly acquiring 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 Ministry of Commerce, may delay or inhibit our ability to complete such transactions.

PRC regulations relating to the establishment of offshore holding companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

On July 4, 2014, SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Control of Domestic Residents' Overseas Investment and Financing and Roundtrip Investment through Offshore Special

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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 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.

Currently, all of our shareholders who are PRC residents have registered with the competent local branch of SAFE with respect to their investments in our company as required by SAFE Circular No. 75 and will update their registration filings with SAFE under SAFE Circular No. 37 when there are any changes that should be registered under SAFE Circular No.37. However, we may not at all times be fully aware or informed of the identities of all our shareholders or beneficial owners that are required to make such registrations, and if or when we have such shareholders or beneficial owners, we may not always be able to compel them to comply with SAFE Circular No. 37 requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, SAFE Circular No. 37 or other related regulations. The failure or inability of such individuals to comply with the registration procedures set forth in these regulations may subject us to fines or legal sanctions, restrictions on our cross-border investment activities or our PRC subsidiaries' ability to distribute dividends to, or obtain foreign-exchange-dominated loans from, our company, or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategy. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

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 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 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

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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 optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and other legal or administrative sanctions. See 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.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the State Administration of Taxation, or the SAT, on December 10, 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly via disposing of the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (a) has an effective tax rate less than 12.5% or (b) does not tax the foreign income of its residents, the non-resident enterprise, being the transferor, shall report to the relevant tax authority of the PRC resident enterprise this Indirect Transfer. Using a substance over form principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term Indirect Transfer is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Also, although it appears that SAT Circular 698 was not intended to apply to share transfers of publicly traded companies, there is uncertainty as to the application of SAT Circular 698 to other indirect transfer of PRC resident enterprises. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the relevant tax authority of the PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Circular 698 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 698 and we may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we should not be

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taxed under the general anti-avoidance rule of the 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.

China passed a new PRC Enterprise Income Tax Law and its implementation rules, which became effective on January 1, 2008. The Enterprise Income Tax Law (a) reduces the statutory rate of the enterprise income tax from 33% to 25%, (b) permits companies established before March 16, 2007 to continue to enjoy their existing tax incentives, adjusted by certain transitional phase-out rules promulgated by the State Council on December 26, 2007, and (c) introduces new tax incentives, subject to various qualification criteria.

The Enterprise Income Tax Law and its implementation rules permit certain high and new technology enterprises strongly supported by the state which hold independent ownership of core intellectual property to enjoy a preferential enterprise income tax rate of 15% subject to certain qualification criteria. Autohome WFOE was recognized jointly by the Beijing Municipal Science and Technology Commission and other authorities as a high and new technology enterprise, or HNTE, on September 17, 2010 and therefore was eligible for the preferential 15% enterprise income tax rate from 2010 to 2012 upon its filing with the relevant tax authority. The qualification as a HNTE is subject to annual evaluation and a three-year review by the relevant authorities in China. We have obtained renewal of the HNTE qualification through 2015. However, should we lose this qualification for any reason, Autohome WFOE will no longer enjoy the 15% preferential tax rate, and the applicable enterprise income tax rate may increase to up to 25%.

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 and its implementation rules, both of 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 implementation rules define the term de facto management bodies as establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise. 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. 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 SAT Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals, the determining criteria set forth in Circular 82 may reflect the SAT's general position on how the de facto management body test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. 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 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

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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 Autohome WFOE, which is 100% owned by 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 and holds at least 25% of the equity interest of Autohome WFOE, dividends that it receives from Autohome WFOE may be subject to withholding tax at a rate of 10%.

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 regarded as 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 at a rate of up to 10%. 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 withholding tax. If we are required under the Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our non-PRC enterprise shareholders and ADS holders, or on gains recognized by such non-PRC shareholders or ADS holders, such investors' investment in our Class A ordinary shares or ADSs may be materially and adversely affected.

Our financial condition and results of operations could be materially and adversely affected if recent value added tax reforms in the PRC become unfavorable to our PRC subsidiaries or VIEs.

On November 16, 2011, the Ministry of Finance and the State Administration of Taxation jointly issued the Implementation Rules of the Pilot Program of Value Added Tax Reform and the Notice on the Pilot Program of Value Added Tax Reform in Transportation and Certain Modern Service Industries in Shanghai. These rules became effective on January 1, 2012, under which certain transportation and modern services companies in Shanghai will be subject to value added tax, or VAT, in lieu of the otherwise applicable business tax of 5%. According to a circular jointly issued by the Ministry of Finance and the State Administration of Taxation on July 31, 2012, certain transportation and modern services companies incorporated in eight other provinces in the PRC will be subject to the tax reform contemplated under these rules. This tax pilot program aims to resolve the double or multiple taxation issues caused by the interplay between the VAT and business tax systems and reduce the overall tax burden of the selected modern service industries in the PRC. Depending on their taxable revenues, companies may be subject to VAT at a rate of 3% if they are qualified as small-scale VAT payers or 6% if they are recognized as general VAT payers for information technology services, advertising services and research, development and technology services they provide. As a result, instead of paying business taxes, Shanghai Advertising, one of our VIEs incorporated in Shanghai, was required to pay VAT at a rate of 6% starting from January 1, 2012. In addition, our PRC subsidiaries and VIEs incorporated in Beijing were required to pay VAT at a rate of 6% starting from September 1, 2012. Guangzhou Advertising, one of our VIEs incorporated in Guangdong, was required to pay VAT starting from November 1, 2012. Since August 2013, this tax pilot program has been expanded to other areas within China. The rules related to the VAT pilot program are still evolving and the timing of the promulgation of the final tax rules or related interpretation is uncertain. Our financial condition and results of operations could be materially and adversely affected if the interpretation and enforcement of these tax rules become materially unfavorable to our PRC subsidiaries and VIEs.

The enforcement of the PRC Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and our results of operations.

The PRC Labor Contract Law became effective and was implemented on January 1, 2008. It has reinforced the protection of employees who, under the PRC Labor Contract Law, have the right, among others, to have written labor contracts, to enter into labor contracts with no fixed terms under certain circumstances, to receive overtime wages and to terminate or alter terms in labor contracts. According to the PRC Social Insurance Law, which became effective on July 1, 2011, and the Administrative Regulations on the Housing Funds, employees

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are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance and housing funds, and the employers must pay all or a portion of the social insurance premiums and housing funds for such employees.

As a result of these new laws and regulations designed to enhance labor protection, we expect our labor costs will increase. In addition, as the interpretation and implementation of these new laws and regulations are still evolving, our employment practice may not at all times be deemed in compliance with the new laws and regulations. If we are subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and results of operations may be adversely affected.

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

Our independent registered public accounting firm, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United States and professional standards. Because our independent registered public accounting firm is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without receiving the required approval from the PRC authorities, our independent registered public accounting firm, like other independent registered public accounting firms operating in China, is currently not inspected by PCAOB. Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. Since PCAOB cannot conduct inspections of independent registered public accounting firms operating in China without receiving the required approval from the PRC authorities, it is more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

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

In December 2012, the SEC brought administrative proceedings against five accounting firms, including our independent registered public accounting firm, in China, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC for potential accounting fraud. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of the five firms from practicing before the SEC for a period of six months. The decision is neither final nor legally effective unless and until reviewed and approved by the SEC. The five accounting firms have recently appealed. The sanction will not become effective until after a full appeal process is concluded and a final decision is issued by the SEC. The accounting firms can also further appeal the final decision of the SEC through the federal appellate courts. We are not involved in the proceedings brought by the SEC against the accounting firms. However, our independent registered public accounting firm is one of the four accounting firms subject to the six month suspension from practicing before the SEC in the initial administrative law decision. We may therefore be adversely affected by the outcome of the proceedings, along with other U.S.-listed companies audited by these accounting firms.

On May 24, 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the Ministry of Finance which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the United States and China. However, it is not clear how these recent developments could affect the SEC's final decision in the case against the five accounting firms or any subsequent appeal to courts that the accounting firms

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may initiate. Therefore, it is difficult to determine the final outcome of the administrative proceedings and the potential consequences thereof.

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

Risks Related to our ADSs and this Offering

The market price for our ADSs has fluctuated and may be volatile.

The daily closing trading prices for our ADSs ranged from US\$27.10 to US\$36.59 in 2013 and from US\$29.00 to US\$56.60 in the nine months ended September 30, 2014. The trading price for our ADSs may continue to fluctuate in response to factors including the following:

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

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

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

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

changes in financial estimates by securities research analysts;

conditions in the online automotive advertising industry;

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

additions to or departures of our senior management;

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

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

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

pending or potential litigation or administrative investigation.

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In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an emerging growth company, as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 for so long as we are an emerging growth company. As a result, if we elect not to comply with

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such auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to opt out of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

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

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

Because the offering price is substantially higher than our net tangible book value per ADS, you will experience immediate and substantial dilution.

Because the price per ADS being offered is substantially higher than the net tangible book value per ordinary share, you will experience immediate and substantial dilution of US\$39.42 per ADS, representing the difference between the public offering price of US\$42.50 per ADS and our net tangible book value per ADS as of September 30, 2014, after giving effect to the net proceeds to us from this offering. If the underwriters exercise their over-allotment option, you will experience additional dilution. In addition, you may experience further dilution as a result of the exercise of share options or other dilutive transactions. See **Dilution** for a more complete description of how the value of your investment in our ADSs will be diluted upon the completion of this offering.

Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after this offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source of any future dividend income.

Subject to certain exceptions, our board of directors has complete discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the 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 after this offering or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

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

Sales of our ADSs in the public market after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Upon completion of this offering, we will have 109,774,799

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ordinary shares outstanding, assuming that the underwriters do not exercise their option to purchase additional ADSs, including a certain number of Class A ordinary shares represented by ADSs. All ADSs sold in this offering will be freely transferable without restriction or additional registration under the Securities Act. In addition, the ordinary shares held by our directors, executive officers and selling shareholders who are subject to a lock-up in connection with this offering will be available for sale, upon the expiration of the 90-day lock-up period beginning from the date of this prospectus, subject to volume and other restrictions as applicable under Rules 144 and 701 of the Securities Act. Any or all of these shares may be released prior to the expiration of the lock-up period at the discretion of the underwriters of this offering. To the extent shares are released before the expiration of the lock-up period and sold into the market, the market price of our ADSs could decline.

Certain holders of our ordinary shares have the right to cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act. Sales of these registered shares, in the form of ADSs, in the public market could cause the price of our ADSs to decline. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. In addition, if we pay for our future acquisitions in whole or in part with additionally issued ordinary shares, your ownership interests in our company would be diluted and this, in turn, could have a material and adverse effect on the price of our ADSs.

Our dual-class share structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. The ADSs being sold in this offering represent Class A ordinary shares. See Description of Share Capital Ordinary Shares for a more detailed description of our Class A ordinary shares and Class B ordinary shares. Holders of Class A and Class B ordinary shares have the same rights, including dividend rights, except for conversion and voting rights. Each Class B ordinary share may be converted into one Class A ordinary share by its holder 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. When the total number of ordinary shares held by Telstra constitutes no less than 51% of all of our issued and outstanding ordinary shares, each Class B ordinary share is entitled to one vote; when the total number of ordinary shares held by Telstra drops below 51% but is no less than 39.3% of all of our issued and outstanding ordinary shares, each Class B ordinary share will carry such number of votes that would result in the total number of ordinary shares held by Telstra carrying, in the aggregate, 51% of the voting rights represented by all of our issued and outstanding ordinary shares; when the total number of ordinary shares held by Telstra drops below 39.3% of all of our issued and outstanding ordinary shares, all Class B ordinary shares will be automatically converted into the same number of Class A ordinary shares. As of October 24, 2014, Telstra held 68,788,940 Class B ordinary shares, representing 63.6% of all of our issued and outstanding ordinary shares and 63.6% of our aggregate voting rights. Telstra Holdings will convert 6,600,000 of its Class B ordinary shares into an equal number of Class A ordinary shares and will sell such Class A ordinary shares represented by ADSs in this offering, assuming that the underwriters do not exercise their option to purchase additional ADSs. Immediately after the completion of this offering, assuming the underwriters do not exercise their option to purchase additional ADSs, Telstra will hold 62,188,940 Class B ordinary shares, representing 56.7% of all of our issued and outstanding ordinary shares and 56.7% of our aggregate voting rights. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

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 prospectus 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.

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Holders of our ADSs will appoint the depository 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 depository will vote the underlying ordinary shares in accordance with these instructions.

Pursuant to our fourth amended and restated memorandum and articles of association, we may convene a shareholders' meeting upon ten calendar days' notice. If we give timely notice to the 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.

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because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement.

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

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

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

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 would shareholders of a corporation incorporated in a jurisdiction in the United States.

The use of the net proceeds from this offering will largely be up to the judgment of our management, and such use may not produce income or increase our ADS price.

We plan to use the net proceeds of this offering primarily for general corporate purposes, which may include investment in our product development including new content and business initiatives, further enhancing our mobile technologies, sales and marketing activities, including efforts to promote our brand, working capital, capital expenditure, and other general and administrative matters. We may also use a portion of these proceeds for the acquisition of, or investment in, businesses, technologies or strategic alliances that complement our business, although we have no present commitments or agreements for any acquisitions or investments. However, our management will have considerable discretion in the application of the net proceeds received by us. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. The net proceeds may be used for corporate purposes that do not improve our profitability or increase our ADS price. The net proceeds from this offering may be placed in investments that do not produce income or that lose value. We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.

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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 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 Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

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

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

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

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

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

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

Depending upon the value of our assets, which may be determined based, in part, on the market value of our Class A ordinary shares and ADSs, and the nature of our assets and income over time, we could be classified as a passive foreign investment company (a PFIC). Under United States federal income tax law, we will be classified as a PFIC for any taxable year if either (i) at least 75% of our gross income for the taxable year is passive income or (ii) at least 50% of the value of our assets (based on the average quarterly value of our assets during the taxable year) is attributable to assets that produce or are held for the production of passive income. Based on our current income and assets and projections as to the value of our Class A ordinary shares and ADSs following this offering, we do not expect to be classified as a PFIC for the current taxable year or in the foreseeable future. While we do not anticipate being a PFIC, changes in the nature of our income or assets or the value of our assets may cause us to become a PFIC for the current or any subsequent taxable year.

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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 we 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. 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 the current and any subsequent taxable years. Because of the uncertainties in the application of the relevant rules and because PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of our income and the value of our active versus passive assets, there can be no assurance that we will not be a PFIC for the current or any future taxable year. The overall level of our passive assets will be affected by how, and how quickly, we spend our liquid assets. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income or where we determine not to deploy significant amounts of cash for active purposes, our risk of being classified as a PFIC may substantially increase.

If we were to be or become a PFIC, a U.S. Holder (as defined in *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 purchasing, holding and disposing of ADSs or Class A ordinary shares if we are or become a PFIC, including the possibility of making a mark-to-market election and the unavailability of the election to treat us as a qualified electing fund. For more information, see *Taxation United States Federal Income Tax Considerations Passive Foreign Investment Company Considerations*.

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

We are a public company and expect to incur significant accounting, legal and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, including Section 404 therein, as well as rules subsequently implemented by the SEC and the NYSE, have detailed requirements concerning corporate governance practices of public companies. Section 404 requires that we include a management report on our internal control over financial reporting in our annual report on Form 20-F beginning with the fiscal year ending December 31, 2014. In addition, once we cease to be an emerging growth company as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. 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.

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

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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.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that reflect our current expectations and views of future events. This prospectus and the documents incorporated by reference include, and any free writing prospectus provided in connection with this offering may include, forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. The forward looking statements are contained principally in the sections entitled Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Industry and Business. Known and unknown risks, uncertainties and other factors, including those listed under 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, 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 advertisers;

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

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

our ability to further enhance our brand recognition;

our ability to attract, retain and motivate key personnel;

competition in our industry in China; and

relevant government policies and regulations relating to our industry.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in Prospectus Summary Our Challenges, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business, Regulation and other sections in this prospectus. You should thoroughly read this prospectus and the documents that we refer to 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.

This prospectus 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 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 prospectus relate only to events or information as of the date on which the statements are made in this prospectus. 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

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or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus and the documents that we refer to in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US\$65.9 million, or approximately US\$100.5 million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.

We plan to use the net proceeds of this offering primarily for general corporate purposes, which may include investment in our product development including new content and business initiatives, further enhancing our mobile technologies, sales and marketing activities, including efforts to promote our brand, working capital, capital expenditure, and other general and administrative matters. We may also use a portion of these proceeds for the acquisition of, or investment in, businesses, technologies or strategic alliances that complement our business, although we have no present commitments or agreements to enter into any acquisitions or investments.

The foregoing represents our current intentions based upon our present plans and business conditions to use and allocate the net proceeds of this offering. Our management, however, will have significant flexibility and discretion to apply the net proceeds of this offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus.

