Nadkarni Gurudatta D
Form 4
January 04, 2018

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Nadkarni Gurudatta D

(Last) (First) (Middle)

CONSOLIDATED EDISON, INC. C/O SECRETARY, 4 IRVING PLACE, ROOM 16-205

(Street)

NEW YORK, NY 10003

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CONSOLIDATED EDISON INC [ED]

3. Date of Earliest Transaction (Month/Day/Year)
12/31/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP, Strategic Planning

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	12/31/2017	01/04/2018	P		76.97 (1)	A	$ 87.1	6,134.19	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Nadkarni Gurudatta D CONSOLIDATED EDISON, INC. C/O SECRETARY 4 IRVING PLACE, ROOM 16-205 NEW YORK, NY 10003			VP, Strategic Planning	

Signatures

Vanessa M. Franklin; Attorney-in-Fact	01/04/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Purchase of shares of common stock of Consolidated Edison, Inc. (the "Company") under the Company's Stock Purchase Plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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1,720,464

C. Board Practices

The directors will hold office until the next annual general meeting of shareholders and until such director s successor is elected and duly qualified, or until such director s earlier death, resignation or removal. We have no specific policy with respect to director attendance at our board meetings, committee meetings or annual general meetings of shareholders.

Board Committees

To enhance our corporate governance, we have established three committees under the board of directors: the audit committee, the nominating and corporate governance committee and the compensation committee. We have adopted a charter for each of these committees. The committees have the following functions and members.

Audit Committee

Our audit committee reports to the board of directors regarding the appointment of our independent registered public accounting firm, the scope and results of our annual audits, compliance with our accounting and financial policies and management s procedures and policies relating to the adequacy of our internal accounting controls. Our audit committee charter requires its members to satisfy applicable Nasdaq corporate governance rules on independence. The members of our audit committee are Donald L. Lucas, who acts as the chairman of our audit committee, David K. Chao and James Jianzhang Liang. Our board of directors has determined that Messrs. Lucas, Chao and Liang are independent directors within the meaning of Nasdaq Listing Rule 5605(a)(2) and meet the criteria for independence set forth in Section 10A(m)(3)(B)(i) of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act.

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Our audit committee will be responsible for, among other things:

- the appointment, evaluation, compensation, oversight and termination of the work of our independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting);
- ensuring that it receives from our independent auditor a formal written statement attesting to the auditor s independence and describing all relationships between the auditor and us;
- pre-approving any audit and non-audit services, including tax services, to be provided by our independent auditor in accordance with Nasdaq rules;
- reviewing our annual audited financial statements and quarterly financial statements with management and our independent auditor;
- reviewing with our independent auditor all critical accounting policies and practices to be used by us in preparing our financial statements, all alternative treatments of financial information within U.S. GAAP, and other material communications between our independent auditor and management;
- reviewing our policies with respect to risk assessment and risk management;
- reviewing, with management and counsel, any legal matters that may have a material impact on us and any material reports or inquiries from regulatory or governmental agencies; and
- establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, auditing matters or potential violations of law, and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters or potential violations of law.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee assists the board of directors in identifying individuals qualified to become members of our board of directors and in determining the composition of the board and its committees. The current members of our nominating and corporate governance committee are James Jianzhang Liang, who acts as the chairman of our nominating and corporate governance committee, and David K. Chao. Our board of directors has determined that all members of our nominating and corporate governance committee are independent directors within the meaning of Nasdaq Listing Rule 5605(a)(2) and meets the criteria for independence set forth in Section 10A(m)(3)(B)(i) of the Exchange Act.

Our nominating and corporate governance committee will be responsible for, among other things:

- identifying and recommending to the board nominees for election or re-election to the board, or for appointment to fill any vacancy;

- reviewing annually with the board the current composition of the board in light of the characteristics of independence, age, skills, experience and availability of service to us;

- reviewing the continued board membership of a director upon a significant change in such director s principal occupation;

- identifying and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as the nominating and corporate governance committee itself;

- advising the board periodically with respect to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any corrective action to be taken;

- establishing criteria and processes for, and leading the board and each committee of the board in, its annual performance self-evaluation;

- reviewing and approving policies and procedures with respect to proposed transactions between us and our related parties, and approving in advance all such related-party transactions; and

- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee

Our compensation committee assists the board in reviewing and approving the compensation structure of our directors and executive officers, including all forms of compensation to be provided to our directors and executive

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officers. In addition, the compensation committee reviews stock compensation arrangements for all of our other employees. Members of the compensation committee are not prohibited from direct involvement in determining their own compensation. Our chief executive officer may not be present at any committee meeting during which his or her compensation is deliberated. The current members of our compensation committee are David K. Chao, who acts as the chairman of the committee, and Donald L. Lucas. Our board of directors has determined that all members of our compensation committee are independent directors within the meaning of Nasdaq Listing Rule 5605(a)(2) and meet the criteria for independence set forth in Section 10A(m)(3)(B)(i) of the Exchange Act.

Our compensation committee will be responsible for, among other things:

- approving and overseeing the total compensation package for our executives;
- reviewing and making recommendations to the board with respect to the compensation of our directors;
- reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, evaluating the performance of our chief executive officer in light of those goals and objectives, and setting the compensation level of our chief executive officer based on this evaluation;
- reviewing the results of, and procedures for, the evaluation of the performance of other executive officers;
- reviewing periodically and making recommendations to the board regarding any long-term incentive compensation or equity plans, programs or similar arrangements, and administering these plans;
- reviewing and making recommendations to the board regarding all new employment, consulting, retirement and severance agreements and arrangements proposed for our executives; and
- selecting peer groups of companies to be used for purposes of determining competitive compensation packages.

Duties of Directors

Under Cayman Islands law, our directors have a duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the skills they actually possess and the care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time.

The functions and powers of our board of directors include, among others:

- convening shareholders annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registering of such shares in our register of members.

Interested Transactions

A director may vote in respect of any contract or transaction in which he is interested, provided that the nature of the interest of any director in such contract or transaction shall be disclosed by him at or prior to its consideration and any vote on that matter. A general notice or disclosure to the directors or otherwise contained in the minutes of a meeting or a written resolution of the directors or any committee of directors that a director is a shareholder of any specified firm or company and is to be regarded as interested in any transaction with such firm or company will be sufficient disclosure, and, after such general notice, it will not be necessary to give special notice relating to any particular transaction.

Remuneration and Borrowing

The directors may determine remuneration to be paid to the directors. The compensation committee will assist the directors in reviewing and approving the compensation structure for the directors. We do not provide for any termination benefits for the directors, nor do we have other arrangements with the directors for special termination benefits. The directors may exercise all the powers of our company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of our company or of any third party.

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Qualification

There is no shareholding qualification for directors. Further, shareholding qualification for directors may not be fixed by our company in a general meeting.

Terms of Directors and Executive Officers

At each annual general meeting of the shareholders of our company, all of our directors at such time are required to retire from office and are eligible for re-election. All of these directors will retain office until the close of such general meeting.

Limitation on Liability and Other Indemnification Matters

Cayman Islands law allows us to indemnify our directors, officers, auditors and trustee acting in relation to any of our affairs against actions, costs, charges, losses, damages and expenses incurred by reason of any act done or omitted in the execution of their duties as our directors, officers, auditors and trustee, except to the extent that it may be held by the Cayman Islands courts to be contrary to public policy such as to provide indemnification against civil fraud or the consequences of committing a crime.

Under our fifth amended and restated memorandum and articles of association, we may indemnify our directors, officers, employees and agents against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such persons in connection with actions, suits or proceedings to which they are party or are threatened to be made a party by reason of their acting as our directors, officers, employees or agents. To be entitled to indemnification, these persons must have acted in good faith and in the best interest or not opposed to the interest of our company and must not have acted in a manner willfully or grossly negligent, and, with respect to any criminal action, they must have had no reasonable cause to believe their conduct was unlawful. Our fifth amended and restated memorandum and articles of association also provides for indemnification of such person in the case of a suit initiated by our company or in the right of our company. Such indemnification covers expenses (including attorneys fees) actually and reasonably incurred in connection with the defense or settlement of such suit. There are good faith and other similar conduct requirements for such indemnification rights as those imposed on other types of suits described above. However, if such persons are successful in the merits of the actions, suits or proceedings described above, including suits initiated by or in the right of our company, then they may be indemnified for actual and reasonable expenses without having to meet the conduct requirements.

We have entered into indemnification agreements with each of our directors under which we agree to indemnify each of them to the fullest extent permitted by applicable law and our articles of association, from and against all costs, charges, expenses, liabilities and losses (including attorney s fees) incurred in connection with any litigation, suit or proceeding to which such director is or is threatened to be made a party, witness or other participant. Within 20 days after our receipt of a written demand of such director, we will advance funds for the payment of indemnification of these expenses.

D. Employees

We had 3,804 employees, 4,354 employees and 4,729 employees as of December 31, 2009, 2010 and 2011, respectively. The following table sets forth the number of our employees categorized by function as of December 31, 2011.

Sales and account management	2,251
Customer service and production	849
Technology and online operations	755
Marketing and merchandising	377
Search and training consultants	140
General and administrative	357
Total	4,729*

* Includes 427 temporary, part-time and contract employees.

We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations. Our employees are not represented by any collective bargaining agreements or labor unions.

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E. Share Ownership

There are no different voting rights among our shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. For information regarding the share ownership of our directors and officers, see Item 7. Major Shareholders and Related Party Transactions Major Shareholders. For information as to stock options granted to our directors, executive officers and other employees, see Compensation Stock-Based Compensation Plans.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our common shares as of March 31, 2012, unless otherwise stated:

- by each of our directors and executive officers; and

- each person known to us to own beneficially more than 5% of our common shares.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power a person has with respect to the common shares. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. The percentage of beneficial ownership of each person is based on 57,560,803 common shares outstanding as of March 31, 2012 and the number of common shares underlying options that have vested or will vest within 60 days after March 31, 2012. Except as otherwise noted, the address of each person listed in the table is c/o 51job, Inc., Building 3, No. 1387, Zhang Dong Road, Shanghai 201203, People s Republic of China.

	Common shares beneficially owned	
	Number	%
Directors and executive officers:		
Rick Yan	12,878,236	22.2
Kathleen Chien	1,749,927	3.0
David K. Chao(1)	431,658	*
Tao Wang	238,050	*
David Weimin Jin	104,022	*
Jones Haijun Yu	103,950	*
Donald L. Lucas	81,210	*

James Jianzhang Liang	61,267	*
Hisayuki Idekoba(2)		
All directors and executive officers as a group	15,648,320	26.6
Principal shareholders:		
Recruit Co., Ltd.(2)	23,385,231	40.6
Rick Yan	12,878,236	22.2
FMR LLC(3)	5,191,360	9.1

* Less than 1% of our total outstanding common shares.

(1) The address of David K. Chao is 2420 Sand Hill Road, Suite 200, Menlo Park, CA 94025.

(2) The address of Hisayuki Idekoba and Recruit Co., Ltd. is GranTokyo South Tower, 1-9-2 Marunouchi, Chiyoda-ku, Tokyo 100-6640, Japan.

(3) Represents 5,191,360 common shares in the form of ADSs held by FMR LLC, as reported on Schedule 13G filed by FMR LLC on February 14, 2012. The percentage of beneficial ownership was calculated based on the total number of our common shares outstanding as of December 31, 2011. The address of FMR LLC is 82 Devonshire Street, Boston, MA 02109.

As of March 31, 2012, 2,280,076 of our common shares, representing approximately 4% of our common shares outstanding, were beneficially owned by a total of eight holders of record with addresses in the United States. As of the same date, 10,854,294 of our ADSs, representing 21,708,588 common shares, or approximately 38% of our common shares outstanding, were held by a total of five registered holders of record with addresses in the United States. Since certain of these common shares and ADSs were held by brokers or other nominees, the number of record holders in the U.S. may not be representative of the number of beneficial holders or their country of residence.

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B. Related Party Transactions

Contractual Arrangements Among Our Group Entities

The PRC government has regulated foreign ownership of advertising, human resource related services and Internet content provision businesses. As a result, relationships and economic arrangements among our subsidiaries, affiliated entities and their respective shareholders are governed by a series of agreements. The material agreements which govern the relationships and economic arrangements among our group entities are illustrated in the following chart and described in greater detail below.

Technical and Consulting Service Agreements

Qian Cheng Technical and Consulting Service Agreement. WFOE and Qian Cheng have entered into a technical and consulting service agreement dated as of May 3, 2004 under which WFOE has the exclusive right to provide advertising related technical and consulting services to Qian Cheng. Qian Cheng will pay service fees to WFOE based on the extent and nature of the services provided by WFOE, as set forth in invoices issued by WFOE to Qian Cheng from time to time. The agreement has a term of ten years and may be extended with the consent of the parties. This agreement is not subject to early termination, other than by WFOE solely upon a default by Qian Cheng. Qian Cheng has no early termination rights with respect to this agreement.

Run An Technical and Consulting Service Agreement. WFOE and Run An have entered into a technical and consulting service agreement dated as of September 11, 2007 under which WFOE has the exclusive right to provide software and web related technical and consulting services to Run An. Run An will pay service fees to WFOE based on the extent and nature of the services provided by WFOE, as set forth in invoices issued by WFOE to Run An from time to time. The agreement has a term of ten years and may be extended with the consent of the parties. This agreement is not subject to early termination, other than by WFOE solely upon a default by Run An. Run An has no early termination rights with respect to this agreement.

Equity Pledge Agreements

Qian Cheng Equity Pledge Agreement. As security for Qian Cheng s obligations under the technical and consulting service agreement, the shareholders of Qian Cheng have pledged all of their equity interest in Qian Cheng to WFOE under an equity pledge agreement dated as of May 3, 2004. Upon the occurrence of certain defaults by Qian Cheng as defined in the Qian Cheng equity pledge agreement, including any default by Qian Cheng in respect of any provisions of the Qian Cheng technical and consulting service agreement, WFOE, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interest. The shareholders of Qian Cheng have agreed that they will not dispose of the pledged equity interest or take any actions that will prejudice WFOE s interest under the Qian Cheng equity pledge agreement. The pledge cannot be released until the discharge of all of Qian Cheng s obligations under the Qian Cheng technical and consulting service agreement. The parties have further agreed that WFOE has the right to approve the appointment of directors and to recommend candidates to the board for positions of the general manager and senior executives of Qian Cheng. The board may only choose from the candidates so recommended by WFOE. In addition, during the ten-year term of the agreement, WFOE has the option to purchase the equity interest in Qian Cheng to the maximum extent permitted under PRC laws. Upon the expiration of the term, if and to the extent the option has not been exercised, WFOE is obligated to purchase the equity interest in Qian Cheng to the extent permitted under PRC laws. In all cases, the purchase price shall be the lowest price permitted under PRC laws.