Pending any use described above, we plan to invest the net proceeds in low-risk, short-term, interest-bearing, debt instruments or deposits.

In using the proceeds of this offering, as an offshore holding company, we are permitted, under PRC laws and regulations, to provide funding to our PRC subsidiaries only through loans or capital contributions and to our VIEs only through loans. Subject to satisfaction of applicable government registration and approval requirements, we may extend inter-company loans to our PRC subsidiaries or make additional capital contributions to our PRC subsidiaries to fund its capital expenditures or working capital. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. See **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 this offering 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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DIVIDEND POLICY

Our board of directors has complete discretion, subject to approval by a duly authorized representative of Telstra for so long as Telstra holds at least 51% of our issued and outstanding shares, to declare dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

Our board of directors declared dividends of RMB49.9 million and RMB249.2 million in February 2012 and May 2013, respectively, to all of our shareholders. The dividends, net of applicable withholding taxes, were paid in April 2012 and June and July 2013, respectively. We do not have any plan to pay additional cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our remaining available funds and any future earnings to operate and expand our business.

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 Regulation Regulations on Dividend Distribution.

If we pay any dividends after this offering, 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 Description of American Depositary Shares. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

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Our ADSs, each representing one of our Class A ordinary shares, have been listed on the NYSE since December 11, 2013. Our ADSs trade under the symbol ATHM. The following table provides the monthly high and low trading prices for our ADSs on the NYSE since the date of our initial public offering.

The last reported trading price for our ADSs on November 19, 2014 was US\$43.26 per ADS.

Period	Trading Price (US\$)	
	High	Low
Annual High and Low		
Fiscal Year 2013 (from December 11, 2013)	37.88	26.51
Quarterly Highs and Lows		
Fourth Quarter of 2013 (from December 11, 2013)	37.88	26.51
First Quarter of 2014	51.98	28.52
Second Quarter of 2014	42.68	28.50
Third Quarter of 2014	57.93	31.80
Fourth Quarter of 2014 (through November 19, 2014)	53.56	38.54
Monthly Highs and Lows		
May 2014	36.80	28.50
June 2014	35.98	32.14
July 2014	38.25	31.80
August 2014	57.93	35.25
September 2014	51.88	39.36
October 2014	53.41	38.54
November (through November 19, 2014)	53.56	40.90

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The following table sets forth our capitalization as of September 30, 2014:

on an actual basis; and

on an as adjusted basis to reflect (a) the issue and sale of 1,650,000 Class A ordinary shares in the form of ADSs by us in this offering at the public offering price of US\$42.50 per ADS, after deducting the underwriting discounts and commissions and estimated offering expenses, and (b) the conversion of 6,600,000 Class B ordinary shares into the same number of Class A ordinary shares upon deposit of those shares into our ADR facility in connection with the sale of ADSs representing such Class A ordinary shares by Telstra in this offering, assuming the underwriters do not exercise their option to purchase additional ADSs.

You should read this table together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under Management's Discussion and Analysis of Financial Condition and Results of Operations.

	As of September 30, 2014	
	Actual	As Adjusted
	(in thousands of US\$)	
Shareholders' equity		
Class A ordinary shares, US\$0.01 par value, 99,931,211,060 shares authorized and 39,335,859 shares issued and outstanding and 47,585,859 shares issued and outstanding on an as adjusted basis	433	516
Class B ordinary shares, US\$0.01 par value, 68,788,940 shares authorized, 68,788,940 shares issued and outstanding and 62,188,940 shares issued and outstanding on an as adjusted basis	762	696
Additional paid-in capital	330,039	395,874
Accumulated other comprehensive income	1,351	1,351
Retained earnings	122,734	122,734
Total equity	455,319	521,171

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Our net tangible book value as of September 30, 2014 was approximately US\$272.4 million, or US\$2.52 per ordinary share as of that date, and US\$2.52 per ADS. Net tangible book value represents the amount of our total consolidated tangible assets, excluding intangible assets, goodwill and deferred tax assets, less our total consolidated liabilities (excluding deferred tax liabilities related to intangible assets and goodwill). Dilution is determined by subtracting net tangible book value per ordinary share from the public offering price.

Because our Class A ordinary shares and Class B ordinary shares have the same dividend and other rights, except for conversion and voting rights, the dilution is presented here based on all issued and outstanding ordinary shares, including Class A ordinary shares and Class B ordinary shares.

Without taking into account any other changes in such net tangible book value after September 30, 2014, other than to give effect to our issuance and sale of 1,650,000 ADSs in this offering, at the public offering price of US\$42.50 per ADS, and after deduction of underwriting discounts and commissions and estimated offering expenses payable by us (assuming the option to purchase additional ADSs is not exercised), our as adjusted net tangible book value at September 30, 2014 would have been US\$3.08 per outstanding ordinary share, including Class A ordinary shares underlying our outstanding ADSs, or US\$3.08 per ADS. This represents an immediate increase in net tangible book value of US\$0.56 per ordinary share, or US\$0.56 per ADS, to existing shareholders and an immediate dilution in net tangible book value of US\$39.42 per ordinary share, or US\$39.42 per ADS, to purchasers of ADSs in this offering.

The following table illustrates the dilution on a per ordinary share basis at the public offering price per ordinary share of US\$42.50 and all ADSs are exchanged for ordinary shares:

	Per Ordinary Share
Public offering price	US\$ 42.50
Net tangible book value as of September 30, 2014	US\$ 2.52
As adjusted net tangible book value after giving effect to this offering	US\$ 3.08
Amount of dilution in net tangible book value to new investors in this offering	US\$ 39.42

The following table summarizes, on an as adjusted basis as of September 30, 2014, the differences between existing shareholders and the new investors as of such date with respect to the number of ordinary shares (in the form of ADSs or ordinary shares) purchased from us, the total consideration paid and the average price per ordinary share and per ADS paid before deducting the underwriting discounts and commissions and estimated offering expenses. The total number of ordinary shares does not include ordinary shares underlying the ADSs issuable upon the exercise of the option to purchase additional ADSs granted to the underwriters.

	Ordinary Shares Purchased		Total Consideration		Average Price Per Ordinary Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
			(in thousands, except share data)			
Existing shareholders	108,124,799	98.5%	US\$ 275,162	79.7%	US\$ 2.54	US\$ 2.54
New investors	1,650,000	1.5%	US\$ 70,125	20.3%	US\$ 42.50	US\$ 42.50
Total	109,774,799	100.0%	US\$ 345,287	100.0%	US\$ 3.15	US\$ 3.15

The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual public offering price of our ADSs and other terms of this offering determined at pricing.

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The discussion and tables above also assume no exercise of any outstanding options granted under our Share Incentive Plans. As of September 30, 2014, there were 4,919,737 Class A ordinary shares issuable upon exercise of outstanding options at a weighted average exercise price of US\$2.20 per share, and 400,000 Class A ordinary shares issuable upon the vesting of outstanding restricted shares. To the extent that any of these options is exercised, there will be further dilution to new investors.

Table of Contents**EXCHANGE RATE INFORMATION**

Substantially all of our operations are conducted in China and substantially all of our revenues are denominated in RMB. This prospectus contains translations of Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. The conversion of Renminbi into U.S. dollars in this prospectus is based on the rate certified for customs purposes by the Federal Reserve Bank of New York. Translation of financial data as of or for the year ended December 31, 2013 were made at a rate of RMB6.0537 to US\$1.00, the exchange rate in effect as of December 31, 2013. Unless otherwise noted, all other translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus were made at a rate of RMB6.1380 to US\$1.00, the rate in effect as of September 30, 2014. 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 exchange and through restrictions on foreign trade. On November 14, 2014, the noon buying rate was RMB6.1290 to US\$1.00.

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated.

Period	Period End	Noon Buying Rate		
		Average ⁽¹⁾	Low	High
(RMB per US\$1.00)				
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.3088	6.3879	6.2221
2013	6.0537	6.1478	6.2438	6.0537
2014				
May	6.2471	6.2380	6.2591	6.2255
June	6.2036	6.2306	6.2548	6.2036
July	6.1737	6.1984	6.2115	6.1712
August	6.1430	6.1541	6.1793	6.1395
September	6.1380	6.1382	6.1495	6.1266
October	6.1124	6.1251	6.1385	6.1107
November (through November 14)	6.1290	6.1198	6.1290	6.1117

Source: Federal Reserve Statistical Release

(1) Annual averages are calculated using month-end rates. Monthly averages are calculated using the average of the daily rates during the relevant period.

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ENFORCEABILITY OF CIVIL LIABILITIES

We were incorporated in the Cayman Islands in order to enjoy certain benefits, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of exchange control or currency restrictions, and the availability of professional and support services. However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include a less developed body of Cayman Islands securities laws that provide significantly less protection to investors as compared to the laws of the United States, and the potential lack of standing by Cayman Islands companies to sue before the federal courts of the United States.

Our organizational documents do not contain provisions requiring disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, to be arbitrated.

Substantially all of our operations are conducted in China, and substantially all of our assets are located in China. A majority of our directors and executive officers are nationals or residents of jurisdictions other than the United States and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

Law Debenture Corporation Services Inc. is our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Conyers Dill & Pearman (Cayman) Limited, our counsel as to Cayman Islands law, and TransAsia Lawyers, our counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or

entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Conyers Dill & Pearman (Cayman) Limited has informed us that the uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the U.S. courts under civil liability provisions of U.S. securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company, such as our company. As the courts of the Cayman Islands have yet to rule on making such a determination in relation to judgments obtained from U.S. courts under civil liability provisions of U.S. securities laws, it is uncertain whether such judgments would be enforceable in the Cayman Islands.

Conyers Dill & Pearman (Cayman) Limited has further advised us that the courts of the Cayman Islands would recognize as a valid judgment a final and conclusive judgment in personam obtained in the federal or state courts in the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that: (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

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TransAsia Lawyers has further advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other form of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

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CORPORATE HISTORY AND STRUCTURE

Our Corporate History

Autohome was incorporated 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 its inception, in June 2008, Autohome 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.

Our largest shareholder is Telstra Holdings, a wholly-owned subsidiary of Telstra Corporation Limited, the leading diversified telecommunications company in Australia and a Fortune Global 500 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 completed the transfer of 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. We then immediately distributed shares of Sequel Media to our shareholders. Since the spin-off, we have focused on serving the automotive industry in China through our *autohome.com.cn* and *che168.com* websites.

On March 16, 2012, we established a new wholly-owned subsidiary, Autohome HK, in Hong Kong. Autohome HK has no material business operation as of the date of this prospectus.

In October 2013, Autohome HK acquired Prbrownies Marketing, a Hong Kong advertising and marketing company, which we renamed Autohome Media Limited, or Autohome Media, in March 2014. Autohome Media has engaged in advertising business outside the PRC for more than three years, and is therefore qualified to directly invest in a PRC company providing advertising services in accordance with PRC law. Autohome Media has established subsidiaries in Beijing, Shanghai, Guangzhou and Tianjin. We are gradually migrating our advertising business from our VIEs to Autohome Media and its subsidiaries, a transition we expect to complete in the next two to three years.

In December 2013, we completed our initial public offering of 8,993,000 ADSs, representing 8,993,000 Class A ordinary shares, and our ADSs were listed on the NYSE under the symbol ATHM.

Contractual Arrangements

PRC laws and regulations currently limit foreign ownership of companies that engage in internet and advertising services. We therefore conduct our operations in China primarily through contractual agreements between our wholly-owned PRC subsidiary, Autohome WFOE, and each of the three groups of entities and individuals (i) Autohome Information, shareholders of Autohome Information and three subsidiaries of Autohome Information: Hongyuan Information, Chengshi Advertising and Autohome Advertising, (ii) Shanghai Advertising and shareholders of Shanghai Advertising, and (iii) Guangzhou Advertising and shareholders of Guangzhou Advertising.

These contractual arrangements enable us, through Autohome WFOE, to:

exercise effective control over these entities;

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receive substantially all of the economic benefits of these entities; and

have exclusive options to purchase all of the equity interests in these entities when and to the extent permitted under PRC law. As a result of these contractual arrangements, we, through Autohome WFOE, are the primary beneficiary of these three groups of entities and treat them as our VIEs under U.S. GAAP. We have consolidated the financial results of the VIEs in our consolidated financial statements in accordance with U.S. GAAP.

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The following diagram illustrates our corporate structure as of the date of this prospectus:

- (1) The three individuals are James Zhi Qin, our director and chief executive officer, Xiang Li, our director and president, and Zheng Fan, our vice president. Each of these three individuals is also a beneficial owner of our company and a PRC citizen. James Zhi Qin, Xiang Li and Zheng Fan hold 8%, 68% and 24%, respectively, of the equity in each of Autohome Information, Shanghai Advertising and Guangzhou Advertising.

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The following is a summary of our contractual arrangements among Autohome WFOE, Autohome Information and its shareholders. The contractual agreements among Autohome WFOE and Shanghai Advertising and its shareholders and the contractual agreements among Autohome WFOE and Guangzhou Advertising and its shareholders are substantially the same as the contractual agreements among Autohome WFOE, Autohome Information and its shareholders and subsidiaries.

Agreements that Provide Effective Control over Autohome Information

Equity Interest Pledge Agreements. Pursuant to the equity interest pledge agreements between Autohome WFOE and each of the three shareholders of Autohome Information, each shareholder of Autohome Information pledges to Autohome WFOE all of his 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 Agreements** **Agreements that Transfer Economic Benefits of Autohome Information to Us** and **Agreements that Provide Us the Options to Purchase the Equity Interests in Autohome Information** 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 equities 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, Autohome Information pledges to Autohome WFOE all of its equity interests in its three subsidiaries to secure the performance of its obligations under the exclusive technology consulting and service agreements and the equity option 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.

Power of Attorney. Autohome Information and each of the shareholders of Autohome Information have 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 Information's subsidiaries 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.

Agreements that Transfer Economic Benefits of Autohome Information to Us

Exclusive Technology Consulting and Service Agreements. Pursuant to the exclusive technology consulting and service agreements between Autohome WFOE and each of Autohome Information and its subsidiaries, 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 business taxes and surcharges, 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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Autohome WFOE recognized service fees from all the VIEs in the amount of RMB245.4 million in 2011, RMB411.6 million in 2012, RMB657.2 million in 2013 and RMB837.8 million (US\$136.5 million) for the nine months ended September 30, 2014 in consideration for services provided to the VIEs.

Loan Agreements. Pursuant to the loan agreements between Autohome WFOE and each of the three shareholders of Autohome Information, Autohome WFOE granted interest-free loans to these three shareholders of Autohome Information. The loans are to be used solely for the purpose of making capital contribution 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.

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

Equity Option Agreements. Pursuant to the equity option agreements between Autohome WFOE and each of the three shareholders of Autohome Information, each shareholder of Autohome Information jointly and severally grants to Autohome WFOE an option to purchase all or part of his 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 all 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 each of the three subsidiaries of Autohome Information, Autohome Information granted Autohome WFOE or its designated parties an option to purchase all or part of Autohome Information's equity interests in its 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 its subsidiaries have been transferred to Autohome WFOE or its designated parties, or (ii) the unilateral termination by Autohome WFOE.

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You should read the following information concerning us in conjunction with our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

The following table presents the selected consolidated financial information for our company. Our selected consolidated statements of comprehensive income data presented below for 2011, 2012 and 2013 and our selected consolidated balance sheet data as of December 31, 2012 and 2013 have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. Our selected consolidated balance sheet data as of December 31, 2009, 2010 and 2011 and our selected consolidated statement of comprehensive income data for 2009 and 2010 presented below have been derived from our audited consolidated financial statements not included in this prospectus. Our selected consolidated statements of comprehensive income data presented below for the nine months ended September 30, 2013 and 2014 and our selected consolidated balance sheet data as of September 30, 2014 has been derived from unaudited interim consolidated financial statements used elsewhere in this prospectus. 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 information in conjunction with the consolidated financial statements and related notes and the information under Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. Our audited consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

	For the Year Ended December 31,						For the Nine Months Ended September 30,		
	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2013 US\$	2013 RMB	2014 RMB	2014 US\$
	(in thousands, except for number of shares and per share data)						(unaudited)	(unaudited)	(unaudited)
Selected Consolidated Statement of Comprehensive Income Data:									
Net revenues									
Advertising services	138,988	235,415	379,666	592,622	894,937	147,833	617,963	977,805	159,304
Dealer subscription services	9,221	17,519	53,523	139,898	321,611	53,126	212,589	416,030	67,779
Total net revenues	148,209	252,934	433,189	732,520	1,216,548	200,959	830,552	1,393,835	227,083
Cost of revenues ⁽¹⁾	(61,084)	(83,897)	(130,565)	(178,240)	(252,236)	(41,666)	(164,418)	(258,563)	(42,125)
Gross profit	87,125	169,037	302,624	554,280	964,312	159,293	666,134	1,135,272	184,958
Operating expenses									
Sales and marketing expenses ⁽¹⁾	(31,204)	(48,712)	(67,500)	(129,796)	(245,228)	(40,509)	(148,997)	(338,743)	(55,188)
General and administrative expenses ⁽¹⁾	(9,059)	(17,951)	(46,547)	(83,153)	(82,529)	(13,633)	(53,788)	(86,825)	(14,145)
Product development expenses ⁽¹⁾	(3,678)	(6,205)	(16,459)	(42,865)	(81,651)	(13,488)	(57,944)	(106,523)	(17,355)
Operating profit	43,184	96,169	172,118	298,466	554,904	91,663	405,405	603,181	98,270
Interest income	44	159	1,167	5,093	11,082	1,831	8,556	24,221	3,946
Interest expense					(414)	(68)	(12)		
Other income (expense)	10	(49)	509	310	2,884	476	2,476	871	142

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	2009 RMB	2010 RMB	For the Year Ended December 31,			For the Nine Months Ended September 30,			US\$
			2011 RMB	2012 RMB	2013 RMB	2013 RMB	2014 RMB	2014 US\$	
	(in thousands, except for number of shares and per share data)						(unaudited)	(unaudited)	(unaudited)
Income from continuing operations before income taxes	43,238	96,279	173,794	303,869	568,456	93,902	416,425	628,273	102,358
Income tax expense	(7,803)	(15,853)	(38,348)	(90,988)	(112,294)	(18,550)	(82,940)	(129,150)	(21,041)
Income from continuing operations	35,435	80,426	135,446	212,881	456,162	75,352	333,485	499,123	81,317
Income/(loss) from discontinued operations	(2,204)	7,612	(4,182)						
Net income	33,231	88,038	131,264	212,881	456,162	75,352	333,485	499,123	81,317
Other comprehensive income, net of tax of nil									
Foreign currency translation adjustments				583	1,403	232	581	6,306	1,027
Comprehensive income	33,231	88,038	131,264	213,464	457,565	75,584	334,066	505,429	82,344
Earnings per share for ordinary shares Basic									
Net income from continuing operations	0.35	0.80	1.35	2.13	4.57	0.75	3.33	4.71	0.77
Income/(loss) from discontinued operations	(0.02)	0.08	(0.04)						
Net income	0.33	0.88	1.31	2.13	4.57	0.75	3.33	4.71	0.77
Earnings per share for ordinary shares Diluted									
Net income from continuing operations			1.35	2.12	4.37	0.72	3.29	4.44	0.72
Loss from discontinued operations			(0.04)						
Net income			1.31	2.12	4.37	0.72	3.29	4.44	0.72

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Shares used in earnings per share computation⁽²⁾

Ordinary shares:

Basic	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Diluted			100,189,928	100,650,652	101,322,763

Class A

Ordinary shares:

Basic			31,109,214	31,109,214	37,147,194	37,147,194
Diluted			104,329,226	104,329,226	112,509,229	112,509,229

Class B

Ordinary shares:

Basic			68,788,940	68,788,940	68,788,940	68,788,940
Diluted			68,788,940	68,788,940	68,788,940	68,788,940

Dividend per share⁽³⁾

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Adjusted EBITDA and adjusted net income have material limitations as analytical tools. One of the limitations of using these non-GAAP financial measures is that they do not include share-based compensation expenses, which are and will continue to be a recurring factor in our business. Furthermore, because adjusted EBITDA and adjusted net income are not calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies. In light of the foregoing limitations, you should not consider adjusted EBITDA or adjusted net income as a substitute for or superior to income from continuing operations prepared in accordance with U.S. GAAP. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

We compensate for these limitations by relying primarily on our U.S. GAAP results and using adjusted net income and adjusted EBITDA only as supplemental measures. Our adjusted EBITDA and adjusted net income are calculated as follows for the periods presented:

	For the Year Ended December 31,					For the Nine Months Ended September 30,			
	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2013 US\$	2013 RMB (unaudited)	2014 RMB (unaudited)	US\$ (unaudited)
	(in thousands)								
Income from continuing operations	35,435	80,426	135,446	212,881	456,162	75,352	333,485	499,123	81,317
Plus: amortization of acquired intangible assets of Cheerbright, China Topside and Norstar	17,114	15,113	13,114	9,739	5,459	902	4,320	3,415	556
Plus: share-based compensation expenses			12,975	29,142	25,608	4,230	17,084	37,856	6,167
Adjusted net income	52,549	95,539	161,535	251,762	487,229	80,484	354,889	540,394	88,040
Income from continuing operations	35,435	80,426	135,446	212,881	456,162	75,352	333,485	499,123	81,317
Plus: income tax expense	7,803	15,853	38,348	90,988	112,294	18,550	82,940	129,150	21,041
Plus: depreciation of property and equipment	783	1,875	6,347	14,301	25,548	4,220	17,647	25,350	4,130
Plus: amortization of intangible assets	17,114	15,238	13,768	10,203	6,250	1,032	4,670	4,576	746
Plus: interest expense					414	68	12		
EBITDA	61,135	113,392	193,909	328,373	600,668	99,222	438,754	658,199	107,234
Plus: share-based compensation expenses			12,975	29,142	25,608	4,230	17,084	37,856	6,167
Adjusted EBITDA	61,135	113,392	206,884	357,515	626,276	103,452	455,838	696,055	113,401

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. 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 prospectus.

Overview

We are the leading online destination for automobile consumers in China. Through our two websites, *autohome.com.cn* and *che168.com*, and our mobile applications, we deliver comprehensive, independent and interactive content to automobile buyers and owners. We generate revenues from online advertising services and dealer subscription services. Our advertisers consist primarily of automakers and automobile dealers, with automakers contributing a substantial majority of our total revenues. In each of 2011, 2012, 2013 and the nine months ended September 30, 2014, we provided advertising services to approximately 80% of over 80 automakers operating in China. We also provided dealer subscription services to 2,160, 5,052, 10,617 and 16,089 dealer subscribers in 2011, 2012, 2013 and the nine months ended September 30, 2014, respectively.

Our net revenues increased from RMB433.2 million in 2011 to RMB732.5 million in 2012 and RMB1,216.5 million (US\$201.0 million) in 2013, representing a CAGR of 67.6%. Our total net revenues grew to 1,393.8 million (US\$227.1 million) for the nine months ended September 30, 2014 representing a 67.8% increase from RMB830.6 million in the same period in 2013. Our income from continuing operations increased from RMB135.4 million in 2011 to RMB212.9 million in 2012 and RMB456.2 million (US\$75.4 million) in 2013, representing a CAGR of 83.5%. Our net income increased by 49.7% from RMB333.5 million for the nine months ended September 30, 2013 to RMB499.1 million (US\$81.3 million) for the nine months ended September 30, 2014.

General Factors Affecting Our Results of Operations

Our business and results of operations are significantly affected by China's overall economic conditions and the general trends in the automotive industry, especially new automobile sales in China. Economic growth in China has contributed to an increase in household disposable income and improved the availability of financing for automobile purchases. These factors, coupled with increased production capacity and lower import tariffs, past governmental incentives designed to encourage automobile purchases and the decreasing cost of new automobiles, have contributed to the growth of the number of new automobiles sold in China. Although the automotive industry has benefited from China's overall favorable policies, some local governments have imposed restrictions on automobile registrations to curb traffic congestion in urban centers. If such regulations slow the growth rate of new automobile sales in China and lead to decreased advertising expenditures by automakers and dealers, our business and results of operations may be adversely affected.

In addition, our business and results of operations may be affected by our user reach and engagement. Automaker and dealer advertisers, which contribute substantially to all of our revenues, choose to advertise on our websites in significant part due to our leading market position in the online automotive advertising industry. We anticipate that our ability to continue to attract a large and growing user base and maintain a high level of user engagement will affect our ability to attract advertisers and dealer subscribers to our websites.

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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 generate our net revenues from selling online advertising services and dealer subscription services. We sell our advertising services primarily to automakers and automobile dealers, with automakers contributing a substantial majority of our advertising services revenues. As is customary in China, we sell our advertising services primarily through third-party advertising agencies while we consider automaker and dealer advertisers to be our end-customers. Consistent with common practice in the advertising industry in China, we offer incentives to advertising agencies. Our net revenues are presented net of rebates to advertising agencies. We sell our dealer subscription services to automobile dealers on a fixed-fee subscription basis.

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 periods presented:

		For the Year Ended December 31,			
%	RMB	2013 US\$ (in thousands, except percentages)		%	RMB
80.9%	894,937		147,833	73.6%	617,104
19.1	321,611				

than those we have experienced historically.

Table of Contents*Currency Hedging*

We may elect to hedge our currency exchange risk when we judge that such action is required. In an attempt to lower the costs of expenditures in foreign currencies, we may enter into forward contracts or option contracts to buy or sell foreign currency(ies) against the U.S. dollar through one of our banks. As a result, we may suffer losses resulting from the fluctuation between the buy forward exchange rate and the sell forward exchange rate, or from the price of the option premium.

As of December 31, 2011, we held forward contracts but no option or future contracts and during the year we did not purchase or sell any commodity or currency options. No exchange gain/loss on forward contracts was recorded during the year. We are continuing to review our hedging strategy and there can be no assurance that we will not suffer losses in the future as a result of hedging activities. See also ITEM 11. Quantitative and Qualitative Disclosures About Market Risk – Currency Fluctuations and Foreign Exchange Risks.

Currencies included in Cash and Cash Equivalents and Fixed Deposits Maturing Over Three Months

The following table provides the U.S. dollar equivalent of amounts of currencies included in cash and cash equivalents and fixed deposits maturing over three months on our balance sheets at December 31, 2010 and 2011:

Currencies included in cash and cash equivalents and fixed deposits maturing over three months	As of December 31	
	2010	2011
	(In thousands)	
United States dollars	\$ 74,392	\$ 74,712
Chinese renminbi	92,731	67,802
Japanese yen	1,695	1,484
Hong Kong dollars	59,249	9,337
Total US\$ equivalent	\$ 228,067	\$ 153,335

Interest Rate Risk

Our interest expenses and income are sensitive to changes in interest rates. All of our cash reserves and short-term borrowings are subject to interest rate changes. Cash on hand of \$137.9 million as of December 31, 2011 was invested in term deposits. As such, interest income will fluctuate with changes in interest rates. During 2011, we had \$2.7 million in interest income and no interest expense.

As of December 31, 2010 and 2011, we had utilized approximately nil and \$2.1 million of our credit facilities, including nil and \$2.1 million in short term notes payable, but no short-term bank loans, respectively, resulting in minimal interest rate risk.

As of December 31, 2010 and 2011, we had no long-term bank loans.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable to Nam Tai.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable to Nam Tai.

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

Not applicable to Nam Tai.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company's management, with the participation of its Acting Chief Executive Officer and Chief Financial Officer, conducted an evaluation pursuant to Rule 13a-15 promulgated under the Exchange Act, of the effectiveness of the design and operation of Nam Tai's disclosure controls and procedures. Based on this evaluation, the Company's Acting Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report such disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and included controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Company's Acting Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Report of Management on Internal Control Over Financial Reporting

Nam Tai's management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management, including our Acting Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Nam Tai's management, including its Acting Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. In making this assessment, our management used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, Nam Tai's management, including its Acting Chief Executive Officer and Chief Financial Officer, concluded that, as of December 31, 2011, the Company's internal control over financial reporting was effective based on these criteria.

Attestation Report of Independent Registered Public Accounting Firm

The effectiveness of Nam Tai's internal control over financial reporting as of December 31, 2011 has been audited by Moore Stephens, an independent registered public accounting firm. The related report to the shareholders and the Board of Directors of Nam Tai appears on the next page of this Report.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Shareholders of Nam Tai Electronics, Inc.:

We have audited the internal control over financial reporting of Nam Tai Electronics, Inc. and its subsidiaries (the Company) as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the 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 the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's consolidated balance sheet as of December 31, 2011 and the related consolidated statements of income, changes in equity and comprehensive income, and cash flows for the year then ended, and the financial statement schedules listed in Schedule 1, and our report dated March 16, 2012 expressed an unqualified opinion thereon.

/s/ Moore Stephens

Moore Stephens

Certified Public Accountants

Hong Kong

March 16, 2012

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Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the year ended December 31, 2011, the period covered by this Report on Form 20-F, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

ITEM 16. [RESERVED]

ITEM 16 A. AUDIT COMMITTEE FINANCIAL EXPERT

The Company's Board of Directors has determined that one member of the Audit Committee, Mark Waslen, qualifies as an audit committee financial expert as defined by Item 407(d)(5)(ii) of Regulation S-K, adopted pursuant to the Exchange Act. For information concerning Mr. Waslen's education and experience by which he acquired the attributes qualifying him as an audit committee financial expert, please see the description of Mr. Waslen's background in ITEM 6. Directors and Senior Management Directors and Senior Managers of this Report.

Mr. Waslen is independent as that term is defined in the Listed Company Manual of the NYSE.

ITEM 16 B. CODE OF ETHICS

The Company has adopted a Code of Ethics for the Chief Executive Officer and Chief Financial Officer, which also applies to the Company's principal executive officers and to its principal financial and accounting officers. The Code of Ethics has been revised to apply to all employees as well. A copy of the revised Code of Ethics is attached as Exhibit 11.1 to this Report on Form 20-F. This code has been posted on our website, which is located at <http://www.namtai.com/corpgov/corpgov.htm>. The contents of this website address, other than the corporate governance guidelines, the code of ethics and committee charters, are not a part of this Form 20-F. Stockholders may request a free copy in print form from:

Paul Lau, Corporate Secretary

Unit 1201, 12th Floor, Tower 1, Lippo Centre

89 Queensway, Admiralty, Hong Kong
Telephone: (852) 2341 0273

Facsimile: (852) 2263 1001

e-mail: shareholder@namtai.com

ITEM 16 C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Moore Stephens has served as our independent registered public accounting firm for the years ended December 31, 2010 and 2011, for which audited consolidated financial statements appeared in this Report on Form 20-F. Each year our Audit Committee of the Board of Directors selects our independent registered public accounting firm and our Board of Directors annually directs us to submit the selection of our independent registered public accounting firm for ratification by shareholders at our annual meeting of shareholders. It is currently expected that the Audit Committee will select Moore Stephens as our independent registered public accounting firm for 2012 and that our Board of Directors will propose at the Annual Meeting of Shareholders to be held in 2012 that Moore Stephens be ratified as our independent registered public accounting firm for 2012.

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The following table presents the aggregate fees for professional services and other services rendered by Moore Stephens to us in 2010 and 2011, respectively (dollars in thousands).

	Year ended December 31	
	2010	2011
Audit Fees ⁽¹⁾	\$ 371	\$ 396
Audit-related Fees ⁽²⁾		
Tax Fees ⁽³⁾	3	5
All other fees ⁽⁴⁾		
Total	\$ 374	\$ 401

- (1) Audit Fees consist of fees billed for the annual audit of our consolidated financial statements and the statutory financial statements of our subsidiaries. They also include fees billed for other audit services, which are those services that only the independent registered public accounting firm reasonably can provide, and include the provision of attestation services relating to the review of documents filed with the SEC.

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- (2) Audit-related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements.
- (3) Tax Fees include fees billed for tax compliance services, including the preparation of original and amended tax returns.
- (4) Includes all other products and services the independent public accounting firm provided to the Company.

Audit Committee Pre-approval Policies and Procedures

The Audit Committee of our Board of Directors is responsible, among other matters, for the oversight of the independent registered public accounting firm subject to the relevant regulations of the SEC and NYSE. The Audit Committee has adopted a policy, or the Policy, regarding pre-approval of audit and permissible non-audit services provided by our independent registered public accounting firm.

Under the Policy, the Chairman of the Audit Committee is delegated with the authority to grant pre-approvals in respect of all auditing services including non-audit service, but excluding those services stipulated in Section 201 Service Outside the Scope of Practice of Auditors . Moreover, if the Audit Committee approves an audit service within the scope of the engagement of the audit service, such audit service shall be deemed to have been pre-approved. The decisions of the Chairman of the Audit Committee made under delegated authority to pre-approve an activity shall be presented to the Audit Committee at each of its scheduled meetings.

Requests or applications to provide services that require specific approval by the Audit Committee are submitted to the Audit Committee by both the independent registered public accounting firm and the Chief Financial Officer.

During 2010 and 2011, 100% and 100%, respectively, of the total audit fees, audit-related fees, tax fees and all other fees were approved by the Audit Committee pursuant to the pre-approval requirement provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

ITEM 16 D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable to Nam Tai.

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

Not applicable to Nam Tai.

ITEM 16 F. CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT

Not applicable to Nam Tai.

ITEM 16 G. CORPORATE GOVERNANCE

For information regarding whether our corporate governance standards differ from those applied to US domestic issuers, see the discussion under NYSE listed Company Manual Disclosure in ITEM 6. Directors and Senior Management of this Report.