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Run An Equity Pledge Agreement. As security for Run An s obligations under the technical and consulting service agreement, the shareholders of Run An have pledged all of their equity interest in Run An to WFOE under an equity pledge agreement dated as of September 11, 2007. Upon the occurrence of certain defaults by Run An as defined in the Run An equity pledge agreement, including any default by Run An in respect of any provisions of the Run An technical and consulting service agreement, WFOE, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interest. The shareholders of Run An have agreed that they will not dispose of the pledged equity interest or take any actions that will prejudice WFOE s interest under the Run An equity pledge agreement. The pledge cannot be released until the discharge of all of Run An s obligations under the Run An technical and consulting service agreement. The parties have further agreed that WFOE has the right to approve the appointment of directors and to recommend candidates to the board for positions of the general manager and senior executives of Run An. The board may only choose from the candidates so recommended by WFOE. In addition, during the ten-year term of the agreement, WFOE has the option to purchase the equity interest in Run An to the maximum extent permitted under PRC laws. Upon the expiration of the term, if and to the extent the option has not been exercised, WFOE is obligated to purchase the equity interest in Run An to the extent permitted under PRC laws. In the case of an option held by a foreign entity, PRC law requires that the exercise price of the option be determined at the time of exercise by reference to the appraised value of the underlying equity interest. The exercise price determined by the parties may not be significantly lower than this appraised value and must also be approved by relevant PRC regulatory authorities. To comply with these regulations, the parties to the Run An equity pledge agreement have agreed that the exercise price of the equity interest in Run An shall be the lowest price permitted by PRC law.

Other Agreements

Loan Agreements. Tech JV has entered into loan agreements dated as of September 11, 2007 with David Weimin Jin and Tao Wang, two of our executive officers, with the sole and exclusive purpose to fund the capitalization of Run An. A loan amount of RMB3.0 million was provided to each individual to acquire a 50% equity interest in Run An. The term of the interest-free loan agreements is ten years from the date thereof.

Domain Name License Agreement. 51net has entered into a domain name license agreement with Tech JV dated as of August 15, 2000, and supplemented and amended as of August 15, 2010, under which 51net has granted to Tech JV the right to use the *www.51job.com* domain name in the PRC in connection with Tech JV s operation of its website. Tech JV is not permitted to assign its right under this agreement to any third party. The license fee to be paid under the domain name license agreement will be agreed to by both parties. The domain name license agreement is effective until August 14, 2018 and is renewable upon the written consent of 51net.

Call Option Agreement. 51net has entered into a call option agreement with Qian Cheng dated as of August 1, 2002, and supplemented and amended as of May 3, 2004, under which 51net or its designee is granted an irrevocable option to purchase all of Qian Cheng s equity interest in Tech JV and AdCo for RMB1.2 million or, if such purchase price is not permissible under the applicable PRC laws, the lowest price permitted under then applicable PRC laws. In addition, Qian Cheng granted 51net an irrevocable option to purchase any and all of its equity interests in the AdCo Subsidiaries, including, without limitation, Wuhan AdCo, at the lowest price permitted under PRC laws. The call option agreement has a term of ten years, which may be extended upon written consent of the parties.

We have been advised by Jun He Law Offices, our PRC legal counsel, that the agreements among our subsidiaries, affiliated entities and their respective shareholders are valid and binding, and are enforceable under, and will not result in any violation of, existing PRC laws or regulations, with exception to the effectiveness of the pledges under the equity pledge agreements, which have not yet been registered with the relevant administration of industry and commerce, and the trademark license agreement, which may not be enforceable against bona fide third parties until registration with the relevant trademark administration authorities. However, there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including but not limited to the laws and regulations governing our business or the enforcement and performance of our contractual arrangements in the event of the imposition of statutory liens, death, bankruptcy and criminal proceedings. Accordingly, we cannot assure you that PRC regulatory authorities will not take a view contrary to that of our PRC legal counsel.

See Item 3. Key Information Risk Factors Risks Related to Doing Business in China The PRC legal system has inherent uncertainties that could materially and adversely affect us.

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Stock Option Grants

We have granted options to purchase common shares in our company to certain of our employees, directors and officers under our share option plans. As of December 31, 2011, there were outstanding options to purchase an aggregate of 4,921,342 common shares in our company. For a description of our share option plans and these option grants, see Item 6. Directors, Senior Management and Employees Compensation Stock-Based Compensation Plans.

Investments in Coupon Advertising Services Company with Recruit

In August 2007, we entered into an agreement with Recruit to form a new company under Area Link to provide coupon advertising services in China. Under the agreement as amended in August 2009, we may provide up to RMB32.8 million in financing to Area Link for the coupon company and have the ability to acquire up to 40% of Area Link s share capital in lieu of repayment. We do not participate in the management of this company, but we can and have nominated two of the five directors to the board of the coupon company. In the second quarter of 2011, we determined that the carrying value of our investments in Area Link were not recoverable due to changing market conditions and operational developments. As a result, we recognized a loss from impairment of RMB15.1 million (US$2.4 million), the total amount of our investments.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See Item 18. Financial Statements for our audited consolidated financial statements filed as part of this annual report.

Legal Proceedings

From time to time, we undertake legal action against entities that misappropriate the content of our *www.51job.com* website, including recruitment advertisements and the design of our website, our brands and trademarks, materials from our training courses and other proprietary intellectual property. Our intellectual property is subject to theft and other unauthorized use, and our ability to protect our intellectual property is limited. In addition, we may in the future be subject to claims that we have infringed the intellectual property rights of others. See Item 3. Key Information Risk Factors Risks Related to Our Business We may be exposed to infringement or misappropriation claims by third parties, which, if successful, could cause us to pay significant damage awards.

Dividend Policy

Since the incorporation of our company in 2000, we have never declared or paid any cash dividends on our common shares. We have historically retained earnings to finance operations and the expansion of our business. The timing, amount and form of future dividends, if any, will depend, among other things, on our future results of operations and cash flow, our future prospects, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries and our affiliated entities, and other factors deemed relevant by our board of directors. Any future dividends on our common shares would be declared by and subject to the discretion of our board of directors.

Holders of ADSs will be entitled to receive dividends, if any, subject to the terms of the deposit agreement, to the same extent as holders of common shares, less the fees and expenses payable under the deposit agreement, and after deduction of any applicable taxes.

B. Significant Changes

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

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ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ADSs, each representing two of our common shares, have been trading on the Nasdaq Global Select Market since September 29, 2004. Our ADSs are traded under the symbol JOBS.

The following table provides the high and low trading prices for our ADSs on the Nasdaq Global Select Market for (i) the years ended December 31, 2007, 2008, 2009, 2010 and 2011, (ii) each of the nine most recent fiscal quarters and (iii) each of the most recent six months.

	Sales price	
	High US$	**Low US$**
Annual highs and lows		
2007	25.44	14.02
2008	20.50	6.00
2009	20.50	6.00
2010	55.50	15.31
2011	69.80	36.62
Quarterly highs and lows		
First quarter 2010	20.35	15.31
Second quarter 2010	23.30	16.64
Third quarter 2010	39.19	18.67
Fourth quarter 2010	55.50	35.05
First quarter 2011	64.55	49.80
Second quarter 2011	68.55	44.81
Third quarter 2011	69.80	39.82
Fourth quarter 2011	50.44	36.62
First quarter 2012	59.89	38.48
Monthly highs and lows		
October 2011	50.44	36.62
November 2011	47.02	39.71
December 2011	46.50	41.60
January 2012	49.62	38.48
February 2012	51.50	44.05
March 2012	59.89	51.01
April 2012 (through April 10)	63.95	56.55

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing two of our common shares, have been trading on the Nasdaq Global Select Market since September 29, 2004 under the symbol JOBS.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

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ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We incorporate by reference into this annual report the description of our amended and restated memorandum and articles of association contained in our F-1 registration statement (File No. 333-117194) filed with the Commission on September 29, 2004. Our shareholders adopted our amended and restated memorandum and articles of association at an extraordinary shareholder meeting on April 26, 2004.

C. Material Contracts

Except for the agreement discussed below, we have not entered into any material contracts other than in the ordinary course of business and other than those described in Item 4. Information on the Company or elsewhere in this annual report on Form 20-F.

In August 2007, we entered into a cooperation agreement with Recruit to form a new company under Area Link to provide coupon advertising services in China. Under the agreement as amended in August 2009, we may provide up to RMB32.8 million in financing to Area Link for the coupon company and have the ability to acquire up to 40% of Area Link s share capital in lieu of repayment. In the second quarter of 2011, we determined that the carrying values of the investments provided to Area Link in 2007 and 2008 were not recoverable and recognized a loss from impairment totaling RMB15.1 million (US$2.4 million) for the year ended December 31, 2011.

D. Exchange Controls

See Item 4. Information on the Company Business Overview Regulation Regulations Relating to Foreign Currency Exchange.

E. Taxation

The following summary of the material Cayman Islands, People s Republic of China and United States federal income tax consequences of an investment in our ADSs or common shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or common shares, such as the tax consequences under state, local and other tax laws.

Cayman Islands Taxation

According to Maples and Calder, our counsel as to Cayman Islands law, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our company levied by the Government of the Cayman Islands except for stamp duties that may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. The Cayman Islands are not party to any double taxation treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People s Republic of China

Under the EIT Law and its implementation rules, enterprises incorporated under the laws of jurisdictions outside China with their de facto management bodies located within China may be considered PRC resident enterprises and therefore subject to an EIT rate of 25% on their worldwide income. Under the implementation regulations issued by the State Council relating to the EIT Law, de facto management bodies is defined as the bodies that have material and overall management control over the production and business operations, personnel, accounts and properties of an enterprise. However, it remains unclear how the PRC tax authorities will interpret such a broad definition. We are a Cayman Islands holding company and substantially all of our operational management is currently based in China. To our knowledge, there is a lack of clear guidance regarding the criteria pursuant to which the PRC tax authorities will determine the tax residency of a company under the EIT Law, other than for those enterprises established outside of China whose main holding investors are enterprises established in China, which is available. It is unclear whether we may be considered to be a resident enterprise by PRC tax authorities, which would make us subject to the uniform 25% EIT rate as to our global income.

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If we are considered a PRC resident enterprise under the EIT Law, our shareholders and ADS holders who are deemed non-resident enterprises may be subject to an EIT rate of 10% upon the dividends payable by us or upon any gains realized from the transfer of our common shares or ADSs, if such income is deemed derived from China, provided that (i) such foreign enterprise investor has no establishment or place of business in China, or (ii) it has establishment or place of business in China but its income derived from China has no real connection with such establishment or place of business.

Moreover, under the EIT Law and related regulations, dividends payable by a foreign-invested enterprise, such as our PRC subsidiaries, to any of its foreign non-resident enterprise investors shall be subject to a 10% withholding tax unless such foreign enterprise investor s jurisdiction of incorporation has a tax treaty with China that provides for a reduced rate of withholding tax. We are incorporated in the Cayman Islands which does not have such a tax treaty with China.

Certain United States Federal Income Tax Considerations

The following summarizes certain U.S. federal income tax consequences to a U.S. Holder, as defined below, of the ownership and disposition of our ADSs or common shares as of the date of this annual report.

Except where noted, this summary deals only with ADSs and common shares that are held as capital assets by U.S. Holders. This summary does not describe all of the U.S. federal income tax consequences applicable to U.S. Holders that are subject to special treatment under the U.S. federal income tax laws, including:

- dealers in securities or currencies;
- regulated investment companies;
- financial institutions;
- real estate investment trusts;
- insurance companies;
- tax-exempt organizations;

- persons holding ADSs or common shares as part of a hedging, integrated or conversion transaction, constructive sale or straddle;
- traders in securities that have elected the mark-to-market method of accounting;
- persons liable for alternative minimum tax;
- partnerships or other pass-through entities for U.S. federal income tax purposes;
- persons who own or are deemed to own 10% or more of our voting shares; or
- persons whose functional currency is not the U.S. dollar.

This summary is based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, and U.S. Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified, possibly on a retroactive basis, so as to result in U.S. federal income tax consequences different from those discussed below.

A U.S. Holder that holds or is considering the disposition of ADSs or common shares should consult its own tax advisor concerning the U.S. federal income tax consequences as well as any consequences arising under the laws of any other taxing jurisdiction in light of the particular circumstances of the U.S. Holder.

As used herein, the term U.S. Holder means a beneficial owner of ADSs or common shares that is a U.S. person. A U.S. person is a person who is, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation, regardless of its source; or

- a trust if it is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or if the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

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If a partnership holds ADSs or common shares, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. A partner of a partnership holding ADSs or common shares should consult its own tax advisors.

The U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. Holders of ADSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate U.S. Holders. Accordingly, the analysis of the creditability of foreign taxes and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders, each described below, could be affected by actions taken by intermediaries in the chain of ownership between the holder of an ADS and our company.

ADSs

In general, for U.S. federal income tax purposes, a U.S. Holder of ADSs will be treated as the owner of the underlying common shares that are represented by such ADSs. Deposits and withdrawals of common shares in exchange for ADSs will not be subject to U.S. federal income taxation.