ITEM 16 H. MINE SAFETY DISCLOSURE

Not applicable to Nam Tai.

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PART III

ITEM 17. FINANCIAL STATEMENTS

Not Applicable to Nam Tai.

ITEM 18. FINANCIAL STATEMENTS

Index to Consolidated Financial Statements

<u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Statements of Income for the years ended December 31, 2009, 2010 and 2011</u>	F-2
<u>Consolidated Balance Sheets as of December 31, 2010 and 2011</u>	F-3
<u>Consolidated Statements of Changes in Equity and Comprehensive Income for the years ended December 31, 2009, 2010 and 2011</u>	F-4
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2010 and 2011</u>	F-5
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<u>Schedule 1 Nam Tai Electronics, Inc. Statements of Income</u>	F-30
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<u>Schedule 1 Nam Tai Electronics, Inc. Statements of Cash Flows</u>	F-33
<u>Schedule 1 Nam Tai Electronics, Inc. Note to Schedule 1</u>	F-34

The information required within the schedules for which provisions are made in the applicable accounting regulations of the SEC is either not applicable to Nam Tai or is included in the notes to our consolidated financial statements.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Shareholders of Nam Tai Electronics, Inc.:

We have audited the accompanying consolidated balance sheets of Nam Tai Electronics, Inc. and subsidiaries (the Company) as of December 31, 2010 and 2011, and the related consolidated statements of income, changes in equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2011. Our audit also included the financial statement schedules listed in Schedule 1. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2011, and the results of its operations and its cash flows for each of three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedules listed in Schedule 1, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2012 expressed an unqualified opinion thereon.

/s/ Moore Stephens

Moore Stephens

Certified Public Accountants

Hong Kong

March 16, 2012

Table of Contents**NAM TAI ELECTRONICS, INC.****CONSOLIDATED STATEMENTS OF INCOME****(In thousands of U.S. dollars, except per share data)**

	Year Ended December 31,		
	2009	2010	2011
Net sales	\$ 408,137	\$ 534,420	\$ 602,317
Cost of sales	(367,817)	(483,126)	(574,228)
Gross profit	40,320	51,294	28,089
General and administrative expenses ⁽¹⁾	(28,393)	(25,232)	(27,325)
Selling expenses	(5,266)	(5,504)	(5,902)
Research and development expenses	(6,273)	(5,757)	(3,362)
Impairment loss on goodwill			(2,951)
Total operating expenses	(39,932)	(36,493)	(39,540)
Income (loss) from operations	388	14,801	(11,451)
Other (expenses) income, net	(256)	3,972	9,760
Interest income	818	1,484	2,728
Interest expense	(202)		
Income before income taxes	748	20,257	1,037
Income taxes	(1,283)	(5,251)	(532)
Consolidated net (loss) income	(535)	15,006	505
Net loss attributable to noncontrolling interests	2,187		
Net income attributable to Nam Tai ⁽²⁾ shareholders	\$ 1,652	\$ 15,006	\$ 505
Basic earnings per share	\$ 0.04	\$ 0.33	\$ 0.01
Diluted earnings per share	\$ 0.04	\$ 0.33	\$ 0.01

(1) General and administrative expenses include employee severance benefits of \$5,058, \$656 and \$3,032 for the years ended December 31, 2009, 2010 and 2011, respectively.

(2) Nam Tai refers to Nam Tai Electronics, Inc.

See accompanying notes to consolidated financial statements.

Table of Contents**NAM TAI ELECTRONICS, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands of U.S. dollars, except share data)**

	December 31,	
	2010	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 228,067	\$ 118,510
Fixed deposits maturing over three months		34,825
Accounts and notes receivable, less allowance for doubtful accounts of \$13 and \$18 at December 31, 2010 and 2011, respectively	74,176	74,469
Inventories	29,058	31,856
Prepaid expenses and other receivables	5,719	19,926
Deferred tax assets - current	376	3,134
Income tax recoverable	105	
 Total current assets	 337,501	 282,720
 Property, plant and equipment, net	 88,895	 149,314
Land use rights	12,264	11,981
Deposits for property, plant and equipment	477	4,543
Goodwill	2,951	
Deferred tax assets - non-current	8,423	8,203
Other assets	269	982
 Total assets	 \$ 450,780	 \$ 457,743
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable	\$	\$ 268
Accounts payable	84,590	83,055
Accrued expenses and other payables	17,484	38,286
Dividend payable	8,961	12,545
Income taxes payable	4,232	4
 Total current liabilities	 115,267	 134,158
 Deferred tax liability - non-current	 1,379	 1,379
 Total liabilities	 116,646	 135,537
Equity:		
Common shares (\$0.01 par value - authorized 200,000,000 shares, issued and outstanding 44,803,735 shares as at December 31, 2010 and 2011)	448	448
Additional paid-in capital	286,943	287,055
Retained earnings	46,751	34,711
Accumulated other comprehensive loss	(8)	(8)
 Total Nam Tai shareholders' equity	 334,134	 322,206

Total liabilities and equity

\$ 450,780 \$ 457,743

Commitments and contingencies (Note 14)

See accompanying notes to consolidated financial statements.

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Table of Contents**NAM TAI ELECTRONICS, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME**

(In thousands of U.S. dollars, except share and per share data)

	Common Shares Outstanding	Common Shares Amount	Additional Paid-in Capital	Accumulated Retained Earnings	Other Comprehensive Loss	Nam Tai Shareholders' Equity	Noncontrolling Interests	Total Equity	Consolidated Comprehensive (Loss) Income
Balance at January 1, 2009	44,803,735	\$ 448	\$ 282,767	\$ 39,054	\$ (8)	\$ 322,261	\$ 48,051	\$ 370,312	
Equity-settled share-based payment			67			67		67	
Purchases of a Subsidiary's shares from noncontrolling interests			2,430			2,430	(45,864)	(43,434)	
Consolidated net income (loss)				1,652		1,652	(2,187)	(535)	\$ (535)
Consolidated comprehensive loss									\$ (535)
Balance at December 31, 2009	44,803,735	\$ 448	\$ 285,264	\$ 40,706	\$ (8)	\$ 326,410	\$	\$ 326,410	
Equity-settled share-based payment			95			95		95	
Deemed contribution of services			1,584			1,584		1,584	
Consolidated net income				15,006		15,006		15,006	\$ 15,006
Consolidated comprehensive income									\$ 15,006
Cash dividends (\$0.20 per share)				(8,961)		(8,961)		(8,961)	
Balance at December 31, 2010	44,803,735	\$ 448	\$ 286,943	\$ 46,751	\$ (8)	\$ 334,134	\$	\$ 334,134	
Equity-settled share-based payment			112			112		112	
Consolidated net income				505		505		505	\$ 505
Consolidated comprehensive income									\$ 505
Cash dividends (\$0.28 per share)				(12,545)		(12,545)		(12,545)	
Balance at December 31, 2011	44,803,735	\$ 448	\$ 287,055	\$ 34,711	\$ (8)	\$ 322,206	\$	\$ 322,206	

See accompanying notes to consolidated financial statements.

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Table of Contents**NAM TAI ELECTRONICS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands of U.S. dollars)**

	Year ended December 31,		
	2009	2010	2011
Cash flows from operating activities:			
Consolidated net (loss) income	\$ (535)	\$ 15,006	\$ 505
Adjustments to reconcile consolidated net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortization	23,116	24,468	16,068
Impairment loss on goodwill			2,951
Loss (gain) on disposal of property, plant and equipment and land use rights	1,248	(1,218)	231
Share-based compensation expenses	67	95	112
Unrealized exchange gain	(39)	(2,235)	(4,134)
Deferred income taxes	(804)	(2,577)	(2,538)
Changes in current assets and liabilities:			
Decrease (increase) in accounts and notes receivable	46,239	(16,265)	(293)
Decrease (increase) in inventories	11,246	(13,004)	(2,798)
Decrease (increase) in prepaid expenses and other receivables	1,069	(2,434)	(14,207)
(Increase) decrease in income taxes recoverable		(105)	105
Increase (decrease) in notes payable	691	(691)	268
(Decrease) increase in accounts payable	(39,458)	25,923	(1,535)
(Decrease) increase in accrued expenses and other payables	(4,132)	4,354	4,173
(Decrease) increase in income taxes payable	(205)	3,576	(4,228)
Total adjustments	39,038	19,887	(5,825)
Net cash provided by (used in) operating activities	\$ 38,503	\$ 34,893	\$ (5,320)

Table of Contents**NAM TAI ELECTRONICS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands of U.S. dollars)**

	Year ended December 31,		
	2009	2010	2011
Cash flows from investing activities:			
Purchase of property, plant and equipment	\$ (30,420)	\$ (6,295)	\$ (59,858)
Decrease (increase) in deposits for property, plant and equipment	2,905	(445)	(4,066)
Decrease in entrusted loan receivable	8,199		
Increase in other assets			(713)
Acquisition of additional shares in subsidiaries	(43,434)		
Proceeds from disposal of property, plant and equipment	872	2,054	52
(Increase) decrease in fixed deposits maturing over three months	(12,903)	12,903	(34,825)
Net cash (used in) provided by investing activities	\$ (74,781)	\$ 8,217	\$ (99,410)
Cash flows from financing activities:			
Cash dividends paid	\$ (9,857)	\$	\$ (8,961)
Repayment of entrusted loan	(8,199)		
Net cash used in financing activities	\$ (18,056)	\$	\$ (8,961)
Net (decrease) increase in cash and cash equivalents	\$ (54,334)	\$ 43,110	\$ (113,691)
Cash and cash equivalents at beginning of year	237,017	182,722	228,067
Effect of exchange rate changes on cash and cash equivalents	39	2,235	4,134
Cash and cash equivalents at end of year	\$ 182,722	\$ 228,067	\$ 118,510
Supplemental schedule of cash flow information:			
Interest paid	\$ 202	\$	\$
Income taxes paid	\$ 2,290	\$ 4,428	\$ 7,136
Non-cash investing activities:			
(Decrease) increase in construction cost funded through accrued expenses and other payables	\$ (5,438)	\$ (1,683)	\$ 16,629
Non-cash financing activities:			
Additional paid-in capital on compensation for loss of office	\$	\$ 1,584	\$

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NAM TAI ELECTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars, except share and per share data)

1. Company Information

Nam Tai Electronics, Inc. and subsidiaries (the Company or Nam Tai) is an electronics manufacturing and design services provider to a selected group of the world's leading original equipment manufacturers, or OEMs, of telecommunication and consumer electronic products. Through its electronics manufacturing services operations, the Company manufactures electronic components and sub-assemblies, including flexible printed circuit board (FPCB), FPCB subassemblies, liquid crystal display (LCD) modules, LCD panels, thin film transistor display modules, radio frequency modules, digital audio broadcast modules, internet radio subassemblies, image sensors modules and printed circuit board assemblies. These components, modules and subassemblies are used in numerous electronic products including mobile phones, Internet Protocol phones, notebook computers, digital cameras, electronic toys, handheld video game devices and learning devices. The Company also manufactures finished products, including mobile phone accessories, home entertainment products and educational products.

The Company was founded in 1975 and moved its manufacturing facilities to the People's Republic of China (the PRC) in 1980 to take advantage of lower overhead costs, lower material costs and competitive labor rates available and subsequently relocated to Shenzhen, PRC in order to capitalize on opportunities offered in Southern PRC. The Company was reincorporated as a limited liability International Business Company under the laws of the British Virgin Islands (BVI) in August 1987 (which was amended in 2004 as The British Virgin Islands Business Companies Act, 2004). The Company's principal manufacturing and design operations are based in Shenzhen, approximately 30 miles from the Hong Kong Special Administrative Region (Hong Kong). Its PRC headquarters are located in Shenzhen. Some of the subsidiaries' offices are located in Hong Kong, which provide them access to Hong Kong's infrastructure of communication and banking facilities. The Company's principal manufacturing operations are conducted in the PRC. The PRC resumed sovereignty over Hong Kong effective July 1, 1997, and, politically, Hong Kong is an integral part of the PRC. However, for simplicity and as a matter of definition only, our references to PRC in these consolidated financial statements mean the PRC and all of its territories excluding Hong Kong.

Prior to fiscal year 2010, the Company operated in three reportable segments - telecommunication components assembly (TCA), consumer electronics and communication products (CECP), and LCD products (LCDP). In 2010, the Company's business was consolidated into two segments, TCA and CECP, following the merger of the Company's two PRC subsidiaries. The Chief Operating Decision Maker reviews the segment results by two segments, TCA and CECP, when allocating resources and assessing performance. The change in segment reporting was due to the following:

Most of the LCDP business has been LCD module assembly for telecommunication products since 2010, which is similar to the business operated by TCA; and

Since the merger, the combined segments can now be run by a single management team. In view of the similarity of the products, the Company has merged the LCDP segment into the TCA segment. The results of the former LCDP segment were included in the TCA segment since 2010. In addition, the Company's FPCB business was too small to be designated as a separate business segment in 2011.

Management continue to evaluate their segmentation on an ongoing basis. In reviewing their segmentation, they note that the Company discontinued CECP production for Bluetooth headsets and calculators with two major box-built customers in the fourth quarter of 2010. If the CECP segment falls below the threshold prescribed under Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 280-10-50-12, they will combine this segment with the TCA segment and will not disclose separate CECP segment information starting in the first quarter of 2012.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries. The Company consolidates companies in which it has controlling interest of over 50%. All significant intercompany accounts, transactions and cash flows have been eliminated on consolidation.

(b) Cash and cash equivalents

Cash and cash equivalents include all cash balances and certificates of deposit having a maturity date of three months or less upon acquisition.

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2. Summary of Significant Accounting Policies continued

(c) Allowance for doubtful accounts

Accounts and notes receivable balance is recorded net of allowances for amounts not expected to be collected from customers.

Because the accounts and notes receivable are typically unsecured, the Company periodically evaluates the collectability of accounts based on a combination of factors, including a particular customer's ability to pay as well as the age of the receivables. To evaluate a specific customer's ability to pay, the Company analyzes financial statements, payment history, third-party credit analysis reports and various information or disclosures by the customer or other publicly available information. In cases where the evidence suggests a customer may not be able to satisfy its obligation to the Company, a specific allowance would be set up for the perceived risk. If the financial condition of customers deteriorates, resulting in an impairment of their ability to make payments, additional allowances may be required.

(d) Inventories

Inventories are stated at the lower of cost or market value. Cost is determined on the first-in, first-out basis. The standard cost of work-in-progress and finished goods comprises direct materials, labor and manufacturing overheads. Write downs of potentially obsolete or slow-moving inventory are recorded based on management's analysis of inventory levels.

For the Company's CECP and TCA (excluding LCDP production) reporting units, the Company orders inventory from its suppliers based on firm customer orders for products that are unique to each customer. The inventory is utilized in production as soon as all the necessary components are received. The only reason that inventory would not be utilized within six months is if a specific customer deferred or canceled an order. As the inventory is typically unique to each customer's products, it is unusual for the Company to be able to utilize the inventory for other customers' products. Therefore, the Company's policy is to negotiate with the customer for the disposal of such inventory that remains unused for six months. The Company does not generally write down its inventories as usually, the customers are held to their purchase commitments. However, there are cases where customers are contractually obligated to purchase the unused inventory from the Company, but the Company may elect not to immediately enforce such contractual right for business reasons. In this connection, the Company will consider writing down these inventory items which remained unused for over six months at the Company's own cost. Prior to writing down, management would determine if the inventory can be utilized in other products.

For the Company's LCDP production, due to the nature of the business, the customers do not always place orders enough in advance to enable the Company to order inventory from suppliers based on firm customer orders. Nonetheless, management reviews its inventory balance on a regular basis and writes down all inventory over six months old if it is determined that the relevant inventory cannot be utilized in the foreseeable future.

(e) Property, plant and equipment and land use rights

Property, plant and equipment and land use rights are recorded at cost and include interest on funds borrowed to finance construction, if applicable. No interest was capitalized for the years ended December 31, 2009, 2010. An interest of \$13 was capitalized in 2011. The cost of major improvements and betterments is capitalized whereas the cost of maintenance and repairs is expensed in the year incurred. Assets under construction are not depreciated until construction is completed and the assets are ready for their intended use. Gains and losses for the disposal of property, plant and equipment and land use rights are included in the consolidated statement of income.

The majority of the land in Hong Kong is owned by the government of Hong Kong which leases the land at public auction to non-governmental entities. All of the Company's leasehold land in Hong Kong have leases of not more than 50 years from the respective balance sheet dates. The cost of such leasehold land is amortized on a straight-line basis over the respective terms of the leases.

All land in other regions of the PRC is owned by the PRC government. The government in the PRC, according to PRC law, may sell the right to use the land for a specified period of time. Thus, all of the Company's land purchases in the PRC are considered to be leasehold land and classified as land use rights in the consolidated balance sheet. They are amortized on a straight-line basis over the respective term of the right to use the land.

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Table of Contents**2. Summary of Significant Accounting Policies - continued****(e) Property, plant and equipment and land use rights - continued**

Since August 1, 2009, in order to reflect a more reasonable estimation on the useful lives of the property, plant and equipment, the Company computed depreciation expenses using the straight-line method at the following depreciation rates:

Classification	Prior to August 1, 2009	After August 1, 2009
Land use rights	50 years	50 years
Buildings	20 to 50 years	20 years
Machinery and equipment	4 to 12 years	4 years
Leasehold improvements	shorter of lease term or 7 years	shorter of lease term or 4 years
Furniture and fixtures	4 to 8 years	4 years
Automobiles	4 to 6 years	4 years
Tools and molds	4 to 6 years	2 years

The above change in depreciation rates decreased operating income, net income, basic and diluted earnings per share in 2009 by \$2,308, \$1,643, \$0.04 and \$0.04, respectively.

(f) Goodwill

The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheet as goodwill.

Goodwill is not amortized, but is tested for impairment at the reporting unit level at least on an annual basis at the balance sheet date or more frequently if certain indicators arise. For the year 2009, the Company operated in three reporting units, which are its reportable segments of CECP, TCA and LCDP. For the years 2010 and 2011, the Company operated in two reporting units, which are its reportable segments of TCA and CECP. If business conditions or other factors cause the profitability and cash flows to decline, the Company may be required to record impairment charges for goodwill at that time. The goodwill impairment review is a two-step process in accordance with the FASB ASC 350-20 *Goodwill*. First step consists of a comparison of the fair value of a reporting unit with its carrying value. An impairment loss may be recognized if the review indicates that the carrying value of a reporting unit exceeds its fair value. Estimates of fair value are primarily determined by using discounted cash flows method. If the carrying amount of a reporting unit exceeds its fair value, second step requires the fair value of the reporting unit to be allocated to all of the assets and liabilities (including any unrecognized intangible assets) of that reporting unit, resulting in an implied fair value of goodwill. If the carrying amount of the goodwill of the reporting unit exceeds the implied fair value, an impairment loss is recognized which is equal to the excess of the carrying amount over the fair value.

The impairment review is highly judgmental and involves the use of significant estimates and assumptions. These estimates and assumptions have a significant impact on the amount of any impairment loss recognized. Discounted cash flow methodology is based on a number of estimates and assumptions, including the projected future operating results of the reporting unit, discount rate, long-term growth rate and appropriate market comparables.

Impairment loss on goodwill of the CECP reporting unit of \$2,951, as fully described in note 5 was identified and recognized in 2011. No impairment loss on goodwill was recognized in 2009 and 2010.

(g) Impairment or disposal of long-lived assets

Long-lived assets are included in impairment evaluations when events and circumstances exist that indicate the carrying value of these assets may not be recoverable. In accordance with FASB ASC 360 *Property, Plant and Equipment* the Company

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assesses the recoverability of the carrying value of long-lived assets by first grouping its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (the asset group) and, secondly, estimating the undiscounted future cash flows that are directly associated with and expected to arise from the use of and eventual disposition of such asset group. The Company estimates the undiscounted cash flows over the remaining useful life of the primary asset within the asset group. If the carrying value of the asset group exceeds the estimated undiscounted cash flows, the Company recognizes an impairment loss to the extent the carrying value of the long-lived asset exceeds its fair value. The Company determines fair value through quoted market prices in active markets or, if quotations of market prices are unavailable, through the performance of internal analysis using a discounted cash flow methodology or obtains external appraisals from independent valuation firms. The undiscounted and discounted cash flow analyses based on a number of estimates and assumptions, including the expected period over which the asset will be utilized, projected future operating results of the asset group, discount rate and long-term growth rate.

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2. Summary of Significant Accounting Policies continued

(g) Impairment or disposal of long-lived assets continued

Long-lived assets to be disposed of are stated at the lower of fair value or carrying value. Expected future operating losses from discontinued operations are recorded in the periods in which the losses are incurred. In view of the sustained level of the Company's stock price during 2009 and our resulting market capitalization throughout 2009 at a level below our recorded book value at December 31, 2009, in accordance with FASB ASC 360 *Property, Plant and Equipment*, the Company conducted a review of Nam Tai's long-lived assets for potential impairment.

In view of the sustained level of the Company's stock price during 2010 and our resulting market capitalization throughout 2010 at a level below our recorded book value at December 31, 2010, the Company conducted a similar review of Nam Tai's long-lived assets for potential impairment.

In 2011, although the Company's stock price remained below the aggregate book value of its assets, management assessed and determined that there were no events or changes in circumstances to indicate that the carrying amounts of long-lived assets in Nam Tai's Shenzhen facilities were not recoverable and there were impairment tests conducted with respect to those assets, and in view of the continuous operating losses and negative cash flows in Nam Tai's Wuxi facilities, the Company assessed the impairment of its long-lived assets used in the Wuxi facilities, by comparing the undiscounted cash flows with the carrying amounts of the assets. The results indicated that the carrying amounts of the Company's long-lived assets at December 31, 2011 were less than the undiscounted cash flows.

No impairment was recognized in respect of the Company's long-lived assets for the years ended December 31, 2009, 2010 and 2011.

(h) Accruals and provisions for loss contingencies

The Company makes provisions for all loss contingencies when information available prior to the issuance of the consolidated financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the consolidated financial statements and the amount of loss can be reasonably estimated.

For provisions or accruals related to litigation, the Company makes provisions based on information from legal counsels and the best estimation of management. The Company assesses the potential liability for the significant legal proceedings in accordance with FASB ASC 450 *Contingencies*. FASB ASC 450 requires a liability to be recorded if the contingency loss is probable and the amount of loss can be reasonably estimated. The actual resolution of the contingency may differ from the Company's estimates. If the contingency was settled for an amount greater than the estimate, a future charge to income would result. Likewise, if the contingency was settled for an amount that is less than our estimate, a future credit to income would result.

(i) Revenue recognition

The Company recognizes revenue when all of the following conditions are met:

Persuasive evidence of an arrangement exists;

Delivery has occurred or services have been rendered;

Price to the customer is fixed or determinable; and

Collectability is reasonably assured.

Revenue from sales of products is recognized when the title is passed to customers upon shipment and when collectability is reasonably assured. The Company does not provide its customers with the right of return (except for quality), price protection, rebates or discounts. There are no customer acceptance provisions associated with the Company's products, except for quality.

All sales are based on firm customer orders with fixed terms and conditions, which generally cannot be modified.

Certain of the Company's subsidiaries are subject to value-added tax of 17% on the revenue earned for goods and services sold in the PRC. The Company presents revenue net of such value-added tax which amounted to \$369, \$73 and \$378 for the years ended December 31, 2009, 2010 and 2011, respectively.

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2. Summary of Significant Accounting Policies continued

(j) Shipping and handling costs

Shipping and handling costs are classified as cost of sales for materials purchased and selling expenses for those costs incurred in the delivery of finished products. During the years ended December 31, 2009, 2010 and 2011, shipping and handling costs classified as costs of sales were \$363, \$323 and \$588, respectively. During the years ended December 31, 2009, 2010 and 2011, shipping and handling costs classified as selling expenses were \$669, \$940 and \$1,203, respectively.

(k) Research and development costs

Research and development costs are incurred in the development of new products and processes, including significant improvements and refinements to existing products and are expensed as incurred.

(l) Advertising expenses

The Company expenses advertising costs as incurred. Advertising expenses was \$36 for the year ended December 31, 2009. No advertising expenses were recognized for the years ended December 31, 2010 and 2011, respectively.

(m) Staff retirement plan costs

The Company's costs related to the staff retirement plans (see Note 11) are charged to the consolidated statement of income as incurred.

(n) Income taxes

Deferred income taxes are provided using the asset and liability method in accordance with FASB ASC 740 *Income taxes*. Under this method, deferred income taxes are recognized for all significant temporary differences at enacted rates and classified as current or non-current based upon the classification of the related asset or liability in the consolidated financial statements. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all, the deferred tax asset will not be realized.

FASB ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides accounting guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interest and penalties from tax assessments, if any, are included in income taxes in the consolidated statement of income.

(o) Foreign currency transactions and translations

All transactions in currencies other than functional currencies during the year are translated at the exchange rates prevailing on the respective transaction dates. Monetary assets and liabilities existing at the balance sheet date denominated in currencies other than functional currencies are remeasured at the exchange rates existing on that date. Exchange differences are recorded in the consolidated statement of income.

The functional currency of the Company and its subsidiaries include the U.S. dollar or the Hong Kong dollar. The financial statements of all subsidiaries are translated in accordance with FASB ASC 830 *Foreign Currency Matters*. All assets and liabilities are translated at the rates of exchange ruling at the balance sheet date and all income and expense items are translated at the average rates of exchange over the year. All exchange differences arising from the translation of subsidiaries' financial statements are recorded as a component of comprehensive income.

(p) Earnings per share

Basic earnings per share is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings per share gives effect to all dilutive potential common shares outstanding during the year. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued.

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2. Summary of Significant Accounting Policies continued

(q) Stock options

The Company has a stock-based employee compensation plan, as more fully described in Note 9(b). The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period during which an employee is required to provide service, the requisite service period (usually the vesting period), in exchange for the award. The grant-date fair value of employee share options and similar instruments are estimated using option-pricing models. If the award is modified after the grant date, incremental compensation cost is recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

(r) Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) Comprehensive loss

Accumulated other comprehensive loss represents principally foreign currency translation adjustments and is included in the consolidated statement of changes in equity.

(t) Fair value of financial instruments

The Company adopted FASB ASC 820 *Fair Value Measurements and Disclosures* to measure its assets and liabilities. The carrying amounts of cash and cash equivalents, fixed deposits maturing over three months, accounts and notes receivable, other receivables, notes payable, accrued expenses and accounts payable, other payables, and dividend payable approximate their fair values due to the short term nature of these instruments.

As of December 31, 2010 and 2011, the Company did not have any nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements, at least annually, on a recurring basis.

(u) Concentration of other risk

The market for our products is characterized by rapidly changing technology and evolving industry standards. The Company's results of operations are affected by a wide variety of factors, including general economic conditions; manufacturing capacity; the ability to manufacture efficiently; demand for the company's products; competition and intellectual property in a rapidly evolving market. As a result, the Company may experience substantial period-to-period fluctuations in future operating results due to the factors mentioned above.

(v) Recent changes in accounting standards

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, which provides common requirements for measuring fair value and disclosing information about fair value measurements in accordance with U.S. GAAP and IFRS. This ASU is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2011. The adoption of ASU No. 2011-04 is not expected to have a material impact on the Company's financial position, results of operations and cash flows.

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In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, which improves the comparability, consistency and transparency of financial reporting and increases the prominence of items reported in other comprehensive income. This ASU is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2011, although early adoption is permitted. In December 2011, the FASB issued ASU 2011-12 *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*, which indefinitely defers certain aspects of ASU No. 2011-05 related to the presentation of reclassification adjustments. The adoption of ASU No. 2011-05 and ASU No. 2011-12 are not expected to have a material impact on the Company's financial position, results of operations and cash flows.

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Table of Contents**2. Summary of Significant Accounting Policies continued****(v) Recent change in accounting standards continued**

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles Goodwill and Other (Topic 350), Testing Goodwill for Impairment*, which permits a company to first assess qualitative factors to determine whether it is more likely than not that the fair value is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step process for goodwill impairment testing previously required under Topic 350. ASU No. 2011-08 is effective for the Company for the annual and interim goodwill tests performed for years beginning after December 15, 2011, with early adoption permitted. The adoption of ASU No. 2011-08 is not expected to have a material impact on the company's financial position, results of operations and cash flows.

3. Inventories

Inventories consist of the following:

At December 31,	2010	2011
Raw materials	\$ 19,372	\$ 21,483
Work-in-progress	4,022	5,194
Finished goods	5,664	5,179
	\$ 29,058	\$ 31,856

4. Property, Plant and Equipment, net

Property, plant and equipment, net consist of the following:

At December 31,	2010	2011
At cost:		
Buildings	\$ 89,361	\$ 93,913
Machinery and equipment	128,647	120,402
Leasehold improvements	30,586	26,907
Furniture and fixtures	4,469	5,058
Automobiles	1,397	1,151
Tools and molds	283	337
Total	254,743	247,768
Less: accumulated depreciation	(166,642)	(159,313)
	88,101	88,455
Construction in progress	794	60,859
Net book value	\$ 88,895	\$ 149,314

Depreciation expenses were \$22,819, \$23,734 and \$15,785 for the years ended December 31, 2009, 2010 and 2011, respectively.

5. Goodwill

A summary of the changes in the carrying value of goodwill, by reporting unit, is as follows:

	CECP reporting unit
At December 31, 2010	\$ 2,951
Impairment loss recognized during the year	(2,951)
At December 31, 2011	

In 2009, the fair value of the CECP reporting unit was determined using a discounted cash flow methodology, based on a discount rate of 9.8% and expected future cash flows. The expected future cash flows were based on a five-year plan (after taking into account of the impact of the current financial crisis) provided by management and with a reasonable growth rate covering the five-year period as well as the period beyond. The Company completed its annual impairment analysis for 2009 and concluded that the fair value of the CECP reporting unit exceeded its carrying value as of December 31, 2009. Therefore, no impairment loss was recognized in 2009.

Table of Contents**5. Goodwill Continued**

In 2010, the fair value of the CECP reporting unit was determined using a discounted cash flow methodology, based on a discount rate of 8.6% and expected future cash flows. The expected future cash flows were based on a five-year plan provided by management and with a reasonable growth rate covering the five-year period as well as the period beyond. The Company completed its annual impairment analysis for 2010 and concluded that the fair value of the CECP reporting unit exceeded its carrying value as of December 31, 2010. Therefore, no impairment loss was recognized in 2010.

In 2011, the Company performed impairment test for goodwill by comparing the fair value of the CECP reporting unit with its carrying amount, including goodwill. The fair value of the CECP reporting unit was determined using a discounted cash flow methodology, based on a discount rate of 8.17% and expected future cash flows provided by management. As there were only two customers left in the CECP segment, the future cash flows were significantly reduced, therefore, the fair value of the CECP reporting unit is less than its carrying value (including goodwill) as of December 31, 2011. The Company further performed step 2 of the impairment test and allocated the fair value of the CECP reporting unit to all assets and liabilities, and to any unrecognized intangibles, as if the CECP reporting unit had been acquired at December 31, 2011. As the implied fair value of goodwill is zero, an impairment loss of \$2,951 was recognized in 2011.

6. Investments in Subsidiaries

Subsidiaries	Place of Incorporation	Principal activity	Percentage of Ownership as at December 31,	
			2010	2011
Consolidated principal subsidiaries:				
Nam Tai Electronic & Electrical Products Limited (NTEEP)	Cayman Islands	Investment holding	100%	100%
Nam Tai Holdings Limited	BVI	Investment holding	100%	100%
Nam Tai Investment Limited	Hong Kong	Investment holding	100%	100%
Nam Tai Group Management Limited (NTGM)	Hong Kong	Inactive	100%	100%
Nam Tai Telecom (Hong Kong) Company Limited (NTT)	Hong Kong	Inactive	100%	100%
Nam Tai Trading Company Limited (NTTC)	Hong Kong	Inactive	100%	100%
Namtai Investment (Shenzhen) Co., Ltd. (NTISZ) (previously known as Namtai Electronic (Shenzhen) Co., Ltd.)	PRC	Investment holding	100%	100%
Zastron Electronic (Shenzhen) Co., Ltd. (Zastron Shenzhen)	PRC	Manufacturing and trading	100%	100%
Wuxi Zastron Precision-Flex Co., Ltd. (Wuxi Zastron-Flex)	PRC	Manufacturing and trading	100%	100%
Retained Earnings and Reserves				

The Company's retained earnings are not restricted as to the payment of dividends except to the extent dictated by prudent business practices. The Company believes that there are no material restrictions, including foreign exchange controls, on the ability of its non-PRC subsidiaries to transfer surplus funds to the Company in the form of cash dividends, loans, advances or purchases. With respect to the Company's PRC subsidiaries, there are restrictions on the payment of dividends and the distribution of dividends from the PRC. On March 16, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the New Law) by Order No. 63 of the President of the PRC. Please refer to Note 12 for further details of the New Law. The New Law became effective from January 1, 2008. Prior to the enactment of the New Law, when dividends are paid by the Company's PRC subsidiaries, such dividends would reduce the amount of reinvested profits and accordingly, the refund of taxes paid might be reduced to the extent of tax applicable to profits not reinvested. Subsequent to the enactment of the New Law, due to the removal of tax benefit related to reinvestment of capital in PRC subsidiaries, the Company may not reinvest the profits made by the PRC subsidiaries. Payment of dividends by PRC subsidiaries to foreign investors on profits earned subsequent to January 1, 2008 will also be subject to withholding tax under the New Law. In addition, pursuant to the relevant PRC regulations, a certain portion of the profits made by these subsidiaries must be set aside for future capital investment and are not distributable, and the registered capital of the Company's PRC subsidiaries are also restricted. These reserves and

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registered capital of the PRC subsidiaries amounted to \$294,691 and \$327,697 as of December 31, 2010 and 2011, respectively. However, the Company believes that such restrictions will not have a material effect on the Company's liquidity or cash flows.