Distributions on ADSs or Common Shares

Subject to the discussion under Passive Foreign Investment Company Rules below, the gross amount of the distributions on the ADSs or common shares (including amounts withheld to reflect PRC withholding taxes, if any) will be taxable to a U.S. Holder as dividends to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such income will be includable in a U.S. Holder s gross income as ordinary income on the day actually or constructively received by a U.S. Holder, in the case of common shares, or by the depositary, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under U.S. federal income tax law. Subject to certain limitations, dividends paid to non-corporate U.S. Holders, including individuals, in taxable years beginning before January 1, 2013 will be eligible for a reduced rate of taxation if we are deemed to be a qualified foreign corporation for U.S. federal income tax purposes. A qualified foreign corporation includes:

- a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the U.S. Treasury determines to be satisfactory for these purposes and which includes an exchange of information program; and

- a foreign corporation if its shares with respect to which a dividend is paid or its ADSs backed by such shares are readily tradable on an established securities market within the United States,

but does not include an otherwise qualified corporation that is a passive foreign investment company, or a PFIC, in the taxable year in which the dividends are paid or the preceding taxable year. We believe that we will be a qualified foreign corporation with respect to dividends paid on our ADSs for so long as (i) we are not a PFIC and (ii) the ADSs are listed on the Nasdaq Global Select Market or a national securities exchange in the United States, and thus are considered to be readily tradable on an established securities market. However, our status as a qualified foreign corporation may change. In addition, subject to the following sentence, we do not believe that dividends that we pay on our common shares that are not represented by ADSs currently meet the conditions required for these reduced tax rates. In the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we may be eligible for the benefits of the income tax treaty between the United States and the PRC, and if we are eligible for such benefits, dividends we pay on our common shares, regardless of whether such shares are represented by ADSs, would be subject to the reduced rates of taxation. Non-corporate U.S. Holders that do not meet at minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as investment income pursuant to section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. U.S. Holders should consult their own tax advisors regarding the application of these rules to their particular circumstances.

Under the PRC tax law, if the dividends paid by us are deemed to be derived from sources within the PRC, a U.S. Holder may be subject to PRC withholding taxes on dividends paid with respect to the ADSs or common shares. Subject to certain conditions and limitations, PRC withholding taxes on dividends, if any, may be treated as foreign taxes eligible for credit against a U.S. Holder s U.S. federal income tax liability. Dividends paid on the ADSs or common shares will be treated as income from sources outside the United States and generally will constitute passive category income for U.S. foreign tax credit limitation purposes. Furthermore, in certain circumstances, if a

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U.S. Holder has held the ADSs or common shares for less than a specified minimum period during which it is not protected from risk of loss, or is obligated to make payments related to the dividends, the U.S. Holder will not be allowed a foreign tax credit for any PRC withholding taxes imposed on dividends paid on the ADSs or common shares. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

To the extent that the amount of any distribution exceeds our current or accumulated earnings and profits for a taxable year, as determined under U.S. federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the ADSs or common shares (thereby increasing the amount of gain, or decreasing the amount of loss, a U.S. Holder would recognize on a subsequent disposition of the ADSs or common shares), and the balance in excess of adjusted basis will be taxed as capital gain. However, we do not expect to provide U.S. Holders of common shares or ADSs with information regarding the amount of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Therefore, U.S. Holders should generally expect distributions to be treated as dividends for U.S. federal income tax purposes (as discussed above).

Distributions of ADSs or common shares that are received as part of a pro rata distribution to all of our common shareholders (including ADS holders) generally will not be subject to U.S. federal income tax. The basis of the new ADSs or common shares so received will be determined by allocating a U.S. Holder s basis in the old ADSs or common shares between the old ADSs or common shares and the new ADSs or common shares received, based on their relative fair market values on the date of distribution.

Sale, Exchange or Other Disposition of ADSs or Common Shares

Subject to the discussion under Passive Foreign Investment Company Rules below, upon the sale, exchange or other disposition of ADSs or common shares, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized upon the sale, exchange or other disposition and the adjusted tax basis of the U.S. Holder in the ADSs or common shares. A U.S. Holder s tax basis in an ADS or a common share will be, in general, the price it paid for that ADS or common share. The capital gain or loss generally will be long-term capital gain or loss if, at the time of sale, exchange or other disposition, the U.S. Holder has held the ADS or common share for more than one year. Net long-term capital gains of non-corporate U.S. Holders, including individuals, are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss that a U.S. Holder recognizes generally will be treated as gain or loss from sources within the United States for U.S. foreign tax credit limitation purposes. However, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we may be eligible for the benefits of the income tax treaty between the United States and the PRC. Under that treaty, if any PRC tax was to be imposed on any gain from the sale, exchange or other disposition of the ADSs or common shares, the gain may be treated as PRC-source income. U.S. Holders are urged to consult their own tax advisors regarding the tax consequences if a foreign withholding tax is imposed on a disposition of ADSs or common shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

Based on the past composition of our income and valuation of our assets, including goodwill, we believe that we were not a PFIC for our taxable year ending on December 31, 2011, although there can be no assurance in this regard. However, due to the volatility of the market price of our common shares, as represented by our ADSs, under recent market conditions, we believe that we may be a PFIC for our current taxable year or that we may become one in the future. Under the Code, the determination of whether we are a PFIC is made annually. Accordingly, our PFIC status for the current taxable year cannot be determined with certainty until after the close of the current taxable year. In particular, our PFIC status may be determined in large part based on the market price of our common shares, as represented by our ADSs, which is likely to fluctuate (and may fluctuate considerably given that the global capital markets have been experiencing extreme volatility). Accordingly, fluctuations in the market price of our common shares, as represented by our ADSs, may result in our being a PFIC in the current or any future taxable year.

In addition, as described under Item 3. Key Information Risk Factors Risks Related to Our Corporate Structure, there exist substantial uncertainties regarding the application, interpretation and enforcement of relevant current and future PRC laws and regulations and their potential effect on our corporate structure and contractual arrangements with certain of our affiliated PRC entities. There can be no assurance that the PRC regulatory authorities will not take a view different from that of our PRC counsel. Further, even if the uncertainties as to PRC laws and regulations did not exist, there are also substantial uncertainties as to the treatment of our corporate structure and ownership of these affiliated PRC entities for U.S. federal income tax purposes. If it is determined that we do not own the stock of the affiliated PRC entities for U.S. federal income tax purposes, we would likely be treated as a PFIC for our taxable year ending on December 31, 2011 and any taxable year thereafter. If we are a PFIC for any taxable year during which U.S. Holders hold our ADSs or common shares, the U.S. Holders will be subject to special tax rules discussed below.

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In general, we will be a PFIC for any taxable year in which either (i) at least 75% of our gross income for the taxable year is passive income or (ii) at least 50% of the value (determined on the basis of a quarterly average) of our assets held during the taxable year is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes dividends, interest, royalties and rents (other than rents and royalties derived in the active conduct of a trade or business and not derived from a related person). If we own at least 25% by value of the equity shares of another corporation, we will be treated for purposes of the PFIC tests as owning a proportionate share of the assets of the other corporation, and as receiving directly a proportionate share of the other corporation s income.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or common shares, unless the U.S. Holder makes a mark-to-market election or a qualified electing fund election, as discussed below, such U.S. Holder will be subject to the following special tax rules.

Gain realized upon the sale or disposition of ADSs or common shares and distributions made to a U.S. Holder by us during a taxable year with respect to the ADSs or common shares that are excess distributions (defined generally as the excess of the amount received with respect to the ADSs or common shares in the taxable year over 125% of the average amount received in the shorter of either the three preceding years or a U.S. Holder s holding period before the taxable year) must be allocated ratably to each day of the U.S. Holder s holding period. The amount allocated to the current taxable year or any year before we became a PFIC will be included as ordinary income in a U.S. Holder s gross income for that year. The amount allocated to other prior taxable years will be taxed as ordinary income at the highest rate in effect for the class of U.S. Holder, corporate or non-corporate, in that prior year and the tax is subject to an interest charge at the rate applicable to deficiencies in income taxes.

If we are a PFIC for any taxable year and any of our non-United States subsidiaries is also a PFIC, a U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their own tax advisors about the application of the PFIC rules to any of our subsidiaries.

In addition, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us in taxable years beginning prior to January 1, 2013, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

In certain circumstances, instead of being subject to the excess distribution rules discussed above, a U.S. Holder may make an election to include gain on the ADSs or common shares of a PFIC as ordinary income under a mark-to-market method, provided that the ADSs or common shares are regularly traded on a qualified exchange. Under current law, the mark-to-market election is only available for ADSs or common shares that are regularly traded within the meaning of U.S. Treasury regulations on certain designated U.S. exchanges and foreign exchanges that meet trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable U.S. Treasury regulations. The Nasdaq Global Select Market is a qualified exchange but no assurance can be given that the ADSs will be regularly traded for the purposes of the mark-to-market election.

If a U.S. Holder makes an effective mark-to-market election, the U.S. Holder will include each year as ordinary income, rather than capital gain, the excess, if any, of the fair market value of the U.S. Holder s ADSs or common shares at the end of the taxable year over such U.S. Holder s adjusted basis in the ADSs or common shares, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of these ADSs or common shares over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder s basis in the ADSs or common shares will be adjusted to reflect any such income or loss amounts. Any gain or loss on the sale of the ADSs or common shares will be ordinary income or loss, except that this loss will be ordinary loss only to the extent of the previously included net mark-to-market gain. If a U.S. Holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ADSs or common shares are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election.

Instead of being subject to the excess distribution rules discussed above, a U.S. holder of shares in a PFIC alternatively may elect to have the company treated as a qualified electing fund, provided that the company provides certain information to make such an election effective. However, this option will not be available to U.S. Holders because we do not intend to provide such information to U.S. Holders.

If a U.S. Holder owns ADSs or common shares during any year that we are a PFIC, the U.S. Holder must file an annual report.

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A U.S. Holder should consult its own tax advisors concerning the availability and the making of a mark-to-market election and the U.S. federal income tax consequences of holding the ADSs or common shares if we are deemed to be a PFIC in any taxable year.

Information Reporting and Backup Withholding

In general, unless a U.S. Holder belongs to a category of certain exempt recipients, information reporting requirements will apply to distributions on ADSs or common shares made within the United States and to the proceeds of sales of ADSs or common shares that are effected through the U.S. office of a broker or the non-U.S. office of a broker that has certain connections with the United States. Backup withholding may apply to these payments if a U.S. Holder fails to provide a correct taxpayer identification number or certification of exempt status, fails to report in full dividend and interest income or, in certain circumstances, fails to comply with applicable certification requirements.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. Holder s U.S. federal income tax, provided the U.S. Holder furnishes the required information to the Internal Revenue Service in a timely manner.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

We have previously filed with the Commission our registration statement on Form F-1 and prospectus under the Securities Act with respect to our ADSs.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

The registration statements, reports and other information so filed can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. The SEC also maintains a website at *www.sec.gov* that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

Our financial statements have been prepared in accordance with U.S. GAAP.

Each year, we furnish our shareholders with an annual report containing a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk for changes in interest rates relates primarily to the interest income generated by excess cash deposited in banks. As of December 31, 2011, we had cash, restricted cash and short-term investments totaling RMB2,058.3 million (US$327.0 million). Cash consists of cash on hand and in banks. Restricted cash consists of cash proceeds from the exercise of share options by our employees, executives and directors held in a bank account which have yet to be transmitted to them. Short-term investments consist of certificates of deposit with original maturities between three months and one year.

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The carrying amounts of cash, restricted cash, short-term investments, accounts receivable and other receivables represent our principal exposure to credit risk in relation to our financial assets. As of December 31, 2011, substantially all of our cash were held in uninsured accounts located in China and Hong Kong that we believe are of acceptable credit quality. We have not used any derivative financial instruments to hedge interest rate risk. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates, although our future interest income may fluctuate in line with changes in interest rates. The risk associated with fluctuating interest rates is principally confined to our cash deposits in banks, and, therefore, our exposure to interest rate risk is minimal.

A hypothetical 10% increase in the average applicable interest rate for our demand deposits would result in an increase of approximately RMB4.2 million (US$0.7 million) in interest income from the assumed average cash, restricted cash and short-term investments balance in 2011.

Foreign Exchange Risk

Substantially all of our revenue generating operations are transacted in the Renminbi, which is not fully convertible into foreign currencies, and a significant portion of our liabilities are denominated in Renminbi. As a result, the conversion of our revenues is subject to PRC regulatory restrictions on currency conversion and we are exposed to risks posed by fluctuations in the foreign exchange market. The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC s political and economic conditions. In July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The value of the Renminbi against the U.S. dollar was relatively unchanged in 2009, increased approximately 3.3% in 2010 and increased approximately 4.6% in 2011. Correspondingly, we recognized a loss from foreign currency translation of RMB0.2 million in 2009, RMB6.8 million in 2010 and RMB9.4 million (US$1.5 million) in 2011. It is possible that the Chinese government could adopt a more flexible currency policy in the future. As a portion of our assets are denominated in U.S. dollars, future upward revaluations of the Renminbi could result in charges to our income statement and reductions in the value of these assets. In addition, as we rely entirely on dividends, royalty payments and other fees paid to us in Renminbi by our subsidiaries and affiliated entities in the PRC, future downward revaluations of the Renminbi may materially and adversely affect our cash flows, revenues and financial condition, and the value of, and any dividends payable on, our ADSs in foreign currency terms.

Based on the amount of our cash, restricted cash and short-term investments denominated in U.S. dollar as of December 31, 2011, a 10% change in the exchange rates between the Renminbi and the U.S. dollar would result in an increase or decrease of RMB15.3 million (US$2.4 million) in our cash, restricted cash and short-term investments.

We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency risk. See Item 3. Key Information Risk Factors Risks Related to Doing Business in China The fluctuation of the Renminbi may materially and adversely affect your investment.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees Paid by Our ADS Holders

ADS holders will be charged a fee for each issuance of ADSs, including issuances resulting from distributions of shares, rights and other property, and for each surrender of ADSs in exchange for deposited securities. The fee in each case is $5.00 for each 100 ADSs (or any portion thereof) issued or surrendered.