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Table of Contents**7. Accrued Expenses and Other Payables**

Accrued expenses and other payables consisted of the following:

At December 31,	2010	2011
Accrued salaries	\$ 4,744	\$ 3,003
Accrued bonus	4,561	2,070
Accrued tooling and equipment charges	553	3,485
Accrued professional fees	1,709	1,616
Construction payable	1,102	17,731
Others	4,815	10,381
	\$ 17,484	\$ 38,286

8. Bank Loans and Banking Facilities

The subsidiaries of the Company have credit facilities with various banks representing notes payable, trade acceptances, import facilities, revolving loans and overdrafts. At December 31, 2010 and 2011, these facilities totaled \$14,130 and \$8,159, of which \$14,130 and \$6,012 were unused at December 31, 2010 and 2011, respectively. The maturity of these facilities is generally up to 90 days. Interest rates are generally based on the banks' usual lending rates in Hong Kong or the PRC and the credit lines are normally subject to annual review. The banking facilities are secured by guarantee given by NTISZ.

Total banking facilities utilized which are usance bills pending maturity may not agree to notes payable due to bank having not yet received the bills of goods from vendors as of the balance sheet date.

At December 31,	2010	2011
Usance bills pending maturity	\$	\$ 2,147
Total banking facilities utilized		2,147
Less: Outstanding letters of credit		(1,879)
Notes payable	\$	\$ 268

The weighted average interest rate was 7.34% per annum.

9. Equity

(a) The Company has only one class of common shares authorized, issued and outstanding.

(b) Stock Options

In May 2001 (and amended in July 2004 and in November 2006), the Board of Directors approved a stock option plan which would grant 15,000 options to each non-employee director of the Company elected at each annual general meeting of shareholders, and might grant options to key employees, consultants or advisors of the Company or any of its subsidiaries to subscribe for its shares in accordance with the terms of this stock option plan based on past performance and/or expected contributions to the Company. The maximum number of shares to be issued pursuant to the exercise of options granted was 3,300,000 shares. The options granted under this plan generally have a term of two to three years, subject to the discretion of the

Board of Directors, but cannot exceed ten years.

In February 2006, the Board of Directors approved another stock option plan, which was subsequently approved by the shareholders at the 2006 annual general meeting of shareholders, with the same terms and conditions. However, the maximum number of shares to be issued pursuant to exercise of options granted was 2,000,000 shares.

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Table of Contents**9. Equity continued****(b) Stock Options continued**

A summary of stock option activity during the three years ended December 31, 2011 is as follows:

	Number of options	Weighted average exercise price	Weighted average fair value per option
Outstanding and exercisable at January 1, 2009	15,000	\$ 22.25	\$ 6.64
Granted	75,000	\$ 4.41	\$ 0.89
Expired	(15,000)	\$ 22.25	\$ 6.64
Outstanding and exercisable at December 31, 2009	75,000	\$ 4.41	\$ 0.89
Granted	60,000	\$ 4.45	\$ 1.58
Surrendered	(15,000)	\$ 4.41	\$ 0.89
Outstanding and exercisable at December 31, 2010	120,000	\$ 4.43	\$ 1.24
Granted	60,000	\$ 5.92	\$ 1.87
Outstanding and exercisable at December 31, 2011	180,000	\$ 4.93	\$ 1.45

Details of the options granted by the Company in 2009, 2010 and 2011 are as follows:

Number of options granted	Vesting period	Exercise price	Exercisable period
In 2009 75,000	100% vested at date of grant	\$4.41	June 5, 2009 to June 4, 2012 (note 1)
In 2010 60,000	100% vested at date of grant	\$4.45	June 3, 2010 to June 2, 2013
In 2011 60,000	100% vested at date of grant	\$5.92	June 10, 2011 to June 9, 2014

Note:

1. 15,000 of these stock options were surrendered during 2010.

Table of Contents**9. Equity continued****(b) Stock Options continued**

As of December 31, 2011, there were no non-vested stock options. The total amount of recognized compensation expense in 2009, 2010 and 2011 was \$67, \$95 and \$112, respectively.

The following summarizes information about stock options outstanding at December 31, 2011. 180,000 stock options are exercisable as of December 31, 2011.

	Number of options	Weighted average remaining contractual life in months
Weighted average exercise price	180,000	17.2
\$4.93		

The weighted average remaining contractual life of the stock options outstanding at December 31, 2009, 2010 and 2011 was approximately 29, 23 and 17 months, respectively. The weighted average fair value of options granted during 2009, 2010 and 2011 was \$0.89, \$1.58 and \$1.87, respectively, using the Black-Scholes option-pricing model based on the following assumptions:

Year ended December 31,	2009	2010	2011
Risk-free interest rate	1.50%	1.25%	0.75%
Expected life	3 years	3 years	3 years
Expected volatility	52.34%	51.23%	50.99%
Expected dividend yield	9.98%		1.69%

(c) Share Buy-back

No shares were repurchased during the years ended December 31, 2009, 2010 and 2011.

(d) Share Redemptions and Reinstatement of Redeemed Shares

On January 22, 1999, pursuant to its Articles of Association, the Company redeemed and canceled 415,500 shares of the Company registered in the name of Tele-Art Inc. (Tele-Art) at a price of \$3.73 per share for \$1,549.

On August 12, 2002, pursuant to its Articles of Association, the Company redeemed and canceled an additional 509,181 shares of the Company beneficially owned by Tele-Art at a price of \$6.14 per share for \$3,125.

No shares have been redeemed since August 12, 2002.

On November 20, 2006, judgment was rendered by the Lords of the Judicial Committee of the Privy Council of the United Kingdom (the Privy Council), declaring that the redemptions by the Company of its common shares beneficially owned by Tele-Art on January 22, 1999 and August 12, 2002 were nullities and that the register of members of the Company (i.e. the Company s shareholders register) should be rectified to reinstate the redeemed shares together with any other shares which have since accrued by way of exchange or dividend.

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Following the November 20, 2006 judgment, the Company received the order from the Privy Council on January 9, 2007 to rectify the share register of Nam Tai by registering such 1,017,149 (after adjustment of the 1 for 10 stock dividend on November 7, 2003) shares (the Redeemed Shares) in the name of Bank of China (Hong Kong) Limited (Bank of China). In March 2007, the Company issued the 1,017,149 common shares. However, as the court judgment was determined in 2006, the Company accounted for the obligation to reinstate the Redeemed Shares at their fair value (i.e. market closing price) on November 20, 2006, the date of the judgment.

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Table of Contents**10. Earnings Per Share**

The calculations of basic earnings per share and diluted earnings per share are computed as follows:

	Income	Weighted average number of shares	Per share amount
Year ended December 31, 2009			
Basic earnings per share	\$ 1,652	44,803,735	\$ 0.04
Effect of dilutive securities – Stock options		6,063	
Diluted earnings per share	\$ 1,652	44,809,798	\$ 0.04
	Income	Weighted average number of shares	Per share amount
Year ended December 31, 2010			
Basic earnings per share	\$ 15,006	44,803,735	\$ 0.33
Effect of dilutive securities – Stock options		18,025	
Diluted earnings per share	\$ 15,006	44,821,760	\$ 0.33
	Income	Weighted average number of shares	Per share amount
Year ended December 31, 2011			
Basic earnings per share	\$ 505	44,803,735	\$ 0.01
Effect of dilutive securities – Stock options		37,467	
Diluted earnings per share	\$ 505	44,841,202	\$ 0.01

11. Staff Retirement Plans

The Company operates a retirement benefit scheme (RBS) for all qualifying employees in Macao (terminated in March 2009) and a Mandatory Provident Fund (MPF) scheme for all qualifying employees in Hong Kong. The RBS and MPF are defined contribution schemes and the assets of the schemes are managed by trustees independent to the Company.

Both the RBS and MPF are available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Company in Macao and Hong Kong. Contributions are made by the Company at 5% based on the staff s relevant income.

The maximum relevant income for contribution purpose per employee is \$3 per month. Staff members are entitled to 100% of the Company s contributions together with accrued returns irrespective of their length of service with the Company, but the benefit can be withdrawn by the employees in Macao at the end of employment contracts while the benefits are required by law to be preserved until the retirement age of 65 for employees in Hong Kong.

According to the applicable laws and regulations in the PRC, the Company is required to contribute 10% to 11% and 20% of the stipulated salary set by the local government of Shenzhen and Wuxi, respectively. The principal obligation of the Company with respect to these retirement benefit schemes is to make the required contributions under the scheme. No forfeited contributions may be used by the employer to reduce the existing level of contributions.

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The cost of the Company's contribution to the staff retirement plans in Macao, Hong Kong and the PRC amounted to \$1,480, \$1,715 and \$2,317 for the years ended December 31, 2009, 2010 and 2011, respectively.

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Table of Contents**12. Income Taxes**

The components of income before income taxes are as follows:

Year ended December 31,	2009	2010	2011
PRC, excluding Hong Kong and Macao	\$ 4,629	\$ 25,405	\$ 7,402
Hong Kong, Macao and other jurisdictions	(3,881)	(5,148)	(6,365)
	\$ 748	\$ 20,257	\$ 1,037

The Company's income is not subject to taxation in BVI under the current BVI law. Subsidiaries operating in Hong Kong and the PRC are subject to income taxes as described below, and the subsidiaries operating in Macao are exempted from income taxes. Under the current Cayman Islands law, NTEEP is not subject to profit tax in the Cayman Islands as it has no business operations in the Cayman Islands. However, it may be subject to Hong Kong income taxes as described below if they have income earned in or derived from Hong Kong, if applicable.

The provision for current income taxes of the subsidiaries operating in Hong Kong has been calculated by applying the rate of taxation of 16.5% for the years ended December 31, 2009, 2010 and 2011 to the estimated income earned in or derived from Hong Kong during the respective years, if applicable.

On March 16, 2007, the PRC promulgated the New PRC Tax Law. Under the New Law which became effective from January 1, 2008, inter alia, the tax refund to a foreign Investment Enterprises (FIEs) whose foreign investor directly reinvests by way of capital injection its share of profits obtained from that FIE or another FIE owned by the same foreign investor in establishing or expanding an export-oriented or technologically advanced enterprise in the PRC for a minimum period of five years under the capital reinvestment scheme is removed. In addition, under the New Law, all enterprises (both domestic enterprises and FIEs) will have one uniform tax rate of 25%. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations have changed the tax rate from 15% to 18%, 20%, 22%, 24% and 25% for years ended December 31, 2008, 2009, 2010, 2011 and 2012, respectively, for Shenzhen PRC subsidiaries. Moreover, under the New Law, there is no reduction in the tax rate for FIEs such as Namtai Shenzhen, which export 70% or more of the production value of their products with effect from January 1, 2008. As such, the Shenzhen PRC subsidiaries do not have any further benefit since the implementation of the New Law in 2008.

For our subsidiary in Wuxi, China, it is granted a 5-year tax benefit. According to the PRC tax regulation, Guo Shui Fa (2007) No. 39 issued in 2007, Wuxi Zastron-Flex is entitled to full exemption for the first two years starting 2008 and 50% exemption for the following three years accordingly.

The Company, which has subsidiaries that are tax resident in the PRC, will be subject to the PRC dividend withholding tax of 5% when and if undistributed earnings are declared to be paid as dividends commencing on January 1, 2008 to the extent those dividends are paid out of profits that arose on or after January 1, 2008.

The limitation of the Company's obligation for the 5% dividend withholding tax to only those dividends paid out of earnings that arose on or after January 1, 2008 is due to guidance issued by the PRC government in February 2008. As such, the Company's tax provision includes \$363, \$276 and nil of income tax expense for the 5% dividend withholding tax on the balance of distributable earnings that arose on or after January 1, 2008 within its PRC subsidiaries as of December 31, 2009, 2010 and 2011, respectively.

Uncertainties exist with respect to how the PRC's current income tax law applies to the Company's overall operations, and more specifically, with regard to tax residency status. The New Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for PRC income tax purposes if their place of effective management or control is within PRC. The Implementation Rules to the New Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. occurs within the PRC. Additional guidance is expected to be released by the PRC government in the near future that may clarify how to apply this standard to taxpayers. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Company does not believe that its legal entities organized outside of the PRC should be treated as residents for the New Law's purposes. If one or more of the Company's legal entities organized outside of the PRC

were characterized as PRC tax residents, the impact would adversely affect the Company's results of operation.

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Table of Contents**12. Income Taxes continued**

The Company has made its assessment of each tax position (including the potential application of interest and penalties) based on the technical merits, and has measured the unrecognized tax benefits associated with the tax positions. Based on the evaluation by the Company, it is concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements. The Company classifies interest and/or penalties related to unrecognized tax benefits as a component of income tax provisions; however, during the years ended December 31, 2009, 2010 and 2011, there were no interest and penalties related to uncertain tax positions, and the Company had no material unrecognized tax benefit which would favorably affect the effective income tax rate in future periods. The Company does not anticipate any significant increases or decreases to its liability for unrecognized tax benefit within the next twelve months. Other than the audit by the Hong Kong tax authorities as described below, the tax positions for the years 2009 to 2011 may be subject to examination by the PRC and Hong Kong tax authorities.

Tax Dispute with Hong Kong Inland Revenue Department

Since the fourth quarter of 2007, several of our inactive subsidiaries have been involved in tax disputes relating to tax years 1996 and later years with the Inland Revenue Department of Hong Kong, or HKIRD, the income tax authority of the Hong Kong Government. These disputes are discussed sequentially below.

(1) NTTC

- (a) In October 2007, the HKIRD issued an assessment Determination against Nam Tai Trading Company Limited (NTTC), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. This assessment relates to four tax years from 1996/1997 to 1999/2000. The taxes assessed in this proceeding amount to approximately \$2,900.

After consulting Hong Kong tax experts, Nam Tai believed that the position of the HKIRD for the years in question was incorrect as a matter of law and accordingly NTTC objected to the HKIRD's assessment and appealed it to the Hong Kong Board of Review, an independent body established under Hong Kong Inland Revenue Ordinance to hear appeals of HKIRD assessments. In December 2008, the Board of Review dismissed NTTC's appeal. According to advice from Senior Counsel in Hong Kong, the Court of Appeal in Hong Kong was unlikely to disturb the findings of the Board of Review. Therefore, NTTC decided not to pursue an appeal.

- (b) In addition to the assessment Determination of October 2007, in May 2008, the HKIRD issued a writ against NTTC claiming taxes in the amount of approximately \$3,000 for the taxable years from 1997/1998 to 2000/2001, partially overlapping the taxes against NTTC assessed by HKIRD in its assessment Determination of October 2007. Nam Tai's defense was struck out by the District Court in Hong Kong. According to advice from Senior Counsel in Hong Kong, the Court of Appeal was unlikely to disturb the findings of the District Court. Therefore, NTTC decided not to pursue an appeal against the decision of the District Court.

- (c) Furthermore, from May to November 2010, the HKIRD issued three separate writs against NTTC claiming taxes and interests on unpaid taxes, in the amount of approximately \$900, \$1,100 and \$120 for the taxable years from 1996/1997 to 2003/2004, from 1996/1997, 1998/1999 and 1999/2000, and from 1996/1997 to 1999/2000, respectively. NTTC did not contest these proceedings, judgments were thus entered against NTTC.

- (d) As a result of the proceedings stated in paragraphs (b) (c) above, the HKIRD petitioned to the High Court of Hong Kong for a winding-up order against NTTC for the overdue judgment sums on June 10, 2011. The petition is fixed to be heard in the High Court of Hong Kong on March 13, 2012. NTTC shall ask for an adjournment of the hearing of the petition pending the determination of the HKIRD on whether to assess additional tax against the former directors of NTTC (see paragraph 5 herein below for details) since such determination is related to the arguments raised in the winding-up proceedings.

(2) NTGM

- (a) The HKIRD has also made estimated assessments against Nam Tai Group Management Limited (NTGM), another wholly-owned subsidiary of Nam Tai, which has been inactive since 2005. This assessment, which relates to the tax years of

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2001 and 2002, is in the amount of approximately \$172, including interest allegedly due thereon. On December 17, 2008, the Hong Kong tax authorities issued a Writ of Summons through the District Court in Hong Kong claiming against NTGM the amount of \$172 as taxes allegedly due and payable, together with interest, to the Hong Kong tax authorities for the fiscal years 2001 to 2002. NTGM filed its defense on January 29, 2009, but on February 17, 2009, HKIRD filed papers seeking to strike out NTGM's defense. As NTGM's defense was similar to the defense of NTTC and Senior Counsel had advised that NTTC's defense was not arguable before the Court, NTGM accordingly agreed with HKIRD to allow Judgment to be entered against NTGM by consent.

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12. Income Taxes continued

(b) On February 8, 2011, HKIRD issued a writ against NTGM claiming taxes in the amount of approximately \$855 for the taxable years 2001/2002 to 2003/2004. NTGM filed a Defense to this action. The hearing of the action took place on September 6, 2011. The judgment was handed down on September 29, 2011 with the Defense being struck out and judgment was thus entered against NTGM.

(c) The HKIRD has commenced taxation by filing and serving its bill of costs together with a Notice of Commencement of Taxation both dated December 23, 2011. NTGM did not file any list of objections since it has no funds at hand. The taxing master of the District Court in Hong Kong has directed that the bill of costs filed by the HKIRD be set down for provisional taxation by a Chief Judicial Clerk on March 22, 2012.

(3) NTT

(a) On September 14, 2009, the HKIRD issued a writ against Nam Tai Telecom (Hong Kong) Company Limited (NTT), a dormant company of the Company, claiming taxes in the amount of approximately \$337 for the taxable year 2002/2003. Judgment has been entered against NTT.

(b) On February 17, 2011, HKIRD issued a writ against NTT claiming taxes in the amount of approximately \$34 for the taxable year 2002/2003. NTT filed a Defense to this action. The hearing of this action was heard together with the case of NTGM as discussed in paragraph (2)(b) above on September 6, 2011. Similarly, the judgment was handed down on September 29, 2011 with the Defense being struck out and judgment was thus entered against NTT.

(c) The HKIRD has commenced taxation by filing and serving its bill of costs together with a Notice of Commencement of Taxation both dated December 23, 2011. NTT did not file any list of objections since it has no funds at hand. The taxing master of the District Court in Hong Kong has directed that the bill of costs filed by the HKIRD be set down for provisional taxation by a Chief Judicial Clerk on March 12, 2012.

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12. Income Taxes continued

(4) Expected Dispositions of Tax Disputes with Inactive or Dormant Subsidiaries

HKIRD has not accepted the explanations that it was necessary for these subsidiaries to perform their individual functions for the whole Nam Tai group and therefore the management fees paid by the Company by contract to support and finance all the necessary overhead expenses of these subsidiaries (not located in Hong Kong) to contribute to the businesses representing the administration and finance departmental functions from Vancouver, Canada for the whole group under the corporate structure at that time were not regarded as necessary expenses by HKIRD.

Since it is believed that it will be difficult for these subsidiaries to continue cooperating with HKIRD in the future, if the Company discontinues financing these subsidiaries, they will be forced to liquidate in due course. As these subsidiaries do not conduct any business and have been inactive or dormant for some time, and have either assets of limited book-value or no assets, Nam Tai believes that there should be no material impact from these proceeding on the Company's financial condition, liquidity or results of operations. Accordingly, no provision has been made regarding these assessments in Nam Tai's consolidated financial statements.

(5) Notices of Alleged Personal Liability for Additional Taxes Against Former Directors and Officers for Signing NTTC's Tax Returns

In addition to the legal cases against the inactive or dormant subsidiaries of the Company discussed above, in January 2011, the HKIRD issued two Notices of intention to assess additional taxes separately and personally against two former directors and officers of NTTC in the amounts of approximately \$1,540 for the taxable years 1996/1997 and 1999/2000 and \$667 for the taxable year 1997/1998. The taxable years involved in the controversy date from 13 to 15 years ago and initial advice received from the Company's tax advisor is that it is very rare for tax authorities to seek to attach personal liability on directors in this situation.

The former directors and officers to whom the Notices have been directed signed the tax returns for and on behalf of NTTC and the HKIRD has by its Notices sought to hold them personally liable for additional taxes purportedly on the basis that the relevant tax returns of NTTC were incorrect and contained omissions and understatements in violation of the Inland Revenue Ordinance, the governing tax law of Hong Kong.

The Company denies that any of NTTC's tax return filings were incorrect or contained omissions and understatements in violation of the Inland Revenue Ordinance and believes that no incorrect tax return was ever filed.

The two former directors submitted written representations in opposition to the issuance of the Notices, through their tax advisors, to the HKIRD on February 16, 2011, February 25, 2011, May 13, 2011 and June 30, 2011 respectively. The matter is pending the HKIRD's further reply. One of these former directors has commenced an action in the High Court of Hong Kong in November 2011 to seek an order from the Court that, inter alia, the Notice be withdrawn by the HKIRD.

At this time, Nam Tai is unable to assess the potential impact of these proceedings on the Company. However, the Company may be required to indemnify and defend this matter for the former directors and officers. If forced to defend, the Company plans to do so vigorously.

Nam Tai maintains directors' and officers' liability insurance against certain claims or liabilities that may arise by reason of the status or service of its directors and officers as such. We have informed Nam Tai's directors' and officers' liability insurance carrier of the HKIRD's Notices of assessment against NTTC's former directors and they have confirmed that the HKIRD's Notices constitute a claim under the coverage of the directors' and officers' liability insurance policy. Details of the reimbursement of the relevant costs are still in the process of being sorted out.

Accordingly, no provision has been made regarding these assessments in Nam Tai's consolidated financial statements.

The current and deferred components of the income tax expense appearing in the consolidated statements of income are as follows:

Year ended December 31,	2009	2010	2011
Current tax	\$ (2,087)	\$ (7,828)	\$ (3,070)
Deferred tax	804	2,577	2,538
	\$ (1,283)	\$ (5,251)	\$ (532)

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Table of Contents**12. Income Taxes continued**

The Company's deferred tax assets and liabilities as of December 31, 2010 and 2011 are attributable to the following:

December 31,	2010	2011
Net operating losses	\$ 3,585	\$ 6,199
Obsolete inventories	23	42
Allowance for doubtful accounts	3	2
Property, plant and equipment	5,832	6,438
Pre-operating expenses	272	
Total deferred tax assets	9,715	12,681
Less: valuation allowance	(916)	(1,344)
Deferred tax assets	8,799	11,337
Deferred tax liability arising from withholding tax on undistributed earnings of PRC subsidiaries	(1,379)	(1,379)
Net deferred tax asset	\$ 7,420	\$ 9,958

Movement of valuation allowance:

December 31,	2009	2010	2011
At beginning of the year	\$ 1,831	\$ 1,588	\$ 916
Current year (reduction) addition	(276)	(672)	428
Change in tax law	33		
At end of the year	\$ 1,588	\$ 916	\$ 1,344

The valuation allowance as of December 31, 2009, 2010 and 2011 was related to net operating losses carried forward that, in the judgment of management, are more likely than not that the assets will not be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income in which those temporary differences become deductible.

As of December 31, 2009, 2010 and 2011, the Company had net operating losses of \$3,326, \$5,549 and \$8,147 respectively, which may be carried forward indefinitely. As of December 31, 2011, the Company had net operating losses of \$1,341, \$10,107 and \$20,330, which will expire in the year ending December 31, 2014, 2015 and 2016, respectively.

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A reconciliation of the income tax expense to the amount computed by applying the current tax rate to the income before income taxes in the consolidated statements of income is as follows:

Year ended December 31,	2009	2010	2011
Income before income taxes	\$ 748	\$ 20,257	\$ 1,037
PRC tax rate	20%	22%	24%
Income tax expense at PRC tax rate on income before income tax	\$ (150)	\$ (4,457)	\$ (249)
Effect of difference between Hong Kong and PRC tax rates applied to Hong Kong income	(485)	(134)	(221)
Effect of tax exemption			(1,526)
Effect of change in tax law	364	134	155
Change in valuation allowance	276	672	(428)
Deferred tax liability on withholding tax on undistributed profits of PRC subsidiaries	(363)	(276)	
Tax benefit (expense) arising from items which are not assessable (deductible) for tax purposes:			
Non-deductible impairment loss on goodwill			(708)
Non-deductible and non-taxable items	(766)	(777)	1,738
(Under) over-provision of income tax expense in prior years	(46)	(69)	1,369
Others	(113)	(344)	(662)
 Income tax expense	 \$ (1,283)	 \$ (5,251)	 \$ (532)

No income tax arose in the United States of America in any of the periods presented.

Table of Contents**13. Financial Instruments**

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash and cash equivalents and accounts receivable. As at December 31, 2011, the largest two customers' trade receivables accounted for 62% and 14% of total accounts receivable.

The Company's cash and cash equivalents are uninsured and they are placed at banks with high credit ratings. This investment policy limits the Company's exposure to credit risk.

The accounts receivable balances largely represent amounts due from the Company's principal customers who are international organizations with high credit ratings. Letters of credit are the principal security obtained to support lines of credit or negotiated contracts from a customer. As a consequence, credit risk is limited. Allowance for doubtful debts were \$13 and \$18 as of December 31, 2010 and 2011, respectively.

14. Commitments and Contingencies**(a) Commitments**

Our contractual obligations, including capital expenditures and future minimum lease payments under non-cancelable operating lease arrangements and purchase commitments under non-cancelable arrangements as of December 31, 2011, are summarized below. We do not participate in, or secure financing for, any unconsolidated limited purpose entities.

	Payments (in thousands) due by period			
	Total	2012	2013	2014
Contractual Obligation				
Operating leases ⁽¹⁾	\$ 517	\$ 392	\$ 125	\$ ⁽²⁾
Capital commitments	27,871	27,871		
Other purchase obligations	46,525	46,525		
Total	\$ 74,913	\$ 74,788	\$ 125	\$

(1) The Company leases the staff quarters in Wuxi, the LCD facilities in Shenzhen and director's quarter in Hong Kong under operating leases expiring from 2012 to 2014. The rental expenses charged for the years ended December 31, 2009, 2010 and 2011 amounted to \$1,849, \$2,022 and \$2,133, respectively.

(2) The lease expiring in 2014 is cancelable upon three months notice.

(b) Significant legal proceedings

Save as disclosed in Note 12, there is no other significant legal proceeding as of December 31, 2011.

15. Segment Information

The Chief Operating Decision Maker is identified as the Chief Executive Officer and Chief Financial Officer. They review these segment results when making decisions about allocating resources and assessing the performance of the Company.

Prior to fiscal year 2010, the Company operated in three reportable segments: telecommunication components assembly (TCA), consumer electronics and communication products (CECP), and LCD products (LCDP). In 2010 the Company's business was consolidated into two segments, TCA and CECP, following the merger of the Company's LCDP and TCA segments. The management reviews the segment results of TCA and CECP when allocating resources and assessing performance. The change in segment reporting was due to the following:

Most of the LCDP business has been LCD module assembly for telecommunication products since 2010, which is similar to the business operated by TCA; and

Since the merger, the combined segments can now be run by a single management team. In view of the similarity of the products, the Company has merged the LCDP segment into the TCA segment. The results of the former LCDP segment were included in the TCA segment since 2010. In addition, the Company's FPCB business was too small to be designated as a separate business segment in 2011.

Management continue to evaluate their segmentation on an ongoing basis. In reviewing their segmentation, they note that the Company discontinued CECP production for Bluetooth headsets and calculators with two major box-built customers in the fourth quarter of 2010. If the CECP segment falls below the threshold prescribed under FASB ASC 280-10-50-12, they will combine this segment with the TCA segment and will not disclose separate CECP segment information starting in the first quarter of 2012.

Table of Contents**15. Segment Information continued****Year ended December 31, 2009**

	TCA	CECP	Corporate	Total
Net sales	\$ 292,074	\$ 116,063	\$	\$ 408,137
Cost of sales	(273,011)	(94,806)		(367,817)
Gross profit	19,063	21,257		40,320
General and administrative expenses	(17,085)	(7,155)	(4,153)	(28,393)
Selling expenses	(3,248)	(2,018)		(5,266)
Research and development expenses	(2,987)	(3,286)		(6,273)
Other income (expenses), net	262	78	(596)	(256)
Interest income	78	476	264	818
Interest expense	(202)			(202)
(Loss) income before income taxes	(4,119)	9,352	(4,485)	748
Income taxes	1,400	(2,683)		(1,283)
Consolidated net (loss) income	(2,719)	6,669	(4,485)	(535)
Net loss attributable to noncontrolling interests	2,146	41		2,187
Net (loss) income attributable to Nam Tai shareholders	\$ (573)	\$ 6,710	\$ (4,485)	\$ 1,652

Year ended December 31, 2010

	TCA	CECP	Corporate	Total
Net sales	\$ 401,259	\$ 133,161	\$	\$ 534,420
Cost of sales	(375,250)	(107,876)		(483,126)
Gross profit	26,009	25,285		51,294
General and administrative expenses	(12,143)	(6,074)	(7,015)	(25,232)
Selling expenses	(4,346)	(1,158)		(5,504)
Research and development expenses	(3,558)	(2,199)		(5,757)
Other income, net	2,080	1,064	828	3,972
Interest income	303	574	607	1,484
Income (loss) before income taxes	8,345	17,492	(5,580)	20,257
Income taxes	(1,728)	(3,523)		(5,251)
Net income (loss) attributable to Nam Tai shareholders	\$ 6,617	\$ 13,969	\$ (5,580)	\$ 15,006

Year ended December 31, 2011

	TCA	CECP	Corporate	Total
Net sales	\$ 527,894	\$ 74,423	\$	\$ 602,317
Cost of sales	(507,025)	(67,203)		(574,228)
Gross profit	20,869	7,220		28,089
General and administrative expenses	(16,783)	(3,425)	(7,117)	(27,325)
Selling expenses	(4,965)	(937)		(5,902)

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Research and development expenses	(2,461)	(901)		(3,362)
Impairment loss on goodwill			(2,951)	(2,951)
Other income, net	4,843	1,210	3,707	9,760
Interest income	224		2,504	2,728
Income (loss) before income taxes	1,727	3,167	(3,857)	1,037
Income taxes	(1,350)	818		(532)
Net income (loss) attributable to Nam Tai shareholders	\$ 377	\$ 3,985	\$ (3,857)	\$ 505

There were no material inter-segment sales for the years ended December 31, 2009, 2010 and 2011. Intercompany sales arise from the transfer of finished goods between subsidiaries operating in different areas. These sales are generally at prices consistent with what the Company would charge third parties for similar goods.