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The following additional charges will be incurred by the ADS holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADRs), whichever is applicable:

- a fee of US$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs, in each case, on the books of the depositary;

- a fee of $0.02 or less per ADS (or portion thereof) for any cash distribution made pursuant to the deposit agreement;

- a fee of $0.02 per ADS (or portion thereof) per year to cover such expenses as are incurred by the depositary in administering our ADS program (which fee shall be assessed against holders of ADSs as of the record date set by the depositary not more than once each calendar year and is payable in the manner described in the next succeeding provision);

- any other charge payable by any of the depositary, any of the depositary s agents, including, without limitation, the custodian, or the agents of the depositary s agents in connection with the servicing of our shares or other deposited securities (which charge will be assessed against registered holders of our ADSs as of the record date or dates set by the depositary and will be payable at the sole discretion of the depositary by billing such registered holders or by deducting such charge from one or more cash dividends or other cash distributions);

- a fee for the distribution of securities, such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;

- stock transfer or other taxes and other governmental charges;

- cable, telex and facsimile transmission and delivery charges incurred at the request of the ADS holders;

- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;

- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars; and

- such fees and expenses as are incurred by the depositary (including without limitation expenses incurred in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in delivery of deposited securities or otherwise in connection with the depositary s or its custodian s compliance with applicable law, rule or regulation.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The fees described above may be amended from time to time.

Fees and Payments from the Depositary to Us

In 2011, we received from our depositary, JPMorgan Chase Bank, a reimbursement of US$84,000, net of U.S. withholding tax, for our expenses incurred in connection with the advancement of our ADR and investor relations programs, including legal fees, investor relations expenses, and other expenses related to our ongoing compliance with Nasdaq and SEC rules and regulations.

The depositary has agreed to reimburse us for our expenses incurred in connection with our ADR and investor relations programs in the future. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement is not related to the amount of fees the depositary collects from ADS holders.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Management s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) under the Exchange Act, for our company. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Included in our internal control over financial reporting are policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations from our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation and may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the SEC, our management has assessed the effectiveness of our internal control over financial reporting 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. Based on this assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2011.

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian CPAs Limited Company, has audited the effectiveness of our company s internal control over financial reporting as of December 31, 2011, as stated in its report, which appears on page F-2 of this Form 20-F.

Changes in Internal Control Over Financial Reporting

There were no significant changes in our internal control over financial reporting during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has concluded that Mr. Donald L. Lucas, an independent director, meets the criteria for an audit committee financial expert as established by the SEC. See Item 6. Directors, Senior Management and Employees Board Practices.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller and any other persons who perform similar functions for us. We have posted our code of business conduct and ethics on our website at *http://ir.51job.com*.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the audit fees in connection with the professional services rendered by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, our principal external auditors, for the periods indicated. Audit fees relate to aggregate fees billed for the audit of our annual financial statements and the review of our quarterly financial results. We did not pay any audit related, tax related or other fees to our auditors during the periods indicated below.

	2010 RMB	2011 RMB	2011 US$
		(in thousands)	
Audit fees	3,749	3,912	622

Pre-Approved Policies and Procedures

Our audit committee pre-approves audit engagement terms and fees prior to the commencement of any audit work, other than that which may be necessary for the independent auditors to prepare the proposed audit approach, scope and fee estimates. The independent auditors annually submit to us a written proposal that details all audit and audit related services. Audit fees are fixed and contained in the proposal, and the audit committee reviews the nature and dollar value of services to be provided under such proposal. Any revisions to such proposal after the engagement has begun are reviewed and pre-approved by the audit committee.

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

Not applicable.

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

In September 2008, our board of directors and shareholders approved a share repurchase program, which provided authorization to purchase up to US$25 million worth of our outstanding ADSs. Since the inception of the program, we have purchased 1,015,329 ADSs, or 2,030,658 common shares, through open-market transactions for an aggregate consideration of approximately US$11.0 million, including transaction fees.

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The following table sets forth certain information related to purchases made by us of our ADSs under the program in 2011:

Period	Total number of ADSs purchased	Average price paid per ADS		Total number of ADSs purchased as part of publicly announced program	Approximate dollar value of ADSs that may yet be purchased under the program	
		US$	RMB(1)		US$	RMB(1)
January 2011				1,013,329	14,114,000	88,832,000
February 2011				1,013,329	14,114,000	88,832,000
March 2011				1,013,329	14,114,000	88,832,000
April 2011				1,013,329	14,114,000	88,832,000
May 2011				1,013,329	14,114,000	88,832,000
June 2011	2,000	50.02	314.82	1,015,329	14,014,000	88,203,000
July 2011				1,015,329	14,014,000	88,203,000
August 2011				1,015,329	14,014,000	88,203,000
September 2011				1,015,329	14,014,000	88,203,000
October 2011				1,015,329	14,014,000	88,203,000
November 2011				1,015,329	14,014,000	88,203,000
December 2011				1,015,329	14,014,000	88,203,000

(1) The translations of U.S. dollar amounts into Renminbi amounts have been made at the noon buying rate in effect on December 30, 2011, which was US$1.00 to RMB6.2939. See Introduction and Part I. Item 3. Key Information Selected Financial Data Exchange Rate Information.

ITEM 16F. CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Nasdaq Listing Rule 5615(a)(3) permits foreign private issuers like us to follow home country practice with respect to certain corporate governance matters. We are committed to a high standard of corporate governance and we do not believe that there are any significant differences between our corporate governance practices and those of U.S. domestic companies under the Nasdaq Listing Rules.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

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PART III

ITEM 17. FINANCIAL STATEMENTS

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

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements for 51job, Inc. and its subsidiaries are included at the end of this annual report.

ITEM 19. EXHIBIT INDEX

Exhibit number	Description of document
1.1	Amended and Restated Memorandum and Articles of Association (incorporated by reference to Exhibit 3.1 from our Registration Statement on Form F-1 (File No. 333-117194) filed with the Securities and Exchange Commission on July 7, 2004)
2.1	Specimen of Share Certificate (incorporated by reference to Exhibit 4.1 from our Registration Statement on Form F-1 (File No. 333-117194) filed with the Securities and Exchange Commission on July 7, 2004)
2.2	Specimen of American Depositary Receipt (incorporated by reference to Exhibit 4.2 from our Registration Statement on Form F-1 (File No. 333-117194) filed with the Securities and Exchange Commission on August 2, 2004)
2.3	Form of Deposit Agreement among 51job, Inc., JPMorgan Chase Bank, as Depositary, and Holders and Beneficial Holders from time to time of American Depositary Shares evidenced by American Depositary Receipts issued thereunder, including the form of American Depositary Receipt (incorporated by reference to the Registration Statement on Form F-6 (File No. 333-117254) filed with the Securities and Exchange Commission with respect to American Depositary Shares representing common shares on July 9, 2004)
4.1	2000 Stock Option Plan (incorporated by reference to Exhibit 10.1 from our Registration Statement on Form F-1 (File No. 333-117194) filed with the Securities and Exchange Commission on July 7, 2004)
4.2	2009 Share Option Plan (incorporated by reference to Exhibit 99.2 from our Form 6-K (File No. 000-50841) filed with the Securities and Exchange Commission on July 30, 2009)
4.3	Form of Employment, Confidential Information and Invention Assignment Agreement (incorporated by reference to Exhibit 10.2 from our Registration Statement on Form F-1 (File No. 333-117194) filed with the Securities and Exchange Commission on July 7, 2004)
4.4	

Form of Indemnification Agreement (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form F-1 (File No. 333-117194) filed with the Securities and Exchange Commission on July 7, 2004)

4.5 Form of Investor Rights Agreement (incorporated by reference to Exhibit 10.5 from our Registration Statement on Form F-1 (File No. 333-117194) filed with the Securities and Exchange Commission on July 7, 2004)

4.6 Translation of Loan Agreements dated as of September 11, 2007 between Qianjin Network Information Technology (Shanghai) Co., Ltd. and the shareholders of Beijing Run An Information Consultancy Co., Ltd. (incorporated by reference to Exhibit 4.5 from our Annual Report on Form 20-F for the year ended December 31, 2007 filed with the Securities and Exchange Commission on June 28, 2008)

4.7 Translation of Technical and Consulting Service Agreement dated as of May 3, 2004, as amended as of July 2, 2004, between Beijing Qian Cheng Si Jin Advertising Co., Ltd. and Qian Cheng Wu You Network Information Technology (Beijing) Co., Ltd. (incorporated by reference to Exhibit 10.8 from our Registration Statement on Form F-1 (File No. 333-117194) filed with the Securities and Exchange Commission on July 7, 2004)

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Exhibit number	Description of document
4.8	Translation of Technical and Consulting Service Agreement dated as of September 11, 2007 between Beijing Run An Information Consultancy Co. Ltd. and Qian Cheng Wu You Network Information Technology (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.8 from our Annual Report on Form 20-F for the year ended December 31, 2007 filed with the Securities and Exchange Commission on June 28, 2008)
4.9	Translation of Equity Pledge Agreement dated as of May 3, 2004 between Qian Cheng Wu You Network Information Technology (Beijing) Co., Ltd. and the shareholders of Beijing Qian Cheng Si Jin Advertising Co., Ltd. (incorporated by reference to Exhibit 10.10 from our Registration Statement on Form F-1 (File No. 333-117194) filed with the Securities and Exchange Commission on July 7, 2004)
4.10	Translation of Equity Pledge Agreement dated as of September 11, 2007 between Qian Cheng Wu You Network Information Technology (Beijing) Co., Ltd. and the shareholders of Beijing Run An Information Consultancy Co., Ltd. (incorporated by reference to Exhibit 4.11 from our Annual Report on Form 20-F for the year ended December 31, 2007 filed with the Securities and Exchange Commission on June 28, 2008)
4.11	Translation of Investment Capital Transfer Agreement dated as of September 11, 2007 among the shareholders of Beijing Run An Information Consultancy Co., Ltd. (incorporated by reference to Exhibit 4.12 from our Annual Report on Form 20-F for the year ended December 31, 2007 filed with the Securities and Exchange Commission on June 28, 2008)
4.12	Translation of Share Transfer Agreement dated as of November 12, 2007 between the shareholders of Beijing Qian Cheng Si Jin Advertising Co., Ltd. (incorporated by reference to Exhibit 4.14 from our Annual Report on Form 20-F for the year ended December 31, 2007 filed with the Securities and Exchange Commission on June 28, 2008)
4.13*	Translation of Domain Name License Agreement dated as of August 15, 2000, and as supplemented and amended as of August 15, 2010 between 51net.com Inc. and Qianjin Network Information Technology (Shanghai) Co., Ltd.
4.14	Translation of Call Option Agreement dated as of August 1, 2002, as supplemented and amended as of May 3, 2004, between Beijing Qian Cheng Si Jin Advertising Co., Ltd. and 51net.com Inc. (incorporated by reference to Exhibit 10.13 from our Registration Statement on Form F-1 (File No. 333-117194) filed with the Securities and Exchange Commission on July 7, 2004)
4.15	Translation of Share Transfer Agreement dated as of April 26, 2009 between 51net.com Inc. and Wuhan Mei Hao Qian Cheng Advertising Co., Ltd. (incorporated by reference to Exhibit 4.20 from our Annual Report on Form 20-F for the year ended December 31, 2009 filed with the Securities and Exchange Commission on April 16, 2010)
4.16	Translation of Share Transfer Agreement dated as of June 19, 2009 between Shanghai Qianjin Advertising Co., Ltd. and Beijing Qian Cheng Si Jin Advertising Co., Ltd. (incorporated by reference to Exhibit 4.21 from our Annual Report on Form 20-F for the year ended December 31, 2009 filed with the Securities and Exchange Commission on April 16, 2010)
4.17	Cooperation Agreement dated as of August 9, 2007, as amended as of March 27, 2008, between 51job, Inc. and Recruit Co., Ltd. (incorporated by reference to Exhibit 4.21 from our Annual Report on Form 20-F for the year ended December 31, 2007 filed with the Securities and Exchange Commission on June 28, 2008)
4.18	Amendment No. 2 to the Cooperation Agreement dated as of August 28, 2009 between 51job, Inc. and Recruit Co., Ltd. (incorporated by reference to Exhibit 4.23 from our Annual Report on Form 20-F for the year ended December 31, 2009 filed with the Securities and Exchange Commission on April 16, 2010)
8.1*	List of subsidiaries of 51job, Inc.
11.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 10.6 from our Registration Statement on Form F-1 (File No. 333-117194) filed with the Securities and Exchange Commission on July 7, 2004)
12.1*	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

12.2*	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Explanation of Responses:

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Exhibit number	Description of document
13.1*	CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Maples and Calder
15.2*	Consent of Jun He Law Offices
15.3*	Consent of PricewaterhouseCoopers Zhong Tian CPAs Limited Company
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

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

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

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

51job, Inc.

By:	/s/ Rick Yan
Name:	Rick Yan
Title:	President and Chief Executive Officer

Date: April 12, 2012

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51JOB, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of 51job, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, of changes in shareholders equity and of cash flows present fairly, in all material respects, the financial position of 51job, Inc. and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting 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 (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Annual Report on Internal Control over Financial Reporting appearing in Item 15 of this Form 20-F. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company s internal control over financial reporting based on our integrated 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Shanghai, the People s Republic of China
April 12, 2012

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51JOB, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

	Note	2009 RMB	2010 RMB	2011 RMB	2011 US$ (Note 2(c))
		(in thousands, except share, per share and per ADS data)			
Revenues:					
Online recruitment services		332,987	543,045	803,004	127,585
Print advertising		279,467	277,645	208,365	33,106
Other human resource related revenues		204,666	269,305	358,730	56,996
Total revenues		817,120	1,089,995	1,370,099	217,687
Less: Business and related taxes		(43,173)	(57,776)	(70,421)	(11,189)
Net revenues		773,947	1,032,219	1,299,678	206,498
Cost of services(1)	2(k)	(305,722)	(345,865)	(370,661)	(58,892)
Gross profit		468,225	686,354	929,017	147,606
Operating expenses(1):					
Sales and marketing	2(l)	(214,400)	(277,543)	(329,466)	(52,347)
General and administrative		(133,511)	(136,647)	(158,355)	(25,160)
Total operating expenses		(347,911)	(414,190)	(487,821)	(77,507)
Income from operations		120,314	272,164	441,196	70,099
Loss from foreign currency translation		(234)	(6,848)	(9,363)	(1,488)
Loss from impairment of long-term investments	2(f)			(15,081)	(2,396)
Interest and investment income		15,083	18,713	42,033	6,678
Other income		9,554	7,713	8,779	1,395
Income before income tax expense		144,717	291,742	467,564	74,288
Income tax expense	8	(32,205)	(57,081)	(81,056)	(12,878)
Net income		112,512	234,661	386,508	61,410
Other comprehensive income:					
Currency translation adjustments		13	246	325	52
Comprehensive income		112,525	234,907	386,833	61,462
Earnings per share:	12				
Basic		2.03	4.23	6.81	1.08
Diluted		2.02	4.13	6.54	1.04
Earnings per ADS(2):					
Basic		4.05	8.46	13.62	2.16
Diluted		4.03	8.26	13.09	2.08
Weighted average number of shares outstanding:					
Basic		55,559,252	55,485,256	56,754,240	56,754,240
Diluted		55,768,866	56,814,503	59,067,424	59,067,424

(1) Share-based compensation:

Included in cost of services	(4,360)	(4,082)	(6,084)	(967)
Included in operating expenses				
Sales and marketing	(3,748)	(3,509)	(5,230)	(831)
General and administrative	(18,912)	(16,371)	(26,660)	(4,236)

(2) Each ADS represents two common shares.

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

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51JOB, INC.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2010 AND 2011

	Note	2010 RMB	2011 RMB	2011 US$ (Note 2(c))
		(in thousands, except share and per share data)		
ASSETS				
Current assets:				
Cash	2(d)	1,192,888	783,699	124,517
Restricted cash	2(d)	44,888	4,263	677
Short-term investments	2(f)	406,943	1,270,343	201,837
Accounts receivable (net of allowance for doubtful accounts of RMB1,965 and RMB2,022 as of December 31, 2010 and 2011, respectively)	3	33,386	43,708	6,945
Prepayments and other current assets	4	75,256	199,836	31,751
Deferred tax assets, current	8	6,749	11,042	1,754
Total current assets		1,760,110	2,312,891	367,481
Long-term investments	2(f), 11	15,433		
Property and equipment, net	5	202,699	192,120	30,525
Intangible assets, net	6	4,805	4,290	682
Other long-term assets		4,853	48,649	7,729
Deferred tax assets, non-current	8	110	86	14
Total non-current assets		227,900	245,145	38,950
Total assets		1,988,010	2,558,036	406,431
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities:				
Accounts payable		15,551	20,326	3,229
Salary and employee related accrual		39,543	44,287	7,037
Taxes payable		39,795	54,623	8,679
Advance from customers		186,191	290,460	46,149
Other payables and accruals	7	50,491	40,793	6,482
Total current liabilities		331,571	450,489	71,576
Deferred tax liabilities, non-current	8	1,583	1,972	313
Total liabilities		333,154	452,461	71,889
Commitments and contingencies	13			
Shareholders equity:				

Common shares (US$0.0001 par value per share; 500,000,000 shares authorized, 56,473,949 and 56,981,341 shares issued and outstanding as of December 31, 2010 and 2011, respectively)		47	47	7
Additional paid-in capital		997,933	1,061,819	168,706
Statutory reserves	2(p)	6,811	7,332	1,165
Accumulated other comprehensive income		1,313	1,638	260
Retained earnings		648,752	1,034,739	164,404
Total shareholders equity		1,654,856	2,105,575	334,542
Total liabilities and shareholders equity		1,988,010	2,558,036	406,431

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

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51JOB, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

	Common shares Number of shares	Par value RMB	Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income RMB	Retained earnings RMB	Total shareholders equity RMB
				(in thousands, except share data)			
Balance as of December 31, 2008	56,378,139	47	917,352	6,947	1,054	301,443	1,226,843
Exercise of share options	167,120	0	5,062				5,062
Share-based compensation			27,020				27,020
Repurchase and retirement of common shares	(1,418,400)	(1)	(47,310)				(47,311)
Appropriation of statutory reserves				421		(421)	
Currency translation adjustments					13		13
Net income						112,512	112,512
Balance as of December 31, 2009	55,126,859	46	902,124	7,368	1,067	413,534	1,324,139
Exercise of share options	1,681,694	1	93,147				93,148
Share-based compensation			23,962				23,962
Repurchase and retirement of common shares	(334,604)	(0)	(21,300)				(21,300)
Appropriation of statutory reserves				250		(250)	
Reversal of statutory reserves due to closure of certain subsidiaries				(807)		807	
Currency translation adjustments					246		246
Net income						234,661	234,661
Balance as of December 31, 2010	56,473,949	47	997,933	6,811	1,313	648,752	1,654,856
Exercise of share options	511,392	0	26,560				26,560
Share-based compensation			37,974				37,974
Repurchase and retirement of common shares	(4,000)	(0)	(648)				(648)
Appropriation of statutory reserves				521		(521)	
					325		325

Currency translation adjustments							
Net income						386,508	386,508
Balance as of December 31, 2011	56,981,341	47	1,061,819	7,332	1,638	1,034,739	2,105,575
Balance as of December 31, 2011 (US$ Note 2(c))	56,981,341	7	168,706	1,165	260	164,404	334,542

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

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51JOB, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

	2009 RMB	2010 RMB	2011 RMB	2011 US$ (Note 2(c))
		(in thousands)		
Cash flows from operating activities:				
Net income for the year	112,512	234,661	386,508	61,410
Adjustments for:				
Share-based compensation	27,020	23,962	37,974	6,034
Depreciation	28,877	27,326	26,389	4,193
Amortization of intangible assets	2,314	2,061	1,615	256
Allowance (Reversal of allowance) for doubtful accounts	1,075	(28)	801	127
Loss due to disposal of fixed assets	94	61	141	22
Loss from foreign currency translation	234	6,848	9,363	1,488
Loss from impairment of long-term investments			15,081	2,396
Deferred tax benefit	(2,259)	(1,020)	(3,880)	(616)
Changes in operating assets and liabilities:				
Decrease (Increase) in accounts receivable	503	(15,412)	(11,123)	(1,767)
Decrease (Increase) in prepayments and other current assets	5,097	(35,357)	(124,580)	(19,794)
Increase (Decrease) in accounts payable	(817)	5,657	5,357	851
Increase in salary and employee related accrual	5,725	11,448	4,744	753
Increase in taxes payable	2,359	13,946	24,131	3,834
Increase in advance from customers	30,638	67,914	104,269	16,567
Increase in other payables and accruals	2,463	354	21,624	3,436
Decrease (Increase) in other long-term assets	(1,380)	1,787	(1,459)	(232)
Net cash provided by operating activities	214,455	344,208	496,955	78,958
Cash flows from investing activities:				
Purchase of short-term investments	(241,210)	(149,633)	(863,400)	(137,180)
Purchase of property and equipment	(28,747)	(23,253)	(58,870)	(9,354)
Purchase of intangible assets	(2,947)	(1,564)	(1,100)	(175)
Net cash used in investing activities	(272,904)	(174,450)	(923,370)	(146,709)
Cash flows from financing activities:				
Repurchase and retirement of common shares	(47,311)	(21,300)	(648)	(103)
Proceeds from the exercise of share options	5,062	93,148	26,560	4,220
Net cash provided by (used in) financing activities	(42,249)	71,848	25,912	4,117
Effect of foreign exchange rate changes on cash	(205)	(6,125)	(8,686)	(1,380)
Net increase (decrease) in cash	(100,903)	235,481	(409,189)	(65,014)
Cash, beginning of year	1,058,310	957,407	1,192,888	189,531
Cash, end of year	957,407	1,192,888	783,699	124,517
Supplemental disclosure of cash flow information:				
Cash paid during the years for:				

Income taxes	34,417	49,519	71,435	11,350
Supplemental disclosure of non-cash investing activities:				
Accrual related to purchase of property, equipment and software	(991)	(989)	(407)	(65)
Supplemental disclosure of non-cash activities:				
Restricted cash related to the exercise of share options		44,888	4,263	677

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

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51JOB, INC.

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(Amounts expressed in thousands of RMB and US$, except share and per share data)

1. ORGANIZATION AND NATURE OF OPERATIONS

The accompanying consolidated financial statements include the financial statements of 51job, Inc. (the Company), its subsidiaries, which principally consist of 51net Beijing, 51net HR, 51net.com Inc. (51net), Qianjin Network Information Technology (Shanghai) Co., Ltd. (Tech JV), Shanghai Qianjin Advertising Co., Ltd. (AdCo), Shanghai Wang Cai Advertising Co., Ltd. (Wang Cai AdCo), Shanghai Wang Ju Human Resource Consulting Co., Ltd. (Wang Ju) and Qian Cheng Wu You Network Information Technology (Beijing) Co., Ltd. (WFOE), and certain variable interest entity (VIE) subsidiaries, which consist of Beijing Run An Information Consultancy Co., Ltd. (Run An), Beijing Qian Cheng Si Jin Advertising Co., Ltd. (Qian Cheng) and Shanghai Run An Lian Information Consultancy Co., Ltd. (RAL). On December 30, 2011, the Shanghai Administration for Industry and Commerce approved the closure of RAL. The Company, its subsidiaries and VIE subsidiaries are hereinafter collectively referred to as the Group.

The Group is an integrated human resource services provider in the People s Republic of China (the PRC or China) and is principally engaged in recruitment related advertising services, including Internet recruitment services and the production of a city-specific publication of advertisement listings as newspaper inserts. The Group also provides other human resource related services, such as business process outsourcing, training, campus recruitment and executive search.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses during the reported years. Management s significant estimates include those related to accounts receivable allowances, fair values of options to purchase the Company s common shares, estimated useful lives of property and equipment and intangible assets, consolidation of variable interest entities, assessment of recoverability of long-term investments and deferred tax valuation allowance.

Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may materially differ from those estimates.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the variable interest entities of which the Company is the primary beneficiary. All significant transactions and balances between the Company, its subsidiaries and VIE subsidiaries have been eliminated upon consolidation.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to appoint or remove the majority of the members of the board of directors; to cast majority of votes at the meeting of the board of directors; or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

The Company has adopted Accounting Standards Codification (ASC) 810 Consolidation for all periods presented. It requires VIEs to be consolidated by the primary beneficiary of the entity. An entity is considered to be a VIE if certain conditions are present, such as if the equity investors in the entity do not have the characteristics of a controlling financial interest or the entity does not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Prior to January 1, 2010, in determining whether the Company or its subsidiary is the primary beneficiary of a VIE, the Company considered whether it has the rights to a majority of the economic benefits and obligation to absorb a majority of the expected losses. Effective January 1, 2010, the Company also considered whether it has the power to direct activities that are significant to the VIE s economic performance, including the power to appoint senior management, right to direct company strategy, power to approve capital expenditure budgets, and power to establish and manage ordinary business operation procedures and internal regulations and systems.

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As of December 31, 2010 and 2011 and for all years presented, the Company is the primary beneficiary of three VIEs, Run An, Qian Cheng and RAL, which were established in January 1997, February 1999 and April 2004, respectively. Run An and Qian Cheng were in existence prior to the establishment of the Company and are considered predecessors of the Group. The Company does not have any ownership interest in the VIE subsidiaries, but through certain arrangements as described below, the Company receives all of the economic benefits, absorbs all of the expected losses and has the power to direct activities that are significant to the VIEs. As a result of the Company s consolidation of Run An, Qian Cheng and RAL for all periods presented, 100% of the interest of Tech JV and AdCo are included in the consolidated financial statements. The adoption of the new consolidation guidance effective January 1, 2010 did not impact the Company s financial statements.

Run An holds a human resource service permit issued by the Beijing human resources and social security bureau which allows it to provide recruitment, training and human resource consulting services. Run An is jointly owned by David Weimin Jin and Tao Wang, two executive officers of the Company. As of December 31, 2011, the registered capital of Run An was RMB6,000 and its accumulated loss was RMB1,159.

Qian Cheng holds an advertisement license. Qian Cheng is wholly owned by Run An. As of December 31, 2011, the registered capital of Qian Cheng was RMB1,500 and its accumulated loss was RMB1,147.

On December 30, 2011, the Shanghai Administration for Industry and Commerce approved the closure of RAL. RAL was wholly owned by Run An. RAL previously held an Internet content provider license and a permit issued by the Shanghai human resources and social security bureau which allowed it to conduct human resource related services.

The Group has entered into various agreements as related to its VIE subsidiaries. The key provisions of the agreements with the Company or its subsidiaries and the VIE subsidiaries or its shareholders are as follows:

Technical and Consulting Service Agreements. WFOE has entered into technical and consulting service agreements with Run An, Qian Cheng and RAL, respectively, under which WFOE has the exclusive right, subject to certain exceptions, to provide technical services to Run An, Qian Cheng and RAL for service fees. The technical and consulting service agreements with WFOE have a term of ten years, valid to May 3, 2014 for the Qian Cheng agreement and valid to September 11, 2017 for the Run An agreement, and can only be terminated by WFOE during the term. Such term is renewable upon the expiration of the agreement. Upon the closure of RAL in December 2011, the technical and consulting service agreement between WFOE and RAL was terminated.

Pledge and Control Agreements. As security for Run An, Qian Cheng and RAL s obligations under the technical and consulting service agreements, the shareholders of Run An, Qian Cheng and RAL have pledged all of their equity interest in Run An, Qian Cheng and RAL to WFOE. According to the pledge agreement, WFOE has the right to sell the pledged equity. Additionally, the shareholders of Run An, Qian Cheng and RAL have agreed that they will not dispose of the pledged equity or take any actions that will prejudice WFOE s interest under the equity pledge agreements. They have further agreed that they will obtain WFOE s consent regarding material decisions concerning the operation of Run An, Qian Cheng and RAL, including the distribution of profits, the incurrence of debt and the appointment of directors. Additionally, WFOE has the right to recommend candidates to the board for the positions of general manager and senior executives of Run An, Qian Cheng and RAL. Under such pledges, WFOE is obliged to purchase any and all of the equity interest in Run An, Qian Cheng and RAL from their shareholders, if permitted by the PRC laws. The pledges cannot be released until the discharge of all of Run An, Qian Cheng and RAL s obligations under the respective technical and consulting service agreement. Upon the closure of RAL in December 2011, the pledge agreement between WFOE and RAL was terminated.