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Table of Contents**15. Segment Information continued****Year ended December 31, 2009**

	TCA	CECP	Corporate	Total
Depreciation and amortization	\$ 16,597	\$ 6,516	\$ 3	\$ 23,116
Capital expenditures	\$ 24,806	\$ 176	\$	\$ 24,982
Total assets	\$ 183,887	\$ 112,058	\$ 107,979	\$ 403,924

Year ended December 31, 2010

	TCA	CECP	Corporate	Total
Depreciation and amortization	\$ 18,134	\$ 5,839	\$ 495	\$ 24,468
Capital expenditures	\$ 4,409	\$ 123	\$ 80	\$ 4,612
Total assets	\$ 197,083	\$ 55,569	\$ 198,128	\$ 450,780

Year ended December 31, 2011

	TCA	CECP	Corporate	Total
Depreciation and amortization	\$ 13,869	\$ 1,939	\$ 260	\$ 16,068
Capital expenditures	\$ 71,541	\$ 223	\$ 4,723	\$ 76,487
Total assets	\$ 278,970	\$ 45,858	\$ 132,915	\$ 457,743

Table of Contents**15. Segment Information continued**

A summary of the percentage of net sales of each of the Company's product lines of each segment for the years ended December 31, 2009, 2010 and 2011, is as follows:

Year ended December 31, Product line	2009	2010	2011
TCA	72%	75%	88%
CECP	28%	25%	12%
	100%	100%	100%

A summary of net sales, net income (loss) attributable to Nam Tai shareholders and long-lived assets by geographical areas is as follows:

By geographical area:

Year ended December 31,	2009	2010	2011
Net sales from operations within:			
- PRC, excluding Hong Kong and Macao:			
Unaffiliated customers	\$ 408,137	\$ 534,420	\$ 602,317
Intercompany sales	19	1,222	945
	\$ 408,156	\$ 535,642	\$ 603,262
- Intercompany eliminations	(19)	(1,222)	(945)
Total net sales	\$ 408,137	\$ 534,420	\$ 602,317
Net income (loss) attributable to Nam Tai shareholders within:			
- PRC, excluding Hong Kong and Macao	\$ 5,533	\$ 20,154	\$ 6,870
- Hong Kong and Macao	(3,881)	(5,148)	(6,365)
Total net income attributable to Nam Tai shareholders	\$ 1,652	\$ 15,006	\$ 505

Year ended December 31,	2009	2010	2011
Net sales to customers by geographical area:			
- Hong Kong	\$ 116,254	\$ 103,337	\$ 101,682
- Europe	47,577	64,587	41,519
- United States	41,147	51,963	32,332
- PRC (excluding Hong Kong)	43,300	16,578	8,198
- Japan	140,923	291,883	413,725
- North America (excluding United States)	762	914	1,138
- Korea	1,503	277	135
- Others	16,671	4,881	3,588

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Total net sales	\$ 408,137	\$ 534,420	\$ 602,317
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Table of Contents**15. Segment Information continued**

As of December 31,	2009	2010	2011
Long-lived assets by geographical area:			
- PRC, excluding Hong Kong and Macao	\$ 121,286	\$ 101,014	\$ 156,709
- Hong Kong and Macao	120	145	4,586
Total long-lived assets	\$ 121,406	\$ 101,159	\$ 161,295

The Company's sales to customers which accounted for 10% or more of its sales are as follows:

Year ended December 31,	2009	2010	2011
A	\$ 94,015	\$ N/A	\$ N/A
B	41,559	94,644	62,894
C	72,922	63,803	62,978
D	49,770	131,873	194,771
E	N/A	88,952	185,115
	\$ 258,266	\$ 379,272	\$ 505,758

The Company's purchase from suppliers which accounted for 10% or more of its purchases are as follows:

Year ended December 31,	2009	2010	2011
A	\$ 62,359	\$ N/A	\$ N/A
B	39,778	124,126	160,274
C	35,699	N/A	N/A
D	N/A	50,477	114,322
	\$ 137,836	\$ 174,603	\$ 274,596

16. Employee Severance Benefits

There was a labor strike in December 2011 due to dissatisfaction with the 23% increase in the wage package for 2012. Approximately 1,200 employees were laid off. The Company suffered serious difficulties in production and business operations due to shortage of skillful labor. The headcount in the operating subsidiaries decreased to 5,206 from 5,824 at December 31, 2010. The employee severance benefits in 2011 amounted to \$3,032 (2010: \$656), which was recorded as general and administrative expenses. The employee severance benefits by segment were as follows:

	2010	2011
Expenses incurred by segment:		
TCA	\$	\$ 2,917
CECP	656	88
Corporate		27
	\$ 656	\$ 3,032

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	2010	2011
Provision for employee severance benefits:		
Balance at January 1	\$ 979	\$ 75
Provision for the year	656	3,032
Payments during the year	(1,560)	(3,078)
Balance at December 31	\$ 75	\$ 29

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17. Subsequent Events

- a) On February 22, 2012, Wuxi Zastron-Flex entered into a Contract of Land Use Right Acquisition with the Government for land of approximately 159,890 square feet at a consideration of approximately \$1,600 (RMB10,027).

- b) Subsequent to the balance sheet date, the Company obtained bank facilities in an aggregate of \$50,000 and RMB 350,000 from two banks.

Table of Contents**SCHEDULE 1****NAM TAI ELECTRONICS, INC.****STATEMENTS OF INCOME****(In thousands of U.S. dollars)**

	Year ended December 31,		
	2009	2010	2011
General and administrative expenses*	\$ (2,936)	\$ (2,763)	\$ (2,374)
Other (expense) income, net	(626)	23	1,186
Interest income on loan to a subsidiary	11,134	11,568	7,721
Interest income	263	233	725
Income before income taxes	7,835	9,061	7,258
Income taxes			
Income before share of net profits of subsidiaries, net of taxes	7,835	9,061	7,258
Share of net (losses) profits of subsidiaries, net of taxes	(6,183)	5,945	(6,753)
Net income attributable to Nam Tai shareholders	\$ 1,652	\$ 15,006	\$ 505
* Amount of share-based compensation expense included in general and administrative expenses	\$ 67	\$ 95	\$ 112

Table of Contents**SCHEDULE 1****NAM TAI ELECTRONICS, INC.****BALANCE SHEETS****(In thousands of U.S. dollars)**

	December 31,	
	2010	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 88,333	\$ 66,218
Fixed deposits maturing over three months		34,825
Prepaid expenses and other receivables	133	504
Loan to a subsidiary - current	77,857	
Amounts due from subsidiaries	32,863	38,545
Total current assets	199,186	140,092
Property, plant and equipment, net		4,487
Deposits for property, plant and equipment	433	
Loan to a subsidiary - non-current	207,622	93,108
Investments in subsidiaries	(51,302)	98,945
Total assets	\$ 355,939	\$ 336,632
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accrued expenses and other payables	\$ 1,650	\$ 1,881
Dividend payable	8,961	12,545
Amounts due to subsidiaries	11,194	
Total liabilities	21,805	14,426
Shareholders' equity:		
Common shares (\$0.01 par value - authorized 200,000,000 shares, issued and outstanding 44,803,735 shares as at December 31, 2010 and 2011)	448	448
Additional paid-in capital	286,943	287,055
Retained earnings	46,751	34,711
Accumulated other comprehensive loss	(8)	(8)
Total shareholders' equity	334,134	322,206
Total liabilities and shareholders' equity	\$ 355,939	\$ 336,632

Table of Contents**SCHEDULE 1****NAM TAI ELECTRONICS, INC.****STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME**

(In thousands of U.S. dollars, except share and per share data)

	Common Shares Outstanding	Common Shares Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders Equity	Comprehensive Income
Balance at January 1, 2009	44,803,735	\$ 448	\$ 282,767	\$ 39,054	\$ (8)	\$ 322,261	
Equity-settled share-based payment			67			67	
Acquisition of subsidiaries share			2,430			2,430	
Net income				1,652		1,652	\$ 1,652
Comprehensive income							\$ 1,652
Balance at December 31, 2009	44,803,735	\$ 448	\$ 285,264	\$ 40,706	\$ (8)	\$ 326,410	
Equity-settled share-based payment			95			95	
Deemed contribution of services			1,584			1,584	
Net income				15,006		15,006	\$ 15,006
Comprehensive income							\$ 15,006
Cash dividends (\$0.20 per share)				(8,961)		(8,961)	
Balance at December 31, 2010	44,803,735	\$ 448	\$ 286,943	\$ 46,751	\$ (8)	\$ 334,134	
Equity-settled share-based payment			112			112	
Net income				505		505	\$ 505
Comprehensive income							\$ 505
Cash dividends (\$0.28 per share)				(12,545)		(12,545)	
Balance at December 31, 2011	44,803,735	\$ 448	\$ 287,055	\$ 34,711	\$ (8)	\$ 322,206	

Table of Contents**SCHEDULE 1****NAM TAI ELECTRONICS, INC.****STATEMENTS OF CASH FLOWS****(In thousands of U.S. dollars)**

	Year ended December 31,		
	2009	2010	2011
Cash flows from operating activities:			
Net income attributable to Nam Tai shareholders	\$ 1,652	\$ 15,006	\$ 505
Adjustments to reconcile net income attributable to Nam Tai shareholders to net cash provided by operating activities:			
Share of net losses (profits) of subsidiaries, net of taxes	6,183	(5,945)	6,753
Depreciation	2		221
Loss on disposal of property, plant and equipment		1	
Share-based compensation expenses	67	95	112
Changes in current assets and liabilities:			
Decrease (increase) in prepaid expenses and other receivables	309	(133)	(371)
(Decrease) increase in accrued expenses and other payables	(779)	658	231
Net cash provided by operating activities	\$ 7,434	\$ 9,682	\$ 7,451
Cash flows from investing activities:			
Purchase of property, plant and equipment			(4,708)
(Increase) decrease in deposit for purchase of property, plant and equipment		(433)	433
(Increase) decrease in fixed deposits maturing over three months	(12,903)	12,903	(34,825)
Acquisition of subsidiaries shares	(43,434)		
Decrease (increase) in amounts due from subsidiaries	1,856	(21,729)	(5,682)
Net cash used in investing activities	\$ (54,481)	\$ (9,259)	\$ (44,782)
Cash flows from financing activities:			
Increase (decrease) in amounts due to subsidiaries	14,682	(3,488)	(11,194)
Proceeds from loan to a subsidiary	25,952		35,371
Dividend paid	(9,857)		(8,961)
Net cash provided by (used in) financing activities	\$ 30,777	\$ (3,488)	\$ 15,216
Net decrease in cash and cash equivalents	(16,270)	(3,065)	(22,115)
Cash and cash equivalents at beginning of year	107,668	91,398	88,333
Cash and cash equivalents at end of year	\$ 91,398	\$ 88,333	\$ 66,218

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SCHEDULE 1

NAM TAI ELECTRONICS, INC.

NOTE TO SCHEDULE 1

(in thousands of U.S. dollars)

Schedule 1 has been provided pursuant to the requirements of Rule 12-04(a) and 4-08(e)(3) of Regulation S-X, which require condensed financial information as to financial position, changes in financial position and results and operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of the consolidated and unconsolidated subsidiaries together exceed 25% of consolidated net assets as of end of the most recently completed fiscal year. As of December 31, 2011, \$327,697 of the restricted capital and reserves are not available for distribution, and as such, the condensed financial information of the Company has been presented for the years ended December 31, 2009, 2010 and 2011.

During the years ended December 31, 2009, 2010 and 2011, no cash dividend was declared and paid by subsidiaries of the Company.

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ITEM 19. EXHIBITS

The following exhibits are filed as part of this Report:

Exhibit No.	Exhibit
1.1	Memorandum and Articles of Association, as amended and restated effective on December 5, 2007 (incorporated by reference to Exhibit 1.1 to the Company's Form 8-A/A filed with the SEC on December 13, 2007).
4.1	2006 Stock Option Plan of Nam Tai Electronics, Inc., adopted February 10, 2006 and approved on June 9, 2006 (incorporated by reference to Exhibit A attached to Exhibit 99.1 of the Form 6-K furnished to the SEC on May 15, 2006).
4.2	Amendment to 2006 Stock Option Plan of Nam Tai Electronics, Inc. (incorporated by reference to Exhibit 4.1.1 to the Company's Registration Statement on Form S-8 File No. 333-136653 included with the Company Form 6-K furnished to the SEC on November 13, 2006).
4.3	Amended 2001 Option Plan of Nam Tai Electronics, Inc. dated July 30, 2004 (incorporated by reference to Exhibit 4.18 to the Company's Form 20-F for the year ended December 31, 2004 filed with the SEC on March 15, 2005).
4.4	Amendment to 2001 Stock Option Plan of Nam Tai Electronics, Inc. (incorporated by reference to Exhibit 4.1.1 to the Company's Registration Statement on Form S-8 File No. 333-76940 included with Company's Form 6-K furnished to the SEC on November 13, 2006).
4.5	[reserved]
4.6	[reserved]
4.7	Supplemental plant construction contractor's agreement (electrical engineering) dated July 10, 2009 between Nam Tai Subsidiary, Wuxi Zastron Precision-Flex Company Limited, and Yixing Building Engineering & Installation Co. Ltd. (incorporated by reference to Exhibit 4.17 to the Company's Form 20-F for the year ended December 31, 2009 filed with the SEC on March 16, 2010).
4.8	[reserved]
4.9	[reserved]
4.10	[reserved]
4.11	[reserved]
4.12	[reserved]
4.13	Employment (Letter) Agreement dated November 25, 2010 between Nam and M. K. Koo, effective on October 1, 2010, for Mr. Koo's services as Nam Tai's CFO (incorporated by reference to Exhibit 4.12 to the Company's Form 20-F for the year ended December 31, 2010 filed with the SEC on March 16, 2011).

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Exhibit No.	Exhibit
4.14	Employment (Letter) Agreement dated November 25, 2010 between Nam Tai's subsidiary, Nam Tai Electronic & Electrical Products Limited, or NTEEP, and M. K. Koo, effective on October 1, 2010, for Mr. Koo's services as NTEEP's President (incorporated by reference to Exhibit 4.13 to the Company's Form 20-F for the year ended December 31, 2010 filed with the SEC on March 16, 2011).
4.15	[reserved]
4.16	[reserved]
4.17	[reserved]
4.18	[reserved]
4.19	Banking Facilities Letter between Nam Tai subsidiary, Zastron Electronic (Shenzhen) Co., Ltd. and HSBC Bank (China) Company Limited, Shenzhen Branch dated January 13, 2012 for Zastron Electronic (Shenzhen) Co., Ltd. to receive banking facilities of up to \$50 million (incorporated by reference to Exhibit 4.19 to the Company's Form 20-F for the year ended December 31, 2011 filed with the SEC on March 16, 2012).
4.20	Joint Guaranty by Namtai Investment (Shenzhen) Co., Ltd. and Wuxi Zastron Precision-Flex Co., Ltd. in favour of HSBC Bank (China) Company Limited, Shenzhen Branch with maximum liability of approximately RMB 370 million for the banking facilities of Zastron Electronic (Shenzhen) Co., Ltd. (incorporated by reference to Exhibit 4.20 to the Company's Form 20-F for the year ended December 31, 2011 filed with the SEC on March 16, 2012).
4.21	Banking Facilities Letter between Nam Tai subsidiary, Wuxi Zastron Precision-Flex Co., Ltd. and HSBC Bank (China) Company Limited, Shenzhen Branch dated January 13, 2012 for Wuxi Zastron Precision-Flex Co., Ltd. to receive banking facilities of up to \$50 million (incorporated by reference to Exhibit 4.21 to the Company's Form 20-F for the year ended December 31, 2011 filed with the SEC on March 16, 2012).
4.22	Joint Guaranty by Namtai Investment (Shenzhen) Co., Ltd. and Zastron Electronic (Shenzhen) Co., Ltd. in favour of HSBC Bank (China) Company Limited, Suzhou Branch with maximum liability of approximately RMB 370 million for the banking facilities of Wuxi Zastron Precision-Flex Co., Ltd. (incorporated by reference to Exhibit 4.22 to the Company's Form 20-F for the year ended December 31, 2011 filed with the SEC on March 16, 2012).
4.23	Banking Facilities Letter between Wuxi Zastron Precision-Flex Co., Ltd. and China Merchants Bank Co., Ltd., Shenzhen Jinzhonghuan Sub-branch, dated January 12, 2012, for Wuxi Zastron Precision-Flex Co., Ltd. to receive banking facilities of up to RMB50 million (incorporated by reference to Exhibit 4.23 to the Company's Form 20-F for the year ended December 31, 2011 filed with the SEC on March 16, 2012).
4.24	Guaranty by Zastron Electronic (Shenzhen) Co., Ltd. in favor of China Merchants Bank Co., Ltd., Shenzhen Jinzhonghuan Sub-branch, dated January 13, 2012, in relation to the RMB50 million banking facilities granted to Wuxi Zastron Precision-Flex Co., Ltd. (incorporated by reference to Exhibit 4.24 to the Company's Form 20-F for the year ended December 31, 2011 filed with the SEC on March 16, 2012).
4.25	Guaranty by Namtai Investment (Shenzhen) Co., Ltd. in favor of China Merchants Bank Co., Ltd., Shenzhen Jinzhonghuan Sub-branch, dated January 13, 2012, in relation to the RMB50 million banking facilities granted to Wuxi Zastron Precision-Flex Co., Ltd. (incorporated by reference to Exhibit 4.25 to the Company's Form 20-F for the year ended December 31, 2011 filed with the SEC on March 16, 2012).
4.26	Banking Facilities Letter between Zastron Electronic (Shenzhen) Co., Ltd. and China Merchants Bank Co., Ltd., Shenzhen Jinzhonghuan Sub-branch, dated January 13, 2012 for Zastron Electronic (Shenzhen) Co., Ltd. to receive banking facilities of up to RMB300 million (incorporated by reference to Exhibit 4.26 to the Company's Form 20-F for the year ended December 31, 2011 filed with the SEC on March 16, 2012).
4.27	Guaranty by Namtai Investment (Shenzhen) Co., Ltd. in favor of China Merchants Bank Co., Ltd., Shenzhen Jinzhonghuan Sub-branch, dated January 13, 2012, in relation to the RMB300 million banking facilities granted to Zastron Electronic (Shenzhen) Co., Ltd. (incorporated by reference to Exhibit 4.27 to the Company's Form 20-F for the year ended December 31, 2011 filed with the SEC on March 16, 2012).
8.1	Diagram of Company's subsidiaries at December 31, 2011. See the diagram following page 23 of this Report.
11.1	Code of Ethics (incorporated by reference to Exhibit 14.1 to the Company's Form 20-F for the year ended December 31, 2004 filed with the SEC on March 15, 2005).
12.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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- 12.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 13.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15.1 Consent of Independent Registered Public Accounting Firm Moore Stephens.

* The agreement is written in Chinese and an English Translation is provided in accordance with Form 20-F Instructions to Exhibits and Rule 12b-12(d) under the Exchange Act).

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SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

NAM TAI ELECTRONICS, INC.

By: /s/ M. K. Koo
Koo Ming Kown
Chief Financial Officer

Date: November 16, 2012