Management monitors the regulatory risk associated with these contractual arrangements. Jun He Law Offices, the Group s PRC legal counsel, has advised management that these contractual arrangements are not in violation of existing PRC laws, rules and regulations in all material aspects, with exception to the effectiveness of the pledges under the equity pledge agreements, which have not yet been registered with the relevant administration of industry and commerce. Based on such advice and management s knowledge and experience, the Group believes that its contractual arrangements with its consolidated VIEs are valid, legally binding and in compliance with current PRC laws. However, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. See Note 15 for further discussion.

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(c) Foreign Currencies

The Group s functional and reporting currency is the Renminbi (RMB). Transactions denominated in currencies other than RMB are translated into RMB at the exchange rates quoted by the People s Bank of China prevailing at the dates of the transactions. Gains and losses resulting from foreign currency transactions are included in the consolidated statements of operations. Monetary assets and liabilities denominated in foreign currencies are translated into RMB using the applicable exchange rates quoted by the People s Bank of China at the balance sheet dates. All such exchange gains and losses are included in the consolidated statements of operations. The exchange differences for translation of group companies balances where RMB is not their functional currency are included in cumulative translation adjustments, which is a separate component of shareholders equity in the consolidated financial statements.

The unaudited United States dollar (US$) amounts disclosed in the accompanying financial statements are presented solely for the convenience of the readers. Translations of amounts from RMB into United States dollars for the convenience of the reader were calculated at the rate of US$1.00 = RMB6.2939 on December 30, 2011, representing the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at that rate on December 30, 2011, or at any other rate.

(d) Cash and Restricted Cash

Cash represents cash on hand and demand deposits placed with banks or other financial institutions. Restricted cash represents cash proceeds from the exercise of share options by the Company s employees, executives and directors held in a bank account which have yet to be transmitted to them. Included in the cash and restricted cash balances as of December 31, 2010 and 2011 are amounts denominated in United States dollars totaling US$42,695 and US$24,209, respectively (equivalent to approximately RMB282,756 and RMB152,538, based on the RMB to US$ exchange rate quoted by the People s Bank of China on December 31, 2010 and 2011, respectively). The Group receives substantially all of its revenues in RMB, which currently is neither a freely convertible currency nor can it be freely remitted out of China.

(e) Accounts Receivable

Accounts receivable is presented net of allowance for doubtful accounts. The Company provides general and specific provisions for bad debts when facts and circumstances indicate that the receivable is unlikely to be collected. If the financial condition of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(f) Investments

Short-term investments consist of certificates of deposit with original maturities between three months and one year.

Long-term investments consist of non-interest bearing loans provided to Area Link Co., Ltd. (Area Link), which is the holding company of a coupon advertising services company in China, in 2007 and 2008. Area Link is affiliated with Recruit Co., Ltd. (Recruit), a shareholder of the Company. See Note 11.

Investments are evaluated for impairment at the end of each period. Unrealized losses are recorded as impairment losses are recorded when a decline in fair value is determined to be other-than-temporary. The Company reviews several factors to determine whether a loss is other-than-temporary. These factors include, but are not limited to, the: (i) nature of the investment; (ii) cause and duration of the impairment; (iii) extent to which fair value is less than cost; (iv) financial conditions and near-term prospects of the issuers; and (v) ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value.

The Company determined that the carrying value of the investments in Area Link was not recoverable and recognized a loss from impairment totaling RMB15,081 for the year ended December 31, 2011. No impairment losses were recorded during the years ended December 31, 2009 and 2010.

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(g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis to allocate the cost of the assets to their estimated residual value over the following estimated useful lives:

	Estimated useful lives
Land use rights	42.25 to 50 years
Building	20 years
Leasehold improvements	Lesser of the lease period or the estimated useful life
Electronic equipment*	3 to 5 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Other assets	5 years

* Beginning July 1, 2009, the Company reduced the useful life of certain office electronic equipment, such as computers, printers and facsimile machines, from five years to three years with no residual value due to an increase in replacement frequency. The change was applied prospectively and resulted in an increase of RMB4,045 in depreciation expense for the year ended December 31, 2009.

(h) Intangible Assets

Intangible assets include purchased computer software and licenses and are amortized on a straight-line basis over their estimated useful lives, which range from three to ten years.

(i) Impairment of Long-Lived Assets

The Group has adopted ASC 360 Property, Plant and Equipment, which addresses the financial accounting and reporting for the recognition and measurement of impairment losses for long-lived assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset group may not be recoverable. The recoverability of an asset group is based on the undiscounted future cash flows the asset group is expected to generate and recognize an impairment loss when the estimated undiscounted future cash flows expected to result from the use of the asset group plus net proceeds expected from the disposition of the asset group, if any, are less than the carrying value of the asset group. If the Group identifies an impairment, the Group reduces the carrying amount of the asset group to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values. No impairment of long-lived assets was recognized in the years ended December 31, 2009, 2010 and 2011.

(j) Revenue Recognition

Online Recruitment Services Revenues

The Group provides online recruitment advertising and other technical services through its *www.51job.com* website. The average display period of online recruitment services normally ranges from one week to one year. Fees for its online recruitment advertisement and other technical services are recognized as revenue ratably over the display period of the contract or when services are provided, collectibility is reasonably assured, and other criteria in accordance with ASC 605 Revenue Recognition (ASC 605) are met. For a transaction involving multiple services, the Company recognizes revenue at relative fair value which is determined based on the Company s regular selling prices charged in unbundled arrangements. Cash received in advance of services are recognized as advance from customers.

Print Advertising Revenues

The Group provides recruitment advertising services through a weekly newspaper which is distributed in various cities of the PRC. Arrangements for recruitment advertisement on the weekly newspaper are generally short-term in nature. Fees for these types of print recruitment advertising services are recognized as revenue when collectibility is reasonably assured, upon the publication of the advertisements and when other criteria in accordance with ASC 605 are met. Cash received in advance of services are recognized as advance from customers.

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Other Human Resource Related Revenues

The Group also provides other value-added human resource products, such as business process outsourcing, training, campus recruitment, executive search and other services. Revenue is recognized when (i) persuasive evidence of an agreement exists, (ii) services are rendered, (iii) the sales price and terms are fixed or determinable, and (iv) the collection of the receivable is reasonably assured, as prescribed by ASC 605.

Business and Related Taxes

The Company s subsidiaries and its VIE subsidiaries are subject to business taxes and related surcharges on the revenues earned for services provided in the PRC. The applicable rate of business taxes is 5% after certain deductions. In the consolidated statements of operations and comprehensive income, business taxes and related surcharges for revenues earned are deducted from gross revenues to arrive at net revenues.

In November 2011, the Ministry of Finance released Circular Caishui [2011] No. 111 mandating Shanghai to be the first city in China to carry out a pilot program of tax reform. Effective January 1, 2012, any entity in Shanghai under the category of selected modern service industries will switch from a business tax payer to a value-added tax, or VAT, payer, who is permitted to offset input VAT supported by valid VAT invoices received from vendors against its VAT liability. Some of the Company s subsidiaries in Shanghai fall into this category and will be subject to VAT at a rate of 6% and will stop paying business tax from January 1, 2012 onwards. The Company does not expect this new VAT policy in Shanghai will have a material impact on its financial statements.

(k) Cost of Services

Cost of services consist primarily of payroll compensation and related employee costs, printing and publishing expenses, subcontracting fees and other expenses incurred by the Group which are directly attributable to the rendering of the Group s recruitment advertising and other human resource services.

(l) Sales and Marketing Expenses

Sales and marketing expenses consist primarily of the Group s sales and marketing personnel payroll compensation and related employee costs and advertising and promotion expenses. Advertising and promotion expenses generally represent the cost of promotions to create or stimulate a positive image of the Group or a desire for the Group s services. Advertising and promotion expenses are charged to the consolidated statements of operations when incurred and totaled RMB32,022, RMB58,332 and RMB62,371 for the years ended December 31, 2009, 2010 and 2011, respectively.

(m) Share-Based Compensation

The Company accounts for share-based compensation arrangements with employees in accordance with ASC 718 Compensation Stock Compensation. It requires the Company to measure at the grant date the fair value of the stock-based award and recognize compensation costs, net of estimated forfeitures, on a straight-line basis, over the requisite service period. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. Risk-free interest rates are based on U.S. Treasury yield for the terms consistent with the expected life of award at the time of grant. Expected life takes into account vesting and contractual terms, employee demographics and historical exercise behavior, which the Company believes are useful reference points. The assumption for expected dividend yield is consistent with the Company s current policy of no dividend payout. The Company estimates expected volatility at the date of grant based on historical volatilities of the market price of its American depositary shares (ADSs). Forfeiture rate is estimated based on historical forfeiture patterns and adjusted to reflect future change in circumstances and facts, if any. If actual forfeitures differ from those estimates, the Company may need to revise those estimates used in subsequent periods.

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For the years ended December 31, 2009, 2010 and 2011, the fair value of options granted was estimated with the following assumptions:

	2009	2010	2011
Risk-free interest rate	1.70%	0.87%-2.26%	1.58%
Expected life (years)	4	4	4
Expected dividend yield	0%	0%	0%
Volatility	60%	50%	48%
Weighted average of fair value per option at grant date	RMB12.70	RMB24.96	RMB70.26

(n) Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases, net of any incentives received by the Group from the leasing company, are charged to the consolidated statements of operations on a straight-line basis over the lease periods.

(o) Taxation

The Company accounts for income taxes under the liability method. Under this method, deferred income taxes are recognized for the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities by applying enacted statutory rates applicable to future years in which the differences are expected to reverse. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. 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 of, the deferred tax assets will not be realized.

The Company adopted ASC 740-10-25 Income Taxes Overall Recognition to account for uncertainties in income taxes effective January 1, 2007. The Company has elected to classify interest and penalties related to an uncertain tax position, if any and when required, as general and administrative expenses. As of December 31, 2010 and 2011, the Company did not have any interest and penalties associated with uncertain tax positions as there were no uncertain tax positions.

(p) Statutory Reserves

With the exception of Tech JV which is 50% owned by 51net, a British Virgin Islands company, and Wang Ju which is majority owned by 51net HR, a Cayman Islands company, the Group s subsidiaries and VIE subsidiaries incorporated in the PRC are required on an annual basis to allocate at least 10% of their after-tax profit, after the recovery of accumulated deficit to the statutory common reserve. The amount of allocation is calculated based on an entity s after-tax profit shown in its statutory financial statements which are prepared in accordance with PRC accounting standards and regulations until the reserve has reached 50% of the registered capital of each company. Once the total statutory common reserve fund reaches 50% of the registered capital of the respective companies, further appropriations are discretionary. The statutory common reserve fund is not distributable to shareholders except in the event of liquidation. Since 2008, the statutory common reserve fund for more than half of the Company s subsidiaries and VIE subsidiaries incorporated in the PRC had reached 50% of the registered capital of the respective companies. As a result, no appropriations were made by these entities to their respective statutory reserve funds in the years ended December 31, 2009, 2010 and 2011. With the exception of a few entities, all remaining subsidiaries whose total statutory common reserve fund had not reached 50% of its respective registered capital had accumulative losses as of December 31, 2009, 2010 and 2011. As a result, these entities did not make appropriations to their statutory reserve funds in the years ended December 31, 2009, 2010 and 2011. During the years ended December 31, 2009, 2010 and 2011, the Group s subsidiaries made total appropriations to their statutory common reserve fund in the amount of RMB364, RMB250 and RMB521, respectively. During the year ended December 31, 2010, the Group also made a reversal of RMB546 from the common statutory common reserve fund to retained earnings due to the closure of two subsidiaries. The statutory common reserve funds of these two subsidiaries were distributed to their respective shareholders, which are ultimately held by the Group. No reversal of the statutory common reserve fund was made in the years ended December 31, 2009 and 2011.

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In addition, the Group s subsidiaries and VIE subsidiaries incorporated in the PRC may, at the discretion of its board of directors, on an annual basis set aside the statutory common welfare fund, which can be used for staff welfare of the Group. The Group s subsidiaries made total appropriations to their statutory common welfare fund of RMB57, nil and nil for the years ended December 31, 2009, 2010 and 2011, respectively. During the year ended December 31, 2010, the Group also made a reversal of RMB261 from the statutory common welfare fund to retained earnings due to the closure of two subsidiaries. The statutory common welfare funds of these two subsidiaries were distributed to their respective shareholders, which are ultimately held by the Group. No reversal of the statutory common welfare fund was made in the years ended December 31, 2009 and 2011.

Appropriations to the statutory common reserve fund and the statutory common welfare fund are accounted for as a transfer from retained earnings to the statutory reserves.

There are no legal requirements in the PRC to fund these reserves by transfer of cash to any restricted accounts, and the Group does not do so. These reserves are not distributable as cash dividends.

(q) Dividend

Dividends are recognized when declared. PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Additionally, the Company s PRC subsidiaries and VIE subsidiaries can only distribute dividends after they have met the PRC requirements for appropriation to statutory reserves. See Note 2(p). Aggregate net assets of the Company s PRC subsidiaries not distributable in the form of dividends to the parent as a result of the aforesaid PRC regulations were approximately RMB518,158 and RMB516,288, or 31.3% and 24.5% of total consolidated net assets, as of December 31, 2010 and 2011, respectively. However, the PRC subsidiaries may transfer such net assets to the Company by other means, including through royalty and trademark license agreements or certain other contractual agreements, at the discretion of the Company without third party consent. Condensed parent company data is contained in Financial Statement Schedule I.

(r) Earnings Per Share

In accordance with ASC 260 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 is calculated by dividing net income attributable to common shareholders as adjusted for the effect of dilutive common equivalent shares, if any, by the weighted average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of the common shares issuable upon the exercise of outstanding share options (using the treasury stock method).

(s) Fair Value Measurement

Effective January 1, 2008, the Company adopted ASC 820 Fair Value Measurements and Disclosures (ASC 820). ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and expands disclosures about fair value measurements.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

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

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

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

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(t) Segment Reporting

Based on the criteria established by ASC 280 Segment Reporting, the Company currently operates and manages its business as a single operating and single reportable segment. The Company primarily generates its revenues from customers in the PRC, and assets of the Company are also located in PRC. Accordingly, no geographical segments are presented.

(u) Stock Repurchase

When the Company s common shares are repurchased for retirement, the excess of cost over par value is charged entirely to additional paid-in capital, limited to additional paid-in capital of the same issue being retired.

(v) Comprehensive Income

Comprehensive income is defined as the change in equity of a company during the period from transactions and other events and circumstances excluding transactions resulting from investments from owners and distributions to owners. Accumulated other comprehensive income mainly consists of cumulative foreign currency translation adjustments.

(w) Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-04, Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). Key provisions of the amendments in ASU 2011-04 include: (1) a prohibition on grouping financial instruments for purposes of determining fair value, except in limited cases; (2) an extension of the prohibition against the use of a blockage factor to all fair value measurements; and (3) a requirement that for recurring Level 3 fair value measurements, entities disclose quantitative information about unobservable inputs, a description of the valuation process used and qualitative details about the sensitivity of the measurements. For items not carried at fair value but for which fair value is disclosed, entities will be required to disclose the level within the fair value hierarchy that applies to the fair value measurement disclosed. This ASU is effective for interim and annual periods beginning after December 15, 2011. The Company does not expect the adoption of ASU 2011-04 to have a material impact on its financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU 2011-05). This newly issued accounting standard (1) eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity; (2) requires the consecutive presentation of the statement of net income and other comprehensive income; and (3) requires an entity to present reclassification adjustments on the face of the financial statements from other comprehensive income to net income. The amendments in this ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income nor do the amendments affect how earnings per share is calculated or presented. In December 2011, the FASB issued ASU No. 2011-12, 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 defers the requirement within ASU 2011-05 to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. During the deferral, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect prior to the issuance of ASU 2011-05. These ASUs are required to be applied retrospectively and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. As these accounting standards do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income, the adoption of these standards is not expected to have an impact on the Company s financial statements.

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3. ACCOUNTS RECEIVABLE

	2010 RMB	2011 RMB
Accounts receivable	35,351	45,730
Less: Allowance for doubtful accounts	(1,965)	(2,022)
	33,386	43,708

The movement of allowance for doubtful accounts is analyzed as follows:

	2009 RMB	2010 RMB	2011 RMB
Balance at beginning of period	2,783	2,620	1,965
Additions	1,075		801
Reversals		(28)	
Write-offs	(1,238)	(627)	(744)
Balance at end of period	2,620	1,965	2,022

4. PREPAYMENTS AND OTHER CURRENT ASSETS

	2010 RMB	2011 RMB
Rental and other deposits	2,931	742
Prepayments for rental and others	6,628	8,062
Employee advances	3,138	3,069
Payments made on behalf of customers	47,660	153,271
Prepaid insurance premium	1,945	1,040
Interest income receivable	4,399	25,192
Prepaid business tax	7,504	7,451
Others	1,051	1,009
Total	75,256	199,836

5. PROPERTY AND EQUIPMENT

	2010 RMB	2011 RMB
Land and building	193,767	193,767
Leasehold improvements	12,778	11,462
Electronic equipment	80,417	84,074
Furniture and fixtures	10,276	10,148
Motor vehicles	4,764	4,088
Other assets	9,109	11,317
Less: Accumulated depreciation	(108,412)	(122,736)
Net book value	202,699	192,120

Depreciation expense was RMB28,877, RMB27,326 and RMB26,389 for the years ended December 31, 2009, 2010 and 2011, respectively. Loss due to disposal of fixed assets was RMB94, RMB61 and RMB141 for the years ended December 31, 2009, 2010 and 2011, respectively.

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51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

(Amounts expressed in thousands of RMB and US$, except share and per share data)

6. INTANGIBLE ASSETS

	2010 RMB	2011 RMB
Computer equipment software	19,290	20,353
Acquired training licenses	3,522	3,522
Less: Accumulated amortization	(18,007)	(19,585)
Net book value	4,805	4,290

Amortization expense was RMB2,314, RMB2,061 and RMB1,615 for the years ended December 31, 2009, 2010 and 2011, respectively.

The Company will record estimated amortization expenses of RMB1,472, RMB1,454, RMB927, RMB372 and RMB65 for the years ending December 31, 2012, 2013, 2014, 2015 and 2016, respectively.

7. OTHER PAYABLES AND ACCRUALS

	2010 RMB	2011 RMB
Professional service fees	3,804	3,553
Office expenses	3,926	5,969
Deposit from customers	6,617	27,064
Revenue from newspaper sales collected on behalf of newspaper contractors	495	357
Payables to employees related to net proceeds from share options exercised	34,735	3,414
Others	914	436
Total	50,491	40,793

8. TAXATION

Cayman Islands

Under the current laws of Cayman Islands, the Company and its subsidiaries that are incorporated in Cayman Islands are not subject to tax on income or capital gain. In addition, upon payments of dividends by those companies to their shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands

Under the current laws of British Virgin Islands, the Company s subsidiary that is incorporated in British Virgin Islands is not subject to tax on income or capital gain. In addition, upon payments of dividends by that company to its shareholders, no British Virgin Islands withholding tax will be imposed.

Hong Kong

The Company s subsidiary that is incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% on its assessable profit.

China

In March 2007, the National People s Congress enacted the Enterprise Income Tax Law of the People s Republic of China (EIT Law) effective January 1, 2008. The EIT Law, among other things, imposes a unified income tax rate of 25% for both domestic and foreign-invested enterprises. However, the EIT Law provides a five-year transitional period for those entities established before March 16, 2007, which enjoyed a favorable income tax rate of less than 25% under the previous income tax laws, to gradually increase their rates to 25%. Under this grandfather provision, the Group s entities of Wang Jin Information Technology (Shanghai) Co., Ltd., Wang Ju, Tech JV and Wang Cai AdCo incorporated in Shanghai s Pudong area, and the branches of Tech JV and Wang Cai AdCo located in Shenzhen were subject to an enterprise income tax (EIT) rate of 18% in 2008, 20% in 2009, 22% in 2010 and 24% in 2011, which is to be increased to 25% in 2012.

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In December 2009, Tech JV was designated by relevant local authorities in Shanghai as a High and New Technology Enterprise under the EIT Law, which is subject to a preferential tax rate of 15% through 2011. Therefore, Tech JV s tax rate in 2009 decreased from 20% to 15% in Shanghai and Shenzhen, and from 25% to 15% in other localities, effective retroactively as of January 1, 2009. Tech JV is entitled to a preferential 15% tax rate as long as it maintains the required qualifications, which is subject to review every three years. Such preferential tax rate for Tech JV expired at the end of 2011, and Tech JV s entitlement to the 15% EIT rate starting from 2012 is subject to this entity s application and the approval from the local tax authority.

The EIT Law also imposes a 10% withholding income tax (WHT) for dividends declared out of the profits earned after January 1, 2008 by a foreign investment enterprise (FIE) to its immediate holding company outside China. For certain treaty jurisdictions such as Hong Kong which has signed tax treaties with the PRC, the WHT rate is 5%. Since the Company intends to permanently reinvest earnings to further expand its businesses in mainland China, its FIEs do not intend to declare dividends to its immediate foreign holding entities in the foreseeable future. Accordingly, as of December 31, 2011, the Company has not recorded any withholding tax on the retained earnings of its FIEs in China.

Composition of Income Tax Expense

Income (loss) before income tax expense for the years ended December 31, 2009, 2010 and 2011 were taxed within the following jurisdictions:

	2009 RMB	2010 RMB	2011 RMB
PRC entities	174,326	322,428	526,236
Non-PRC entities	(29,609)	(30,686)	(58,672)
Total	144,717	291,742	467,564

The current and deferred portion of income tax expense included in the consolidated statement of operations for the years ended December 31, 2009, 2010 and 2011 are as follows:

	2009 RMB	2010 RMB	2011 RMB
Current income tax expense			
PRC entities	34,464	58,101	84,936

Non-PRC entities			
Total	34,464	58,101	84,936
Deferred income tax benefit			
PRC entities	(2,259)	(1,020)	(3,880)
Non-PRC entities			
Total	(2,259)	(1,020)	(3,880)
Income tax expense			
PRC entities	32,205	57,081	81,056
Non-PRC entities			
Total	32,205	57,081	81,056

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51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

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Reconciliation of the Differences Between Statutory Tax Rate and the Effective Tax Rate

Reconciliation between the statutory EIT rate in the PRC and the Group s effective tax rate for the years ended December 31, 2009, 2010 and 2011 are as follows:

	2009	2010	2011
EIT statutory rate	25%	25%	25%
Difference in EIT rates of certain subsidiaries	(8)%	(8)%	(10)%
Non-deductibility of expenses incurred outside the PRC	5%	3%	3%
Other permanent differences	1%	1%	
Reversal of valuation allowance	(1)%	(1)%	(1)%
Effective EIT rate of the Group	22%	20%	17%

Tax holidays, as included in the reconciliation table above and the tabular disclosure below, specifically refer to the preferential tax rate for Tech JV described for certain entities in the China section of this Note. The aggregate amount and per share effect of the tax holidays for the years ended December 31, 2009, 2010 and 2011 are as follows:

	2009 RMB	2010 RMB	2011 RMB
		(in thousands, except per share data)	
Aggregate effect	10,786	23,675	46,225
Basic common share effect	0.19	0.43	0.81
Diluted common share effect	0.19	0.42	0.78

Significant components of deferred tax assets and liabilities as of December 31, 2010 and 2011 are as follows:

	2010 RMB	2011 RMB
Deductible temporary differences related to other payables and accruals	6,404	10,536
Deductible temporary differences related to provision for doubtful accounts	426	506
Total current deferred tax assets	6,830	11,042

Less: Valuation allowance	(81)	
Net current deferred tax assets	6,749	11,042
Tax loss carryforwards	1,527	640
Total non-current deferred tax assets	1,527	640
Less: Valuation allowance	(1,417)	(554)
Net non-current deferred tax assets	110	86
Total deferred tax assets	6,859	11,128
Taxable temporary differences related to depreciation period	(1,583)	(1,972)
Total non-current deferred tax liabilities	(1,583)	(1,972)
Total deferred tax liabilities	(1,583)	(1,972)

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51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

(Amounts expressed in thousands of RMB and US$, except share and per share data)

As of December 31, 2010 and 2011, valuation allowances were provided on the deferred tax assets to the extent that management believed it was more likely than not that such deferred tax assets would not be realized in the foreseeable future. Valuation allowances were also provided because it was more likely than not that the Group will not be able to utilize certain tax loss carryforwards generated by certain subsidiaries or VIE subsidiaries. As those entities continue to generate tax losses and tax planning strategies are not available to utilize those tax losses in other group companies, management believes it is more likely than not that such losses will not be utilized before they expire. However, certain valuation allowance was reversed in 2009, 2010 and 2011 when the Group generated sufficient taxable income to utilize the deferred tax assets. If events occur in the future that prevent the Group from realizing some or all of its deferred tax assets, an adjustment to the valuation allowances will be recognized when such events occur. In the PRC, tax loss carryforwards generally expire after five years. Tax loss carryforwards in the amount of RMB350 as of December 31, 2011 will expire beginning 2014.

The following represents a roll-forward of the valuation allowance for each of the years:

	2009 RMB	**2010 RMB**	**2011 RMB**
Balance at beginning of period	2,100	2,140	1,498
Additions	492	5	
Reversals	(452)	(647)	(944)
Balance at end of period	2,140	1,498	554

9. SHARE-BASED COMPENSATION

In September 2000, the Company adopted a share option plan (2000 Option Plan) which provides for the issuance of up to 4,010,666 common shares. The total number of common shares reserved under the 2000 Option Plan was increased to 5,530,578 in February 2004 and to 7,530,578 in July 2006. On April 30, 2009, the Company adopted a new share option plan (2009 Option Plan). The 2009 Option Plan provides for the issuance of up to 5,000,000 common shares. The total number of common shares reserved under the 2009 Option Plan was increased to 10,000,000 in December 2011. Under the option plans, the directors may, at their discretion, issue share options to purchase the Company s common shares to any senior executives, directors, employees or consultants of the Group. The share options are granted at the fair market value of the common shares at the date of grant and can be exercised within six years from the date of grant.

The following table summarizes the Company s share option activities for the year ended December 31, 2011:

	Number of shares		Weighted average exercise price	Weighted average remaining contractual life (years)		Aggregate intrinsic value (thousands)
Outstanding at January 1, 2011	3,756,450	US$	7.75			
Granted	1,720,464	US$	28.72			
Exercised	(511,392)	US$	8.06			
Forfeited	(44,180)	US$	11.68			
Outstanding at December 31, 2011	4,921,342	US$	15.01	3.79	US$	42,603
Vested and expected to vest at December 31, 2011	4,668,480	US$	14.87	3.75	US$	40,775
Exercisable at December 31, 2011	2,189,936	US$	8.50	2.61	US$	27,937

The aggregate intrinsic value in the table above represents the difference between the Company s closing stock price on the last trading day in 2011 and the exercise price for in-the-money options.

The total intrinsic value of options exercised for the three years ended December 31, 2009, 2010 and 2011 was RMB4,717, RMB120,424 and RMB41,546 (US$6,601), respectively.

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51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(Amounts expressed in thousands of RMB and US$, except share and per share data)

As of December 31, 2011, there was RMB125,790 (US$19,986) of unrecognized share-based compensation cost related to non-vested share options. That deferred cost is expected to be recognized over a weighted average vesting period of 3.12 years. To the extent the actual forfeiture rate is different from the original estimate, actual share-based compensation related to these awards may be different from the expectation. For the year ended December 31, 2011, total cash received from the exercise of share options amounted to RMB26,560 (US$4,220).

A summary of non-vested share option activity for the year ended December 31, 2011 is presented below:

	Number of shares		**Weighted average grant-date fair value**
Non-vested at January 1, 2011	2,229,302	US$	3.30
Granted	1,720,464	US$	28.72
Vested	(1,174,180)	US$	3.93
Forfeited	(44,180)	US$	4.79
Non-vested at December 31, 2011	2,731,406	US$	7.96
Expected to vest at December 31, 2011	2,478,544	US$	8.06

There were no capitalized share-based compensation costs for the years ended December 31, 2009, 2010 and 2011. Share-based compensation expense with respect to the share option plans recognized during the years ended December 31, 2009, 2010 and 2011, totaled RMB27,020, RMB23,962 and RMB37,974 (US$6,034), respectively. The total fair value of share options vested during the year ended December 31, 2009, 2010 and 2011 was RMB29,297, RMB21,153 and RMB29,059 (US$4,617), respectively.

10. EMPLOYEE BENEFITS

The full-time employees of the Company s subsidiaries and VIE subsidiaries that are incorporated in the PRC are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits. These companies are required to accrue for these benefits based on certain percentages of the employees salaries in accordance with the relevant regulations, and make contributions to the state-sponsored welfare, pension and medical plans out of the amounts accrued for these benefits. The total amounts charged to the consolidated statements of operations for such employee benefits amounted to RMB58,932, RMB64,684 and RMB83,985 for the years ended December 31, 2009, 2010 and 2011, respectively. The PRC government is responsible for the welfare and medical benefits and ultimate pension liability to these employees.

11. RELATED PARTY TRANSACTION

In August 2007, the Company entered into a cooperation agreement with Recruit, which is a shareholder of the Company, to form a new company under Area Link to provide coupon advertising services in China. Under the agreement as amended in August 2009, the Company may provide up to RMB32,800 in financing to Area Link for the coupon company and has the ability to acquire up to 40% of Area Link s share capital. The Company did not provide financing to Area Link for the years ended December 31, 2009, 2010 and 2011. As of December 31, 2011, total investment in Area Link was RMB15,081, for which full impairment provision was provided. See Note 2(f).

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51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

(Amounts expressed in thousands of RMB and US$, except share and per share data)

12. EARNINGS PER SHARE

Basic earnings per share and diluted earnings per share have been calculated for the years ended December 31, 2009, 2010 and 2011 as follows:

	2009 RMB	2010 RMB	2011 RMB
		(in thousands, except share and per share data)	
Numerator:			
Net income	112,512	234,661	386,508
Denominator:			
Denominator for basic earnings per share weighted average common shares outstanding	55,559,252	55,485,256	56,754,240
Effect of dilutive share options	209,614	1,329,247	2,313,184
Denominator for diluted earnings per share	55,768,866	56,814,503	59,067,424
Basic earnings per share	2.03	4.23	6.81
Diluted earnings per share	2.02	4.13	6.54

The Company excluded outstanding share options of 3,688,627 in 2009, 1,341,778 in 2010 and 1,294,660 in 2011 from the calculation of diluted earnings per common share because the exercise prices of these share options were greater than or equal to the average market value of the common shares. These options could be included in the calculation in the future if the average market value of the common shares increases and is greater than the exercise price of these options.

13. COMMITMENTS AND CONTINGENCIES

Publication Fee and Operating Lease Commitments

The Group has entered into non-cancelable agreements with initial or remaining terms in excess of one year for the publication of *51job Weekly*, the rental and property management of office premises and for the lease of office equipment. Future minimum payments with respect to these agreements for the twelve months ending December 31 of the coming years are as follows:

	Publication fees RMB	Operating lease Office premises RMB	Operating lease Others RMB	Total RMB
2012	25,414	25,126	3,389	53,929
2013	20,426	17,911	1,035	39,372
2014		3,916	177	4,093
2015		886		886
	45,840	47,839	4,601	98,280

Rental expenses for the years ended December 31, 2009, 2010 and 2011 were RMB34,501, RMB33,204 and RMB37,042, respectively.

Contractual Purchase Obligations

The Group s contractual purchase obligations consist of agreements to purchase advertising services from outdoor and Internet media companies. Future minimum payments with respect to these agreements for the twelve months ending December 31, 2012 are RMB4,658.

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51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

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Contingencies

There are uncertainties regarding the legal basis of the Group s ability to operate the Internet content service. Although the PRC has implemented a wide range of market-oriented economic reforms, the telecommunication, information and media industries as well as certain sectors of the human resource service industries remain highly regulated. Not only are restrictions currently in place, but also regulations are unclear regarding in what specific segments of these industries companies with foreign investors, including the Company, may operate. Therefore, the Group might be required to limit the scope of its operations in the PRC, and this could have an adverse effect on the Group s financial position, results of operations and cash flows.

Tech JV obtained an advertising license in May 2000, when Tech JV was a 98% foreign owned entity, and a license to conduct human resource services in September 2002, when Tech JV was a 99% foreign owned entity. During the period from the date Tech JV acquired these licenses to the Group s restructuring in May 2004, Tech JV and its licensed PRC subsidiaries conducted all of the advertising and human resource related services. Following the acquisition of these licenses and commencing these operations, the PRC government enacted laws limiting foreign ownership in entities conducting advertising and human resource related services. The PRC government has permitted 100% foreign ownership of advertising businesses since December 2005 and has limited the foreign ownership of human resource services companies to no more than 70% since August 2006.

The PRC government has not published an official ruling with respect to the status of foreign ownership arrangements that were established prior to the enactment of these limitations and which may be above these limitations. Prior to the restructuring in May 2004, the ownership percentage of Tech JV was above the maximum foreign ownership permitted for an entity conducting advertising and human resource operations. In addition, there is uncertainty regarding the regulation of PRC subsidiaries in which subsidiaries of foreign owned PRC entities invest, such as the subsidiaries of AdCo which are engaged in advertising businesses. The PRC government may determine that the Group s ownership structure was inconsistent with or insufficient for the proper operation of the Group s businesses, or that the Group s business licenses or other approvals were not properly issued or not sufficient.

In the opinion of management with the advice of outside counsel, the likelihood of loss in respect of the Group s current or past ownership structure is remote.

14. FINANCIAL INSTRUMENTS

Financial instruments of the Group are primarily comprised of cash, restricted cash, short-term investments, receivables, long-term investments and payables. In accordance with ASC 820, cash, restricted cash, accounts receivable and payables are classified within Level 1 and their carrying values approximated their estimated fair values due to the short-term maturities of these instruments. Short-term investments, which consist of certificates of deposits, are classified within Level 1 and the carrying values approximated their estimated fair values because such deposits bear market interest rates. Long-term investments consist of non-interest bearing loans to Area Link, for which full impairment provision was provided in the year ended December 31, 2011. See Note 2(f).

15. CERTAIN RISKS AND CONCENTRATION

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist primarily of cash, restricted cash, short-term investments and receivables. As of December 31, 2010 and 2011, the Group s cash, restricted cash and short-term investments were held in major financial institutions located in the PRC, Hong Kong and the United States which management believes are of high credit quality. As of December 31, 2011, the Company had approximately RMB1,912,594 (US$303,881) in cash and certificates of deposit in the PRC, which constitute about 93% of total cash, restricted cash and short-term investments. Approximately 62% of the Company s total cash, restricted cash and short-term investments were held at a branch of Bank of Nanjing in Shanghai, PRC.

Receivables are typically unsecured and denominated in RMB, and are derived from revenues earned from operations or from payments made on behalf of certain customers arising in the PRC. Management believes credit risk on receivables is moderate due to the diversity of its services and customers.

The Group s sales and purchase and expense transactions are generally denominated in RMB and a significant portion of the Group s liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies. In the PRC, foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People s Bank of China.

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51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

(Amounts expressed in thousands of RMB and US$, except share and per share data)

The Group is subject to regulatory risks, which include the interpretation of current tax laws, the legality of its corporate structure and the scope of its operations in the PRC, which may result in limitations on the Group s ability to conduct business in the PRC. In addition, the Group conducts some of its operations in China through VIEs and consolidates them pursuant to a series of contractual arrangements. If the contractual arrangements establishing the VIE structure are found to be in violation of any existing or future PRC laws or regulations, the relevant PRC government authorities will have broad discretion in dealing with such violation, including, among others, imposing penalties which may cause the Group to lose its rights to direct the activities of and receive economic benefits from its VIEs, which in turn may restrict the Group s ability to consolidate and reflect in its financial statements the financial position and results of operations of its VIEs. If the PRC government finds that these contractual arrangements do not comply with applicable laws and regulations, it may require the Group to restructure its operations entirely. The Group s business, operating results and financial condition could also be materially and adversely affected by significant political, economic and social uncertainties in the PRC.

No individual customer accounted for more than 10% of net revenues during the years ended December 31, 2009, 2010 and 2011. No individual customer accounted for more than 10% of accounts receivable as of December 31, 2010 and 2011.

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ADDITIONAL INFORMATION FINANCIAL STATEMENT SCHEDULE I

51JOB, INC.

CONDENSED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

	Note	2009 RMB	2010 RMB	2011 RMB	2011 US$ (Note 4)
			(in thousands)		
Net revenues					
Cost of services					
Gross profit					
Total operating expenses		(28,760)	(24,434)	(39,142)	(6,219)
Loss from operations		(28,760)	(24,434)	(39,142)	(6,219)
Equity in profit of subsidiary companies, net	1	141,198	265,623	445,948	70,854
Loss from impairment of long-term investments				(15,081)	(2,396)
Loss from foreign currency translation		(215)	(6,673)	(7,898)	(1,255)
Interest income		376	260	3,996	635
Other expense		(87)	(115)	(1,315)	(209)
Income before income tax expense		112,512	234,661	386,508	61,410
Income tax expense					
Net income		112,512	234,661	386,508	61,410

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ADDITIONAL INFORMATION FINANCIAL STATEMENT SCHEDULE I

51JOB, INC.

CONDENSED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011

	Note	2010 RMB	2011 RMB	2011 US$ (Note 4)
		(in thousands, except share and per share data)		
ASSETS				
Current assets:				
Cash		243,229	40,874	6,494
Restricted cash		34,411	4,263	677
Short-term investments	3		126,018	20,022
Receivables due from related parties	2	3,350	99,817	15,860
Prepayments and other current assets		44	3,736	594
Total current assets		281,034	274,708	43,647
Long-term receivables due from related parties	2	318,403	318,403	50,589
Long-term investments	3	15,433		
Investment in subsidiaries	1	1,080,281	1,526,229	242,493
Total non-current assets		1,414,117	1,844,632	293,082
Total assets		1,695,151	2,119,340	336,729
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities:				
Due to related parties	2	4,773	9,123	1,450
Other payables and accruals		35,522	4,642	737
Total current liabilities		40,295	13,765	2,187
Total liabilities		40,295	13,765	2,187
Shareholders equity:				
Common shares (US$0.0001 par value per share; 500,000,000 shares authorized, 56,473,949 and 56,981,341 shares issued and outstanding as of December 31, 2010 and 2011, respectively)		47	47	7
Additional paid-in capital		997,933	1,061,819	168,706
Accumulated other comprehensive income		1,313	1,638	260
Retained earnings, including statutory reserves		655,563	1,042,071	165,569
Total shareholders equity		1,654,856	2,105,575	334,542

Total liabilities and shareholders equity	1,695,151	2,119,340	336,729

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ADDITIONAL INFORMATION FINANCIAL STATEMENT SCHEDULE I

51JOB, INC.

CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

	2009 RMB	2010 RMB	2011 RMB	2011 US$ (Note 4)
		(in thousands)		
Net cash provided by (used in) operating activities	1,693	239	(93,563)	(14,866)
Net cash used in investing activities			(126,018)	(20,022)
Net cash provided by (used in) financing activities	(42,249)	71,849	25,912	4,117
Effect of foreign exchange rate changes on cash	(215)	(6,125)	(8,686)	(1,380)
Net increase (decrease) in cash	(40,771)	65,963	(202,355)	(32,151)
Cash, beginning of year	218,037	177,266	243,229	38,645
Cash, end of year	177,266	243,229	40,874	6,494

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ADDITIONAL INFORMATION FINANCIAL STATEMENT SCHEDULE I

51JOB, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

(Amounts expressed in thousands of RMB and US$ unless otherwise stated)

1. BASIS OF PRESENTATION

The condensed financial statements of 51job, Inc. (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America except for accounting of the Company s subsidiaries and certain footnote disclosures as described below.

The Company is generally a holding company of certain subsidiaries and variable interest entities (collectively Subsidiaries). The Company records it investment in its Subsidiaries under the equity method of accounting as prescribed in Accounting Standards Codification 323 Investments Equity Method and Joint Ventures. Such investment is presented on the balance sheet as Investment in subsidiaries and 100% of the Subsidiaries profit or loss as Equity in profit of subsidiary companies, net on the statement of operations.

The Subsidiaries did not pay any dividend to the Company for the periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company.

2. RELATED PARTY BALANCES

Balances with related parties for the periods indicated are as follows:

	2010 RMB	2011 RMB
Receivables due from related parties:		
51net HR	722	716
51net Beijing	50	75
51net.com Inc.	2,578	99,026
	3,350	99,817
Long-term receivables due from related parties:		
51net.com Inc.	318,403	318,403
	321,753	418,220
Due to related parties:		
Qianjin Network Information Technology (Shanghai) Co., Ltd.	713	814
Shanghai Qianjin Advertising Co., Ltd.	4,060	8,309
	4,773	9,123

The amounts due from 51net.com Inc. relate to cash payments made by the Company to 51net.com Inc. for investment in the Company s PRC entities. The amounts are unsecured, non-interest bearing and have no definite terms.

3. INVESTMENTS

Short-term investments consist of certificates of deposit with original maturities between three months and one year.

Long-term investments consist of non-interest bearing loans provided to Area Link Co., Ltd. (Area Link), which is the holding company of a coupon advertising services company in China, in 2007 and 2008. Area Link is affiliated with Recruit Co., Ltd., a shareholder of the Company. The Company determined that the carrying value of these investments was not recoverable and recognized a loss from impairment totaling RMB15,081 for the year ended December 31, 2011. No impairment losses were recorded during the years ended December 31, 2009 and 2010.

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ADDITIONAL INFORMATION FINANCIAL STATEMENT SCHEDULE I

51JOB, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

(Amounts expressed in thousands of RMB and US$ unless otherwise stated)

4. FOREIGN CURRENCIES

The unaudited United States dollar (US$) amounts disclosed in the financial statement are presented solely for the convenience of the readers. Translations of amounts from Renminbi (RMB) into United States dollars for the convenience of the reader were calculated at the rate of US$1.00 = RMB6.2939 on December 30, 2011, representing the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at that rate on December 30, 2011, or at any other rate.